Michigan’s current automobile no-fault system is broken and in need of repair. Under a new proposal, the no-fault system would be protected while Michigan drivers continue to receive the best catastrophic injury protection in the nation with lower insurance premiums.

**Issues/Facts**

Michigan’s current no-fault medical mandate is outdated, expensive, unsustainable and unfair to residents. The system requires individuals to purchase the highest (unlimited) medical benefits in the country even if the coverage is not needed or can’t be afforded.

The staggering increases in the cost of providing unlimited, unrestricted medical coverage as part of our automobile insurance has Michigan drivers paying some of the highest auto insurance premiums in the country. We have seen auto insurance premiums rise faster than any other state. The average auto insurance premium in Michigan rose from the 12th highest in the country in 2007 to the 8th highest in 2010.

When compared to neighboring states, Michigan’s average premium is between $261 (34%) and $404 (60%) higher per car.

**Why are our costs so high and what can be done?**

Michigan is the only state to require unlimited lifetime medical benefits. The new proposal would limit medical benefits to $1,000,000 and would continue to provide the most generous benefits in the nation, 20 times higher than the requirement of the next closest state, New York, with a $50,000 limit.

99.5% of all persons injured in automobile accidents would not exceed the $1 million coverage available on an annual basis. The small number of people (0.5%) with medical bills in excess of this limit would be able to collect from other sources including their health insurance carrier, the other at-fault automobile insurance carrier (if any), their own carrier via the uninsured / underinsured provisions, Medicare (or other Federal Health Insurance) or Medicaid just as injured parties do in the other 49 states.

During the last 12 years, the average auto insurance Personal Injury Protection (PIP) medical claim cost rose more than 230%, from $13,617 in 2000 to $45,016 in 2012. Source: ISO/PCI Fast Track Data.
A medical fee schedule is one of the most common cost containment tools used to control health care costs. Forty-two states use some sort of medical fee schedule in their workers’ compensation system. A medical fee schedule has brought consistency and stability to the workers’ compensation market in Michigan and could do the same for the no-fault auto insurance system.

Michigan’s no-fault law mandates that all motorists purchase the highest medical benefits in the country. Michigan seniors are already covered under Medicare and with the enactment of federal health care, which provides unlimited benefits, consumers will be paying twice for their health care. The proposal would allow consumers to maximize their health care dollars by not duplicating coverage.

It is estimated that under no-fault reform, the premium charges for every vehicle in the state will be reduced by $125 per year. That is an average savings of $250 per household.

Michigan consumers would benefit from auto insurance reforms that provide cost controls for medical expenses and long-term stability to the system while continuing to receive the best medical benefits in the country.

Proposed Reform To Michigan’s No-Fault Automobile System

- Set the lifetime limit for auto accident medical coverage at $1 million per person.
- Establish cost controls for medical expenses and prohibit health care providers from collecting higher fees from auto insurance companies than those paid by health insurance carriers like Blue Cross and workers comp for the same care.
- Establish a state authority to fight auto insurance fraud and fund local law enforcement and prosecutors to arrest and convict those guilty of fraud.

“It has been 40 years since the no-fault system has been implemented and it’s long overdue for review,” said Gov. Snyder. “These changes will create a policy that continues to cover accident victims far better than any other state and will create cost controls that stem the tide of rising insurance premiums while also providing immediate relief for families.”

Support Needed For No-Fault Reform

Debate on the Governor’s auto insurance reform proposal is likely to get heated with the introduction of legislation (House Bill 4612). No-fault reform has stalled in the past because legislators are only hearing from those who say “no” to reform. The benefits available with its passing are undeniable.

At the website, click “Get Involved;” you only need to provide your name and zip code and the system will automatically direct your letter of support to your legislator or local newspaper.

Let your voice be heard today!

Support no-fault reform so that Michigan drivers can continue to receive the best catastrophic injury protection with lower insurance premiums.