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Legislation to Curtail Michigan Auto Insurance Rates Gains Traction

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Michigan is among a dozen “no-fault” states where drivers must buy personal injury protection (“PIP”). And it is the only state in the country to require unlimited coverage for crash victims so that motorists who are injured need not worry about health expenses. Michigan’s no-fault system provides for extensive benefits that are not usually provided by health insurance, including long-term physical therapy, replacement of lost wages, and residential attendant care.

These benefits come with a price: Michigan motorists pay the highest car insurance premiums in the country. A recent University of Michigan study found that the average premium paid by Michigan drivers—\$2,693 per year—is 83% higher than the national average of \$1,470. Detroit’s premium on average is \$5,464, far greater than premiums paid by residents of any other U.S. city.

Now a Republican-led state legislature is pushing to change Michigan’s no-fault law. Bills passed by both legislative chambers would make unlimited PIP coverage optional. Both the Senate and House measures would let motorists with other health insurance choose to cap or eliminate, PIP benefits, which can account for up to half of a driver’s premiums. The two chambers must now reconcile the two measures into a single bill, which will be sent to Democratic Governor Gretchen Whitmer for signature.

However, Governor Whitmer has announced that she will veto the legislation unless it is modified in several ways. Among other things, she wants to ban the use of non-driving factors, such as zip codes and credit scores, to set premiums—practices that Democrats consider discriminatory and particularly harmful to low-income motorists in cities like Detroit.

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A growing number of Michigan drivers who cannot afford the premiums “drive dirty” by taking to the streets without any insurance, which is illegal.

Unlike many other no-fault states, Michigan does not have a fee schedule for medical care covered by auto insurers. Consequently, car insurers pay much more for the same services than what is paid by employer plans or government insurance such as Medicare or Medicaid. The legislature would cap reimbursements at workers’ compensation levels.

Democrats say the proposed legislation falls short. They are especially skeptical of the Senate version of the bill, which does not spell out any requirements of insurers to lower their prices. Republicans respond that despite the lack of price mandates in the Senate bill, insurance premiums are bound to fall for motorists who choose plans with capped no-fault benefits.

Attempts to change the auto insurance system are nothing new in Michigan. Past efforts to do so have long resulted in legislative stalemates, with some of the state’s most powerful special interests—hospitals, business groups, plaintiffs’ attorneys, health providers, and insurance companies—lining up for or against legislation. Voters in 1992 and 1994 defeated insurance industry-back ballot proposals to cap medical benefits.

However, changes to the law like those in the House and Senate bills are believed to have much more popular support than in the 1990s. Governor Whitmer may have little choice but to respond to the outcry over soaring auto insurance premiums by supporting some version of legislation that does away with mandatory PIP payments.

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