

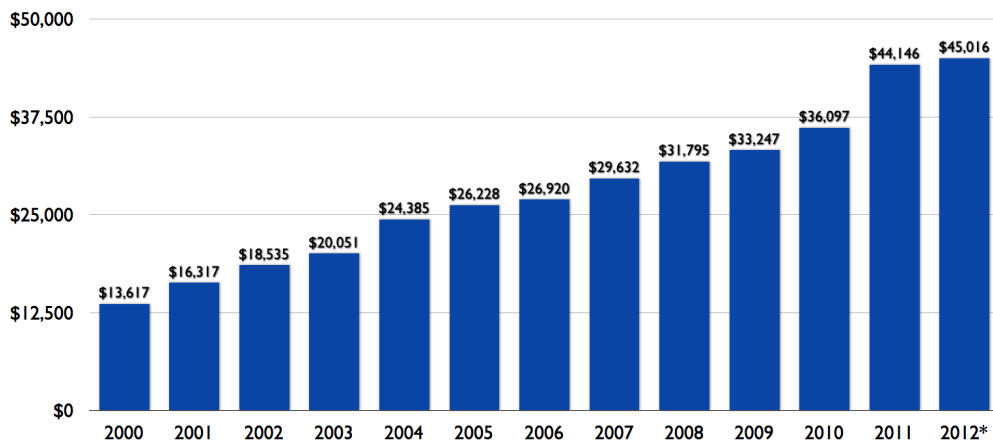
Michigan No-Fault Reform

The Case for Reforming No-Fault Insurance

Michigan Drivers Can't Afford Out-of-Control Auto Insurance Bills

Michigan's no-fault auto insurance system is in desperate need of reform. Recent studies show staggering increases in the cost of purchasing auto insurance in Michigan, rising at twice the rate of all other states. Mandated unlimited, lifetime medical coverage, has pushed the cost of auto insurance from 20 percent to 35 percent higher than in neighboring states – resulting in 1 out every 5 Michigan drivers going without insurance.

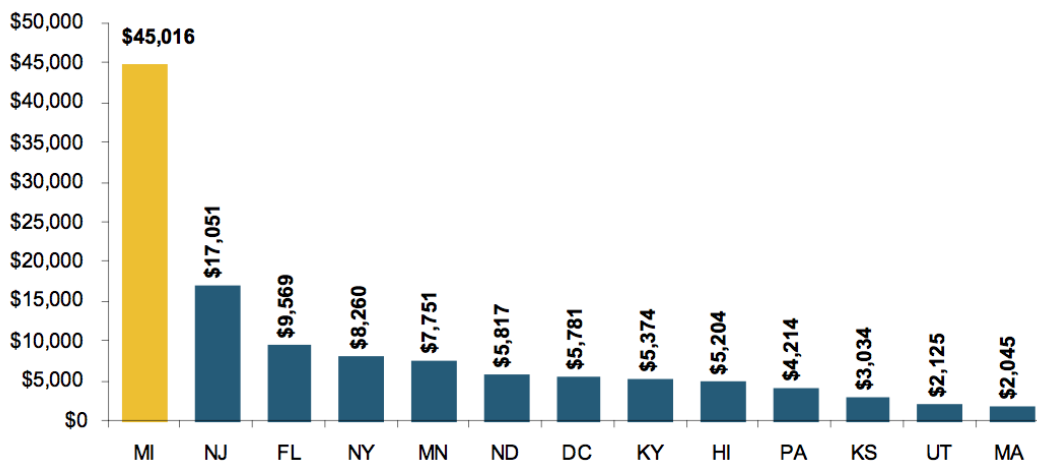
Average Michigan No-Fault (PIP) Claim, 2000-2012



*Figure through third quarter of 2012
Source: ISO/PCI Fast Track data, Insurance Information Institute

The average auto insurance medical claim of over \$45,000 is more than twice as high as in the next closest state (New Jersey \$17,051) and four times the average costs for all states. The cost of our Personal Injury Protection (PIP) coverage has increased 230 percent over the past twelve years while costs for the rest of the country have only increased 25 percent.

Average Cost of No-Fault (PIP) Claim, 2012



*Average of the four quarters ending September 30, 2012. Latest available as of 3/19/2013.
Source: ISO/PCI Fast Track data; Insurance Information Institute.

Medical Providers Driving up No-Fault Costs

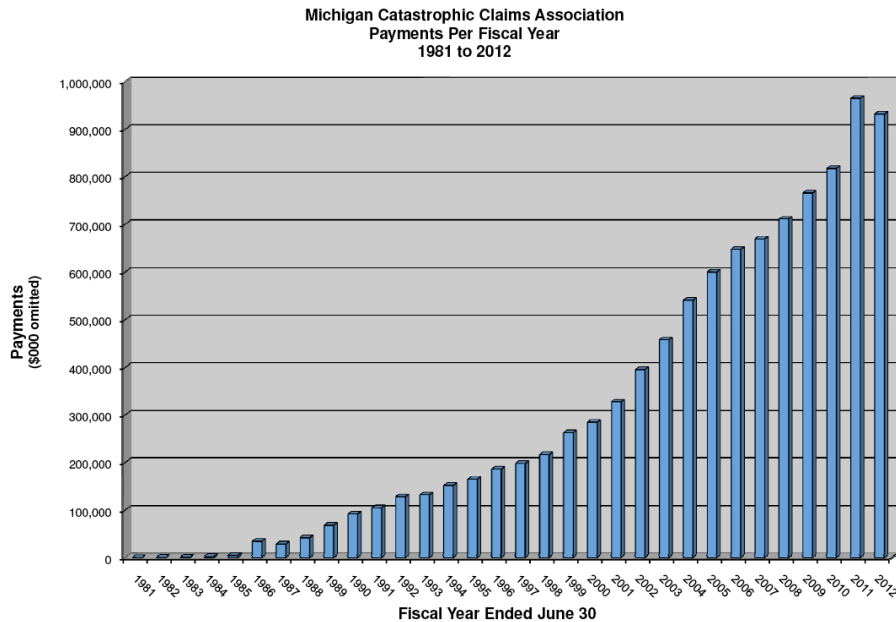
One of the reasons medical costs are increasing at a rapid pace is the increasing cost of health care for no-fault insured patients. The graph below shows comparative average hospital billings for the same procedure depending on the insurance coverage.

	Medicare	Workers Comp	No-Fault
X-Ray	\$42	\$65	\$162
ER Visit	\$125	\$170	\$444
CT Scan	\$262	\$419	\$1,820
MRI	\$484	\$766	\$3,279

Source: Michigan Catastrophic Claims Association (MCCA)

Attendant Care is the #1 Increasing Cost

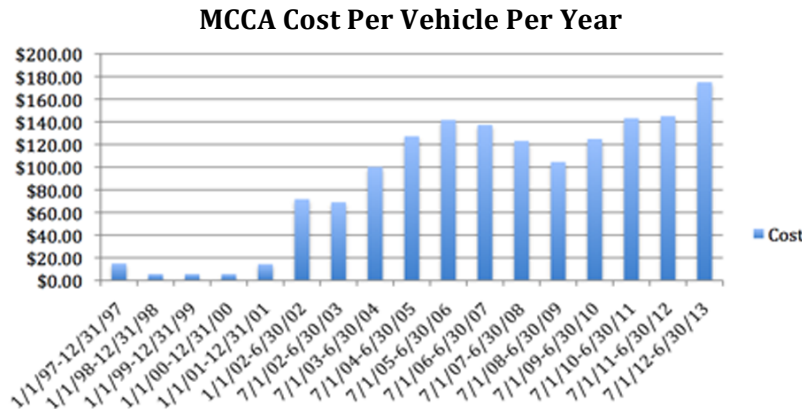
Not many years ago attendant care was less than 10 percent of the overall cost of no-fault. Today it is approaching 40 percent of the cost of the Michigan Catastrophic Claims Association (MCCA) – driving overall medical payments up by 250 percent to almost \$1 billion per year. Recent judgments against the MCCA have awarded families \$250,000–\$350,000 per year for attendant care alone.



Note: Total amount paid inception to date as of 6/30/2012 is \$9.92 billion

MCCA Costs to Drivers are Skyrocketing.

To pay for the increased cost of health care, the MCCA fee added to the cost to insure every car has risen from \$5.60 per car in 1998 to \$175 per car in 2012 – an increase of more than 3100 percent.



Source: Michigan Catastrophic Claims Association (MCCA)

Drivers Forced to Pay for Coverage They Already Have

To make matters worse, Michigan drivers are forced to pay twice and only collect once if they have private insurance or Medicare. There are over \$65 billion in unfunded future liabilities that will drive insurance rates even higher if we don't do something now. **Michigan drivers simply can no longer afford to be forced to buy unlimited coverage at an unlimited cost.**

The No-Fault Reform plan would ensure the stability of the no-fault auto insurance system for the future and will provide Michigan drivers with car insurance at a cost they can afford.

Fixing No-Fault for Michigan Drivers

Reducing Rates, Providing the Best Coverage and Protecting the Future of No-Fault Insurance

Lower Costs Means Lower Insurance Rates

Reducing the costs of providing no-fault will result in real savings for Michigan Drivers. Eliminating the need to fully fund the MCCA alone could save Michigan families over \$900 million per year. Making auto insurance more affordable will bring in many who are currently uninsured.

Continue Providing the Highest Level of Medical Coverage

Michigan can provide a reasonable amount of medical coverage and still offer consumers the most generous coverage in the country. Currently New York has the second highest mandated coverage at \$50,000. Providing a reasonable limit of coverage, coupled with private health care, Medicaid and Medicare, will virtually cover all medical claims from auto accidents.

Establishing an Auto Insurance Fraud Program

As much as 10 percent of auto insurance claims are fraudulent, which drive up the cost of auto insurance premiums. The legislative reforms will establish a Fraud Authority to provide financial resources to investigate, prosecute and deter auto insurance fraud.

Setting Reasonable and Fair Reimbursement Rates for Medical Providers

Current reimbursement rates are not under any controls and are frequently used as a way to make up for losses from other payors. These abuses have been driving the cost of medical care for no-fault insurance through the roof. Under this comprehensive reform, hospitals and providers would be prohibited from gouging injured auto accident victims by limiting fees and charges to the average amount paid for those services by other health care insurers. This will end the secret cost shifts that Michigan drivers have been bankrolling for years.

Medical providers will be paid the average cost they negotiate with all insurance companies for all treatments – no more, no less.

Making No-Fault Insurance Affordable and Sustainable. The Auto Insurance Affordability Plan will:

1. Provide the most extensive and generous auto insurance in the nation.
2. **Lower** rates for all drivers to make insurance more affordable – reducing the number of uninsured motorists.
3. Crack down on fraud.
4. Establish a fair medical reimbursement system to keep rates low.