



MICHIGAN

To: Honorable Members of the House Insurance Committee
From: Charles Owens, State Director
Date: October 3, 2017
RE: House Bill 5013 – Michigan No-Fault Auto Insurance Reform

We are writing to ask for your support of House Bill 5013 that would make much needed reforms to Michigan's no-fault auto insurance law. Our state is currently the only one in the country to have unlimited medical benefits for auto insurance and that distinction is reflected in the high premiums that we pay. This legislation allows consumers to make alternate choices, including keeping unlimited coverage. Consumers and small business owners should be given a choice that allows them to fit this mandated coverage into their budgets instead of it being dictated as an all or none choice for unlimited medical coverage. Michigan's costly take it or leave it unlimited medical coverage is the leading reason for the high number of uninsured drivers in our state.

Under HB 5013, medical costs charged by health care providers would be subject to a fee schedule tied to Medicare reimbursement rates. Now, hospitals and other care providers can charge much higher rates for services from no-fault auto insurance companies than they do for other insurance programs such as workers compensation, Medicaid, Medicare, and private health insurance. This is another factor in driving up Michigan's auto insurance costs.

Michigan's no-fault auto insurance is a particular burden to small business owners that have commercial vehicles that are used by employees. This is because they subsidize the high cost of unlimited PIP coverage through their auto insurance premiums while work-related auto injury claims are covered as primary under the workers compensation insurance they are also required to carry.

We are aware that there are other proposals that have been put forth this session that make the unrealistic promise of keeping the status quo no-fault insurance coverages mostly unchanged while claiming cost reductions to consumers. HB 5013 recognizes that no significant cost savings can be achieved unless the underlying drivers of those costs are addressed.

If HB 5013 is passed by the legislature in its current form and signed into law, it would result in savings to consumers of anywhere from 30 to 50 percent from current rates depending on the PIP options selected.

Again, we ask for your support of House Bill 5013 and we thank you for your support of Michigan's small business owners.