

MICHIGAN AUTO INSURANCE RATES

We are often asked:

Why did my car insurance premium go up? I've had no claims!



With food prices skyrocketing, stagnant wages and more folks on fixed incomes, premium increases are a hardship for many. The issue of increasing premiums has several dynamics I will try to explain.

The No-fault Law – Michigan is unique with regards to automobile insurance due to our No-fault insurance law. Within this law, a primary cost factor is directly related to the unlimited (in time or amount) protection offered under the Personal Injury Protection coverage. The open end cost provision of this protection is the Cadillac standard for automobile insurance and is unsurpassed by any other state in America.

Medical Providers Abuses – A primary factor in rising cost of insurance premiums is that medical providers can charge whatever they want when treating auto accident victims. As an example, Blue Cross or Medicare might pay \$825.00 for an MRI because they stipulate in their schedule of benefits the maximum amounts they will pay for a procedure and hospitals accept these fees. However, it is normal for them to charge Auto Insurers two or three times more than Blue Cross / Blue Shield would pay for the same procedure. The first question asked of any accident victim when admitted is; was your injury caused in an automobile accident?

MCCA – A major factor linked to the PIP coverage is the *Michigan Catastrophic Claims Association* funding mechanism which was implemented in 1981 to prevent the mass exodus of insurance companies from Michigan. The MCCA fund, which is controlled by the State of Michigan, pays for any automobile accident injury that exceeds \$500,000.00. The premiums for the MCCA fund rise proportionately to the higher cost of health and long term care and are exacerbated by the abuses previously mentioned.

Unpredictability- The unlimited costs related to the Personal Injury Protection (PIP) coverage is the best in the industry but the costs per claim is totally unpredictable. Any automobile accident could create a catastrophic event whereby millions of dollars would need to be set aside for just one severely injured person. Just as insurance companies need to purchase re-insurance for other catastrophic events, the State Legislature was forced to provide financial protection so companies would not go bankrupt under the financial pressure caused by the No-fault law, this is the MCCA fund.

Reform – For the last twenty years, insurance companies have been seeking additional reform for the provisions in the PIP coverage which would make pricing predictable and premiums more affordable for the consumer. To this point, attorney and medical lobbyists have been successful in stifling such reform. Until reform can be enacted, there is little that insurance companies can do to reduce automobile premiums in Michigan.

Agency Action – We, as an agency, do our best by rewriting our clients' policies with another of our carriers when it benefits them to do so but this is only a temporary fix for an on-going problem that only No-fault insurance reform can fix.



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