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Report: No-fault changes would trim rates but cost jobs

By Jay Greene

Up to 5,200 jobs could be lost in Michigan if pending legislation is approved this fall to reform the state's no-fault automobile insurance laws, said a report issued today by East Lansing-based Anderson Economic Group LLC.



Kuhnmuensch

But the report also says that the average insured driver could save as much as \$137 annually in lower insurance premiums because the bill would offer consumers a choice of six coverage levels -- starting with a minimum of \$50,000 -- instead of the state-mandated unlimited coverage that adds \$145 a year to each written premium.

Michigan's average annual auto insurance rate was \$2,541 in 2010, the highest in the nation and an increase of 17 percent from 2009, said Quadrant Information Services. Anderson Economic Group produced the report for the Coalition Protecting Auto No-Fault, a group that opposes the auto insurance reform package. The 28-member coalition includes the Michigan Health and Hospital Association, the Michigan State Medical Society, the Brain Injury Association of Michigan and the Michigan Consumer Federation.

The Anderson report also said 75 percent to 90 percent of drivers in Michigan would choose a lower coverage level than unlimited. As a result, an estimated 638 to 765 people each year would be expected to be underinsured and suffer catastrophic injuries of more than \$500,000, the report said.

Bill Buccalo, president of Livonia-based Rainbow Rehabilitation Centers and a member of the Michigan Brain Injury Association, said passage of the auto reform bill would have negative impact on injured drivers, the Medicaid program and the health care industry.

"If 75 percent of accident victims underinsure, they will not have access to health care services as they would have with lifetime coverage and they could go bankrupt," Buccalo said. "This will result in a big economic job loss because those services will not be purchased."

Based on lower expected health care spending and premium savings, the proposed law would mean a minimum 2,550 to 5,200 fewer jobs in Michigan and \$70 million

to \$150 million less in annual payroll based on payouts above \$500,000, the report said.

But Pete Kuhnmuench, executive director of the Lansing-based Insurance Institute of Michigan, disputed the numbers because he said Anderson's assumption is wrong that up to 90 percent of drivers would choose lower coverage levels.

"In New Jersey, which is comparable to Michigan, insurers are mandated to offer a \$250,000 catastrophic coverage on top of a \$15,000 minimum. Eighty to 85 percent of drivers purchase the catastrophic coverage," Kuhnmuench said.

"Will there be folks who will have inadequate coverage, yes," said Kuhnmuench. "Four hundred people might not have adequate coverage if they purchase the minimum of \$50,000. The exposure out there is minimal."

Kuhnmuench said 94 percent of claims in Michigan are less than \$50,000 with an average claim of \$3,966. Only 0.5 percent of claims exceed \$400,000.

Claims exceeding \$500,000 are covered by reinsurance provided by the Michigan Catastrophic Claims Association, which is paid by the \$145 annual policy assessments.

The state's 39-year-old auto no-fault law contains the nation's only unlimited and lifetime medical benefit provision.

Under the proposed auto insurance reform package, four bills are under consideration (Senate Bills 293, 294, 295 and 296). The bills have not yet been scheduled for hearings in the Senate Insurance Committee headed up by Sen. Joe Hune, R-Hamburg Township, a spokesman said.

The bills include creating a fee schedule for providers similar to workers' compensation, enhancing anti-fraud efforts and offering six personal injury protection liability coverage levels instead of the current unlimited medical protection.

The six proposed coverage levels are \$50,000, \$100,000, \$200,000, \$400,000, \$500,000 and lifetime. The lower coverage levels would be priced less expensively, Kuhnmuench said.

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