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## New Auto Insurance Law Will Benefit Michigan Drivers

By Michael Van Beek

### Summary

State lawmakers and Gov. Gretchen Whitmer delivered on a long-needed fix to fix Michigan's auto insurance laws, which made auto insurance here more expensive than anywhere else in the country.

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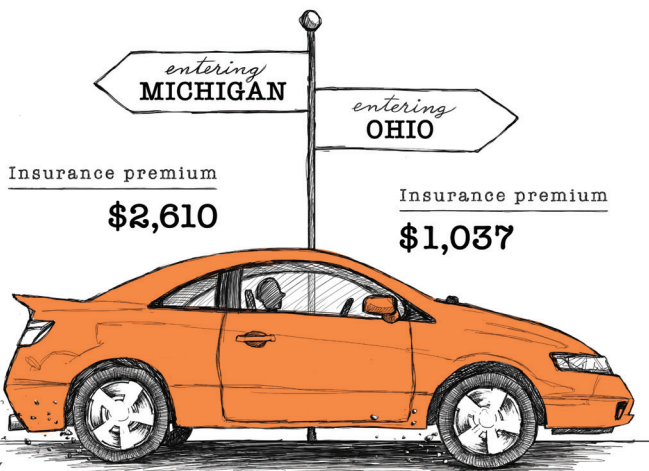
Gov. Gretchen Whitmer and the Michigan Legislature recently enacted historic reforms to this state's auto insurance laws. The bipartisan effort was a long time coming — policymakers have discussed and debated these reforms for decades. But now, finally, Michigan motorists can take control of their auto insurance costs, select the level of coverage that best meets their needs and get much-needed relief on their auto insurance premiums.

The problems with Michigan's no-fault auto insurance system, created in 1973, surfaced gradually but became a crisis in recent years. Requiring all drivers to purchase an unlimited amount of medical coverage — something no other state did — led to sky-high premiums, the highest in the nation and nearly double the U.S. average. Compounding the problem, the state neither allowed auto insurers to negotiate with medical providers over prices nor set a fee schedule for services provided to accident victims, a common tool used to control costs for third-party payment systems like insurance.

As a result, an estimated one in five Michigan drivers broke the law and drove without insurance. In Detroit, half of all drivers were thought to be “riding dirty,” as the costs of insuring a car there grew to be just plain absurd. Any law with this level of willful violation needed to be reconsidered, and a cadre of organizations in recent years studied the problem and called for reforms. The advocates for change included the state's biggest newspapers, the Citizen's Research Council of Michigan, the RAND Corporation, the University of Michigan's Poverty Solutions research center and others.

The reforms recently signed into law, while not perfect, address the core problems with Michigan's no-fault law identified by these groups. Drivers will now have a choice over the level of medical coverage they want, and many drivers will be able to opt out altogether if their health insurance policy will cover them for accident-related medical bills. Insurers, who've paid out more in claims than they have received in premiums in recent years, will be required to reduce premiums correspondingly. Medical providers will no longer be able to charge insurers whatever they think they can get away with and will have to use a state-imposed fee schedule instead.

Insurers will be restricted in what factors they may use to establish rates for different types of drivers. People they view as riskier to insure will benefit



Source: The Zebra

the most from this reform. The Michigan Catastrophic Claims Association — the entity the state designed to pay for the most expensive claims — will be subject to additional financial reporting requirements, and a new antifraud authority will be established. With so many different elements of reform, it is difficult to pin down how much the typical driver will save, but there's reason to believe most drivers could save into the thousands each year.

Accolades for these reforms should be widespread. Legislative leaders — Senate Majority Leader Mike Shirkey and Speaker of the House Lee Chatfield — made this a priority from day one in January and delivered before summer arrived. Gov. Whitmer played a vital role, too. Her Democratic colleagues introduced competing legislation, which was full of bad ideas that would have actually made auto insurance even more expensive. The governor provided leadership for her party to back the best reforms, and she achieved a bipartisan win that will directly benefit the vast majority of Michiganders.

The fight may not be over, though. There are already rumblings about a ballot initiative designed to overturn these reforms. Hospitals and other medical providers, along with trial attorneys — both of which profited the most from the old regime — would lead and finance the campaign. Asking voters to pony up again and pay the highest insurance premiums in the country with no end in sight seems like a losing proposition, but these groups would deploy the best scare tactics imaginable. If a ballot initiative is launched, it is hoped that common sense and the bipartisan compromise prevails.

No matter the issue, overhauling a decades-old law is never an easy accomplishment, even if the problems are crystal clear and solutions right at hand. Fortunately, Michigan voters elected officials willing to tackle this challenge, and millions of Michiganders will be better off for it.

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