



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING

ANITA G. FOX
DIRECTOR

October 18, 2023

Mary Cavanagh, Chair
Senate Finance, Insurance, and Consumer Protection Committee
PO Box 30036
Lansing, MI 48909

Chair Cavanagh and Committee Members,

Thank you for the opportunity to provide written comments setting forth the basis of the Department of Insurance and Financial Services' (DIFS) opposition to Senate Bills 530, 531, and 575.

As the Committee is aware, Michigan's 2019 auto insurance reform was a bipartisan effort 40 years in the making. Throughout the implementation of that reform and beyond, DIFS has remained committed to ensuring that drivers realize the cost savings intended by the reforms while also ensuring access to all the care to which they are entitled under Michigan law.

Senate Bills 530, 531, and 575, as currently written, are not a tailored modification to address specific and documented issues, but rather a wholesale overhaul of the no-fault fee schedule, one of the key cost savings provisions of the 2019 reform, which would broadly increase reimbursement rates for all providers.

As a consumer protection agency, DIFS has identified a number of major impacts that this proposal would have on consumers that we urge you to consider before proceeding.

First, the proposed increase in provider reimbursement rates would have a significant impact on auto insurance premiums paid by more than seven million drivers across the state.

Second, the proposed bills would result in an increase to the Michigan Catastrophic Claims Association (MCCA) per-vehicle fee. The MCCA annual assessment for anticipated new claims has dropped by 66% since the law was implemented, decreasing from \$220 to \$74 effective July 1, 2023.ⁱ

Third, drivers who select lower Personal Injury Protection (PIP) levels, including families who are taking advantage of the new lower choice levels to decrease their costs, would be disproportionately affected because the increased provider reimbursement rates will exhaust their PIP medical coverage limits much more quickly. This concern highlights the importance of examining both policyholder and provider concerns and not conflating the two.

Fourth, the faster those with coverage limits exhaust their coverage, the more likely it is that they will seek excess medical costs under the at-fault driver's Bodily Injury (BI) coverage, leading to increased BI rates as well.

Fifth, and perhaps most importantly, increased insurance rates would likely lead to more uninsured drivers and less competition in the insurance marketplace, which could further increase insurance rates. Pre-reform, Michigan was the only state that required all drivers to purchase unlimited lifetime medical benefits, and in fact the only state to even offer that option. As a result, Michigan had the most expensive auto insurance in the nation for decades, and also had a disproportionate number of uninsured drivers, especially in our most disadvantaged communities. After the reform, Michigan remains the only state to offer unlimited benefits as an option, but as a result of having lower-cost options, more than 200,000 drivers took advantage of the uninsured driver amnesty period, including more than 83,000 drivers who had not had coverage for 3 or more years. With higher rates, more drivers may find themselves unable to afford their premiums and may take the risk of going without insurance, ultimately leaving them without coverage for medical bills or vehicle repairs in the event of an accident.

Simply put, the broad-brush reimbursement rate increases proposed in these bills would substantially impact auto insurance affordability across the state. Immediately after the reforms, there were calls for a "fix" to address continuity of care for those injured prior to the reforms. The Supreme Court in the *Andary* case addressed major concerns expressed by auto accident survivors and providers. To the extent specific additional issues can be identified that impact access to care, a narrower solution addressing such concerns is certainly possible. However, these bills are not narrowly tailored and will swing the pendulum too far. Accordingly, the Department cannot support the bills in this form.

DIFS will, of course, continue to be a resource for this Committee and the Legislature as you continue to explore any potential changes to Michigan's auto no-fault law.

Sincerely,



Anita Fox
Director

¹ As of July 1, 2023, Michigan drivers also pay a statutorily required \$48 MCCA deficit recoupment fee.