

REVERSE THE RATES

★ AUTO INSURANCE RELIEF FOR MICHIGAN DRIVERS ★

Michiganders pay the highest auto insurance rates in the country. Michigan's average insurance premium is 82 percent higher than the national average, and the average premium in Detroit is nearly 400 percent higher than the national average. Because of these high costs, many Michigan drivers are unable to afford insurance. It is estimated that one in two Detroiters (and one in five Michiganders) drives without car insurance, which in turn increases costs for those insured.

AUTO INSURANCE RATES ACROSS THE COUNTRY

1	Detroit, MI	\$5,414
2	New Orleans, LA	\$3,433
3	Hialeah, FL	\$2,709
4	Miami, FL	\$2,651
5	Baton Rouge, LA	\$2,639
6	New York, NY	\$2,613

Everyone deserves comprehensive, complete car insurance that is not a financial burden. But until Michigan has universal health insurance through our Michcare plan, keeping no-fault insurance for all Michiganders is essential. We must find a way to bring premiums down while ensuring that all drivers are covered and have access to the best medical care available. To address Michigan's failing auto insurance system, we will do the following:

- 1) End redlining**
- 2) Create a Truth in Insurance Commission for accountability and transparency**
- 3) Reduce medical and legal costs by ending exploitation**

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Ending redlining

1. End territorial rate setting

Auto insurance rates are much higher in zip codes where residents are people of color, compared to white neighborhoods with similar accident risks or costs. In the Detroit metro area, rates were 60 percent higher in black communities than in nearby white communities. In Flint, rates were 41 percent higher.

Auto insurers should not be allowed to charge different rates based on where they live, employment status, education level, profession, or credit score. Dr. El-Sayed will aggressively pursue legislation that bans redlining (also known as "territorial rate setting") starting with the reintroduction of House Bill 4617. Introduced by Rep. Abdullah Hammoud (D-Dearborn), HB 4617 prohibits auto insurers from setting rates based on factors other than driving record.

2. End rate setting based on socioeconomic factors

Michigan law allows insurers to set rates based on many non-driving related factors, including zip code, credit score, and educational attainment. The result: "Michigan drivers who have working class jobs, do not have a college degree, or rent rather than own their home pay an average of \$233 per year more for [basic] auto insurance compared to their white collar peers."

In addition to pushing for the passage of HB 4617 (which prohibits rate setting based on credit score and other socioeconomic factors), the El-Sayed Administration will move to revise the Michigan Insurance Code to prohibit rate setting based on home ownership status, as well.

The Truth in Insurance Commission

1. Create a Truth in Insurance commission to hold insurance corporations accountable

As part of his effort to reduce auto insurance rates, Dr. El-Sayed will create a Truth in Insurance Commission to act as a liaison between the state, insurers, and the public. Headed by the Director of DIFS and made up of community members, the Truth in Insurance Commission will be responsible for reviewing rate changes in concert with DIFS, ensuring that rate changes are communicated to the public, coordinating public hearings regarding rate increases, and monitoring annual increases in auto insurance rates, particularly in vulnerable communities. Most importantly, the Commission will oversee a statewide study of auto insurance rates and assessments from the Michigan Catastrophic Claims Association (MCCA) – the first such study since 2004 – to understand the factors responsible for Michigan's high rates and to propose further solutions to reduce prices.

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2. Give the Director of the Insurance and Financial Services real power over auto insurance rates

Under Michigan's insurance code, the Director of the Department of Insurance and Financial Services (DIFS) has the ability to regulate "excessive" auto insurance rates, but the power is only symbolic. To declare a rate to be excessive, the Director must prove that "a reasonable degree of competition does not exist" – an impossible feat when Michigan has over 122 licensed auto insurers.

Dr. El-Sayed will fight to remove the competition requirement from the Insurance Code so that the Director of DIFS – with the support of the Truth in Insurance Commission – finally has the power to regulate auto insurance rates.

3. Stop insurers from increasing rates without oversight

Michigan's Insurance Code allows insurers to charge whatever rate they want as long as – and as soon as – they first file the rate with DIFS. Because rates go into effect immediately after they are filed, this effectively prevents the state from having any oversight over rate increases.

The El-Sayed Administration will aggressively push to end the "file and use" rate system and to instead give Director of DIFS – aided by the Truth in Insurance Commission – a review period to investigate and approve new rates. This new system would require insurers to not only file proposed rates sixty days before they would go into effect, but to provide evidence to explain why the rate changes are necessary. The Director of DIFS would then be required to review the new rates during this 60-day window and either approve or deny the change. Any rate increases that are not supported by sufficient evidence will be rejected, and insurers will have an additional 30 days to either re-submit the rate with additional evidence, to submit a new lower rate, or to return to the original rate. Insurers would also be required to notify customers of any proposed rate increase within five days of filing the new rate, and customers would be allowed to request a public hearing to provide input on proposed increase any time within the 60 day review period.

4. Require full financial transparency from insurance companies

In 2011, Michigan auto insurance companies collected \$2 billion more in auto premiums than they paid out in claims. Yet auto insurers are not required to publicly release information about their finances. The El-Sayed Administration will work with partners in the legislature to push legislation that would require the Michigan Department of Insurance and Financial Services (DIFS) to disclose any information regarding premium dollars collected versus payouts on claims. Annual premium revenue versus pay-out information has been routinely collected and published in the DIFS annual report for years for other major lines of insurance – such as property, life, and title – and it should be required for auto insurance too.

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5. Make the Michigan Catastrophic Claims Association transparent

The Michigan Catastrophic Claims Association (MCCA) holds more than \$18 billion of the public's money and does not currently operate under any public oversight. In fact, the Michigan Court of Appeals recently ruled that the MCCA is not subject to the Freedom of Information Act (FOIA) or the Open Meetings Act (OMA), despite also ruling that the MCCA is a public body.

The MCCA needs to be accountable to the public. The El-Sayed Administration will pursue legislation that empowers the Truth in Insurance Commission to:

- end MCCA's FOIA exemption
- require the MCCA to comply with FOIA and the OMA
- require the MCCA to publish their financial and rate-making data annually, both in print and online
- require all meetings of the MCCA to be open to the public
- install at least one member of the public to the MCCA board
- require the MCCA to report all data directly to the Truth in Insurance Commission and to work with the Commission to publish this information at least once a year in a clear, easy-to-read format that will be disseminated to all Michiganders who purchase auto insurance
- require an annual audit of the MCCA by an independent certified public accountant

Additionally, the Administration will push to require the MCCA to pass the interest that its funds accrue onto the state to help pay for road repair and maintenance.

Reducing Medical and Legal Costs by Ending Exploitation

1. Pursue comprehensive healthcare reform

The major reason auto insurance costs so much in Michigan is the unlimited medical care provided after an accident. Michigan's cost per auto accident injury tripled between 2000 and 2013 to \$75,600, a cost that has outpaced healthcare inflation by 90 percent. If we can provide universal health coverage for every Michigander, we can decouple personal injury protection from auto insurance, driving down rates so that Michiganders will not be left without the coverage they need if they are involved in an auto injury. Our plan for Michicare – Medicare for All in Michigan – will do just that.

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2. Eliminate abuses by hospitals and lawyers

One of the most egregious aspects of our current system is the exploitation that accident victims suffer at the hands of hospitals and lawyers. We must expand the protections available for victims of auto accidents. The El-Sayed Administration will work with the Legislature to pass an Auto Victim's Privacy Protection Plan that permanently restricts access to accident reports, victim's personal information, and direct mail solicitation. Further, we propose creating set reimbursement rates for medical services billed to auto insurance that will be decided by a commission of medical providers and auto insurers, with rates limited to no more than 130% of Medicare reimbursements.

3. Curtail fraud by insurance corporations

Despite paying the highest insurance rates in the country, there are still numerous reports of insurance corporations refusing to pay claims or prematurely cutting off medical benefits for deserving Michiganders. This must stop. The El-Sayed administration will do the following to reduce fraud by insurance corporations and ensure that Michiganders receive the coverage that they deserve:

- Partner with the Attorney General to create a "Fraud Authority" within DIFS where consumers can report mistreatment by their insurers and receive advice about how to seek damages.
- Push both the Attorney General and DIFS to more stringently prosecute insurers who violate Chapter 20 of Michigan's Insurance Code, which prohibits fraud and other "bad faith" behaviors by insurers.
- Revise the Insurance Code (MCL 500.2026) to classify the premature cutoff of medical treatment by auto insurers – or "independent medical examiners" that they pay – as a "bad faith" behavior banned by the state.
- Introduce "bad faith" legislation that requires auto insurers to found to act in bad faith to compensate consumers and increases the administrative penalty to \$1 million for auto insurers found to act in bad faith two or more times.
- Introduce legislation to close the loophole in the Michigan Consumer Protection Act that exempts auto insurers, so that consumers can directly sue insurers who have defrauded them.