MICHIGAN SENATE INSURANCE COMMITTEE MEETING

Tuesday, May 26, 2015

City of Detroit
Mayor Mike Duggan

Detroit's Auto Insurance Crisis

- Detroit drivers spend $2,000-5,000 per car in auto insurance.
- Average Detroiter's annual car insurance is $3,400.
- Average for surrounding communities is $1,700.

Michigan's Auto No Fault Law is a Major Barrier to Economic Inclusion

Mobility is Essential for Jobs and Opportunity

61% of employed Detroit residents work at jobs outside the city.

Today, 75,000 Detroiters remain unemployed and looking for work.

In 38 states, you do not have to purchase car insurance in order to have the right to drive.

In 11 states, you must purchase car insurance, but with limited health care coverage.

Michigan is the only State in America that Makes it a Crime to Drive unless you First Buy Unlimited Medical Coverage.

- People who need a car to get to work and can't afford insurance are criminalized in Michigan.
- Over 50% of Detroit drivers are uninsured.
- If caught, they are subject to misdemeanor conviction: Up to $500 fine and one year in jail.
- It also means they have no health care coverage from car insurance if they're in an accident.

Michigan's No Fault Law Has Created Two Separate Classes in Michigan

1) The well-off. Those who can afford to purchase car insurance enjoy the richest medical benefits in America.
2) Those of lower income. They cannot legally drive, risk arrest if they drive without insurance, and have no coverage in an accident.
3) There is no low cost option for people of limited means to get insurance and be able to drive legally.

What makes up cost of car insurance in Detroit?

Bodily Injury (Coverage for your passenger)	6%
Theft (Comprehensive)	18%
Collision (Car Damage)	31%
PIP (Personal Injury Protection -Medical)	44%
Total	100%

The single biggest cost of car insurance in Detroit is PIP – Medical Coverage.

How does PIP work?
(Personal Injury Protection)

Most people already have health care coverage:

Employer (Blue Cross, HAP, etc.)

Medicare

Obamacare

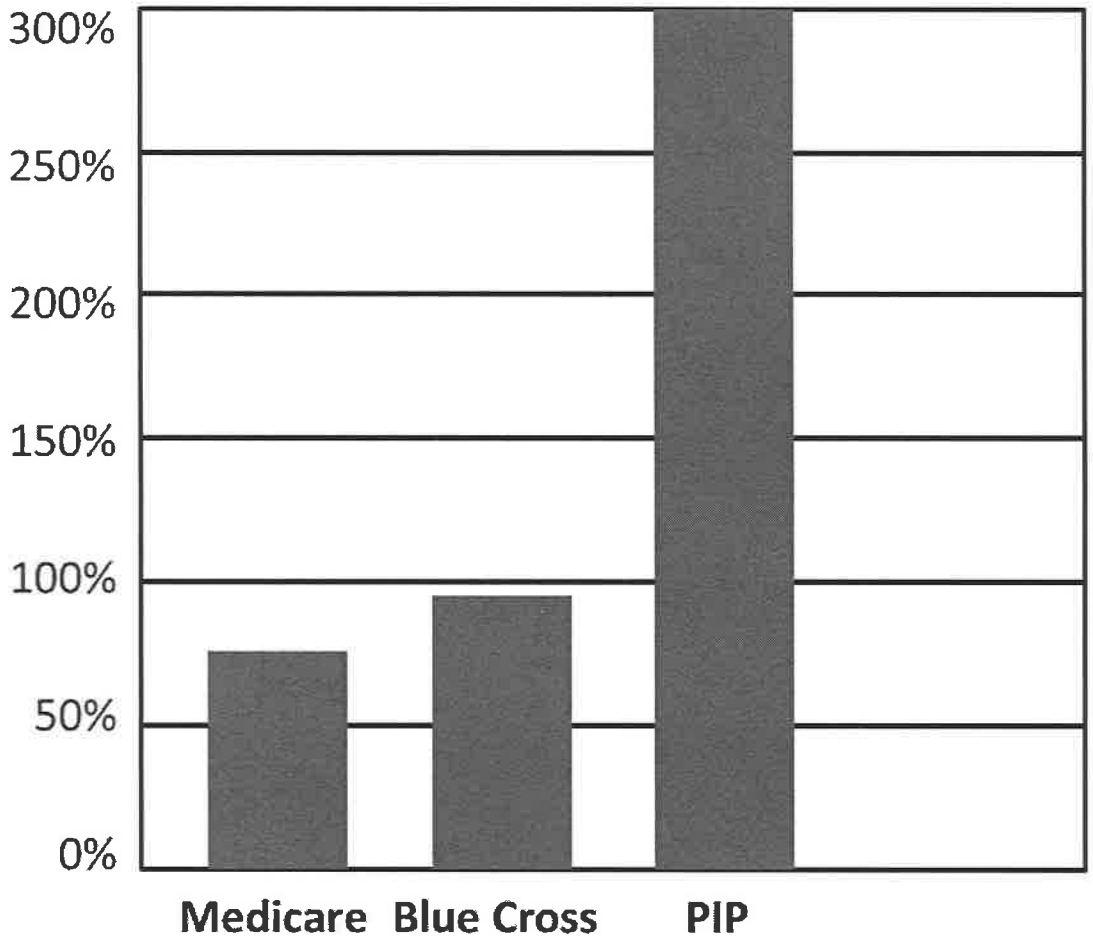
Medicaid

VA

If you have a serious injury (fall from a ladder, get hit by falling brick), your emergency medical treatment and long-term care are paid for by your medical coverage.

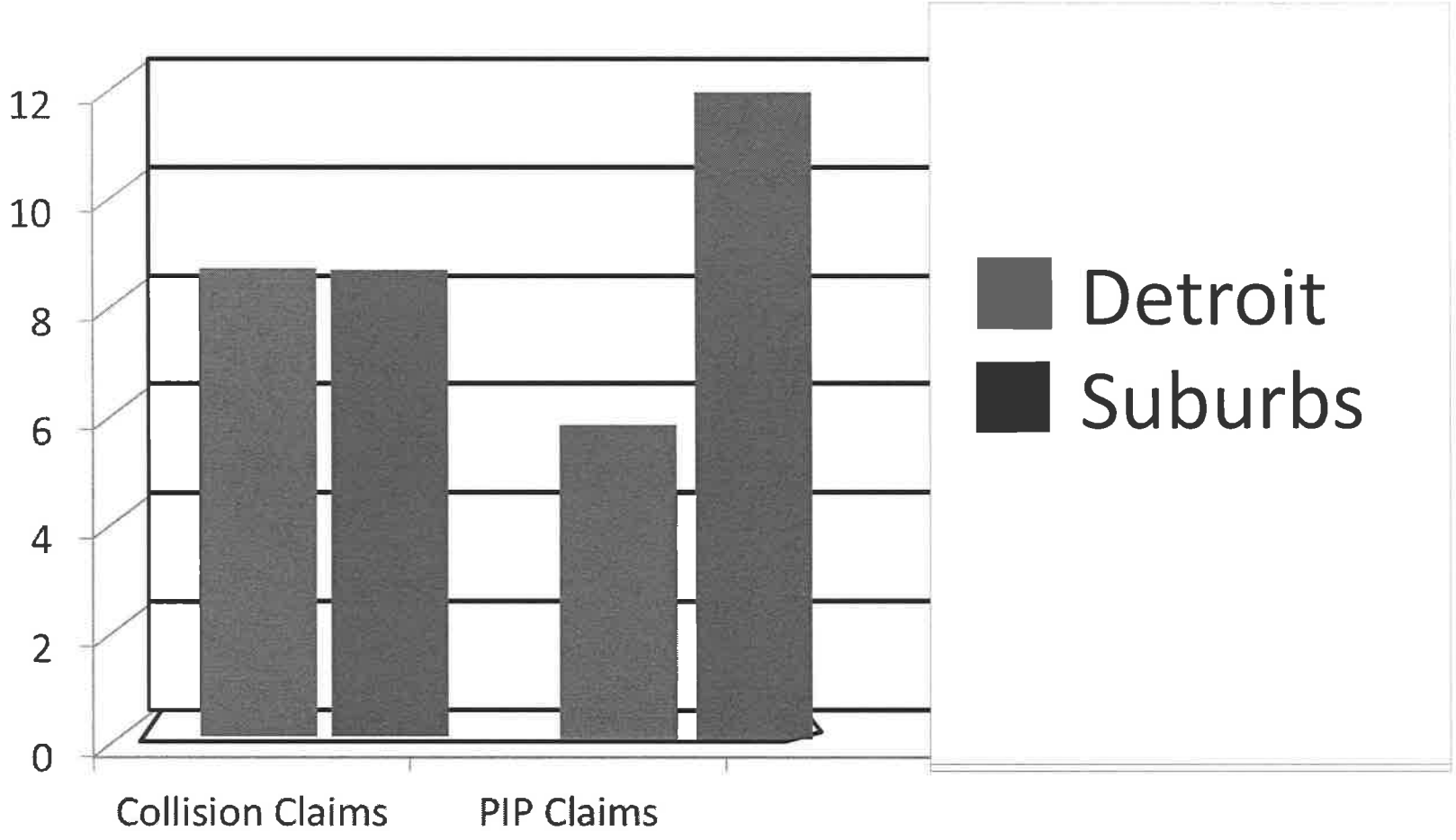
When you buy car insurance, you are often paying for duplicate medical coverage.

For Payments to Doctors and Hospitals, What's the Difference Between Medicare, Blue Cross and PIP?



Medical Providers are usually paid 2-5 times more for the same care by Auto Insurance PIP

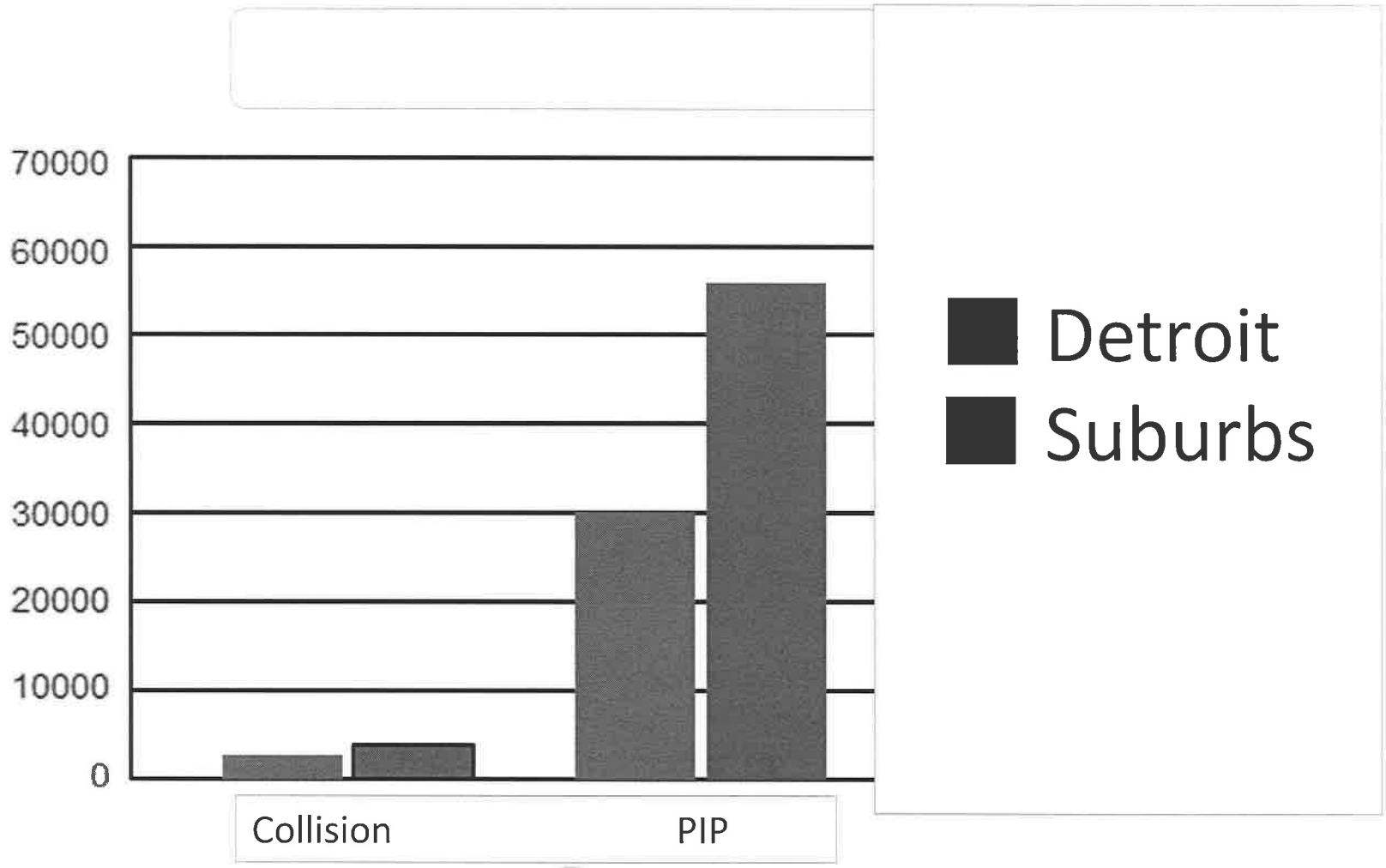
Why are Detroiters Rates Higher?



Detroiters file the same number of accident claims as surrounding communities.
Detroiters file twice as many PIP claims.

2012 Claims Data

How much are Detroiters costing on each claim?



Average Claim Size

Detroiters have the same number of accidents as other communities.

But we have twice as many medical claims on those accidents.

And each medical claim is twice as expensive.

As long as the No-Fault law requires every driver to buy unlimited PIP coverage, there is no hope for our rates going down.

D-Insurance Proposal:
Cut rates 25-33% with Limited Benefit Option

$1,000 Savings for Many Detroiters

Detroit City Charter Section 9-801 provides the City may:
"establish an insurance system to provide automobile insurance for city residents"

Seeking passage of SB 288 to allow Mayor and Council to offer more choices to city residents.

We will offer a D-Insurance policy that will cut rates by 25-33% by giving our citizens an option to buy lower PIP coverage.

It is only an option – everyone is free to keep purchasing the full coverage policies you have now.

12 States With The Highest Requirement to Buy Car Insurance PIP

Michigan	UNLIMITED
New Jersey	$250,000
New York	$ 50,000
Minnesota	$ 40,000
North Dakota	$ 30,000
Florida	$ 10,000
Hawaii	$ 10,000
Kentucky	$ 10,000
Massachusetts	$ 8,000
Pennsylvania	$ 5,000
Kansas	$ 4,500
Utah	$ 3,000

38 States Require You to Buy No Minimum PIP in Car Insurance
You can use your own health care coverage.

D Insurance Details

1) Minimum Hospital Care: $250,000

This is for ER and hospital stay after an accident.

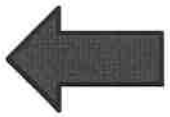
An ER/Hospital bill over $250,000 is very rare, but if it happens, you will receive a bill for the amount over $250,000.

2) Minimum PIP Coverage After Hospital Stay: $25,000

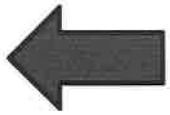
First $25,000 of treatment will be paid for by car insurance. After that coverage comes from other insurance coverage, or Obamacare.

How Does D-Insurance Compare to Policies Across America?

Michigan	UNLIMITED
New Jersey	$250,000
New York	$ 50,000
Minnesota	$ 40,000
North Dakota	$ 30,000
Florida	$ 10,000
Hawaii	$ 10,000
Kentucky	$ 10,000
Massachusetts	$ 8,000
Pennsylvania	$ 5,000
Kansas	$ 4,500
Utah	$ 3,000



$250,000 Hospital Coverage matches NJ as highest in U.S.



$25,000 Post Hospital PIP Coverage higher than 45 other states.

38 States Require You to Buy No Minimum PIP in Car Insurance

You can use your own health care coverage.

What happens now?

1. Try to pass Senate Bill 288 Substitute to authorize D-Insurance this year.

2. City will select at least two different companies to offer D-Insurance through competitive bidding.

3. Selection of D-Insurance Companies will be approved by Detroit City Council.

Bottom Line: Detroiters will finally have choices

1) You can continue to buy full coverage no fault policy at average cost of $3,400

2) You can buy D-Insurance with limited benefits at an average 25-33% rate cut.

$3,400 policy could be cut to $2,100-2,400.

We project an average savings to Detroiters of more than $1,000 per year.