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As we discussed, the Assigned Claims Plan is, by far, the most expensive "safety net" being funded by the insurance industry. It provides unlimited coverage to uninsured individuals without any premiums to offset the costs. Because our no-fault system requires vehicle owners to purchase insurance to protect themselves, and because, for the most part, our residents who are properly insured cannot be sued for injuries they may cause, the ACP was put in place to protect those injured in auto accidents with no policy under which to claim benefits. As with many other aspects of our no-fault law, no one involved in the original passage of the law could have anticipated the out-of-control costs to which the system is now subjected.

By removing the credit, we are asking insurers to pay claims without being paid for it. Government safety net programs are traditionally funded through the General Fund. The tax credit for insurers accomplishes this to a certain extent,[1] and supporting the continuation of that credit would send a positive message to the insurance industry.

It is also unfortunate that, at the same time there is a call to repeal the tax credit, another portion of the budget proposal will impose even more costs on the insurance industry. The $3 increase in the MVR look-up fee could cost the industry $20 million by some estimates. Eliminating the tax credit, together with these fee increases, would impose $100 million burden on auto insurers. This makes it very difficult to sell Michigan to insurers as a great state in which to locate and expand.

You've asked me for possible solutions or, at a minimum, legislative proposals that could reduce costs and therefore the "pain" of removing the credit.

Pass No-Fault Reforms

This is clearly the most difficult solution, but to have comprehensive no-fault reform would reduce costs to consumers because insurers would see reductions in claim costs, not only through their business, but through the cost of reinsurance from the MCCA, the cost of the MAIPF residual market mechanism (high risk pool), and the Assigned Claims Plan.

Assuming that comprehensive no-fault reform is not possible or likely at this time, there could be some effort to begin the process of reducing the cost of our system to auto insurers. Please know that there may be a need to enact more than one of the solutions below in order to achieve the cost savings needed.

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Eliminate the MVR look-up fee increase being proposed by SOS

The proposed $3 motor vehicle record look-up fee increase being proposed by the Department of State directly impacts the auto insurance industry. Such an increase has been proposed in the past to help fund improvements to the state's web site, not to reflect increases in the cost to provide the

[1]This is imperfect, as some insurers are still forced to absorb the cost. Insurers that pay the retaliatory tax, as opposed to the CIT as applied to insurers, do not have access to the credit and therefore must absorb the cost or pass it on to their policyholders.

information. (In fact, with improvements in electronic systems, it is likely the cost to provide the records has gone down over time.)

Estimates of the impact of this change on the industry are between $15 million and $20 million. This, in addition to the efforts to remove the credit, is contradictory to our message that we want Michigan to be a state in which insurers want to locate and do business.

MAIPF access to SOS 14 days

Pass ACP Legislation

Without policy language, or statutory requirements, the MAIPF has had to implement procedures to help screen claims for eligibility and fraud. Attorneys have consistently challenged their ability to do so. In an attempt to resolve this, House Bill 5854 was introduced last session. The bill would have mandated certain practices by those claiming benefits through ACP, such as filing a claim application, providing satisfactory proof of loss, and cooperating with the investigation of the claim – requirements that are imposed on all other claimants through policy language. The bill would also have provided the MAIPF access to the insured driver information provided by insurers to the Secretary of State.

The hospitals may fight these changes, as it would require them to make a concerted effort to determine whether the injured person has insurance rather than simply referring the claim to ACP. The trial bar will likely oppose, as last session they repeatedly claimed this bill was a back door effort to impose no-fault reform, and it did not get out of the House.

Passing something similar to this bill would go a long way toward reducing abuse and fraud in the ACP and ultimately reducing costs.

Limit insurers' exposure through ACP

1. Section 3163(4) provides that an insurer required to provide no-fault benefits to out-of-state residents injured in Michigan while who are not occupants of vehicles registered in Michigan is limited to $500,000. This is similar to Assigned Claims beneficiaries in that there is not a no-fault policy applicable to the accident. Placing a limit on benefits available through the ACP could have an impact on costs, although it would likely be small. Those opposed to no-fault changes would argue that these individuals should have access to the same benefits available to those who are covered by a policy.
2. The ACP provides benefits to family members who are injured while riding in the family's illegally uninsured vehicle. It could certainly be argued that the registrant's choice to be uninsured applies to the family in the same way that a choice of coverages, coordination, etc. would apply if insurance did exist.

Pass some no-fault reforms

While major reforms would be difficult to pass, there are several changes that most agree would be beneficial:

1. Create a fraud authority
2. Place limits on family-provided attendant care
3. Allow insurers to create provider networks at a reduced premium.

Reduce Provider Costs to ACP

This idea has not been vetted, but given the fact that the ACP is all payment and no receivables, it may make sense to implement a "fee schedule" of sorts in the ACP, or require providers to only bill the lowest (or maybe the average) amount accepted from any source for procedures in connection with ACP recipients.