FOR IMMEDIATE RELEASE:
Tuesday, Sept. 6, 2011

CONTACT:
Josh Hovey
Truscott Rossman
517-712-5829
jhovey@TruscottRossman.com

Gutting no-fault would wallop state's economy

New Study estimates 5,000 jobs, $800 million in health care services could be affected

LANSING – Auto insurers' plan to gut Michigan's no-fault law would deal a severe blow to the state's economy. A study released today by East Lansing's Anderson Economic Group estimates the proposed policy change could result in thousands of lost jobs and millions in lost earnings, and leave approximately 700 people a year with severe injuries without proper treatment.

States that operate under a no-fault system, like Michigan, limit a driver's ability to sue in the case of an accident, but also require their drivers to purchase personal injury protection (PIP), which reimburses medical expenses and lost wages drivers otherwise would need to sue for. State lawmakers are poised to act on Senate Bill 293, which would gut Michigan's model no-fault law by capping driver injury and rehabilitation benefits to as low as $50,000. Insurers want to get out of providing unlimited PIP coverage, which is crucial for drivers making the most expensive types of claims, such as years of long-term medical benefits for severe injuries. Insurers are promising premium cuts in exchange.

"The insurance industry has claimed that capping injury and rehabilitation benefits will save drivers up to 15 percent on the personal injury protection portion of their policy," said John Cornack, CEO of Eisenhower Rehabilitation Center in Ann Arbor and president of the Coalition Protecting No-Fault (CPAN), which commissioned the study. "But do the math–when you compare what accident victims and the state of Michigan would give up, it's clear this legislation is bad for accident victims, bad for drivers and bad for Michigan."

Anderson Economic Group concluded that the effect of reduced benefits for catastrophic accident victims – even when taking into account any potential savings for consumers on their PIP premiums – could cost Michigan:

- More than $209 million in economic output
- Between $71 and $155 million in earnings
- Between 2,556 and 5,191 jobs

Currently, the Michigan Catastrophic Claims Association (MCCA) reinsures auto insurance companies for catastrophic claims, which are those above $500,000. Last year, the MCCA reimbursed more than $809 million in injury claims to provide health care and other services for severely injured Michigan drivers. Under the insurer-backed legislation, auto insurance companies would no longer be required to pay assessments to the MCCA for each car they insure, which could threaten the financial stability of the entire no-fault system – along with more than $800 million in annual medical care and rehabilitation expenditures. It is unclear how the MCCA would continue to fully fund lifetime coverage for people who have already suffered catastrophic injuries.

Anderson Economic Group estimates that 75 percent to 90 percent of drivers would choose to purchase PIP coverage that would not cover lifetime catastrophic expenses. According to AEG estimates, between 638 and 765 of the people who suffer catastrophic injuries each year will have insufficient coverage to pay for necessary healthcare. Under the proposed legislation, some catastrophic accident victims would be forced to seek alternative sources of funding for rehabilitation and recovery services substantially different – and substantially worse – than the services Michigan accident victims currently receive. Many necessary services required for recovery are not covered by health plans, and Medicare and Medicaid support only minimal medical rehabilitation.

"The proposed bill would 'save' Michigan drivers a considerable sum, at least in the short run," said Patrick Anderson CEO and founder of Anderson Economic Group. "However, at the cost of several hundred injury victims each year potentially receiving inadequate care, an overall lessening of employment and earnings in the state, and an uncertain but likely negative effect on the solvency of the MCCA."

"Another result could be increased premiums for health insurance, which we could not estimate. It is unclear how health insurers in Michigan will react to fewer drivers possessing lifetime medical benefits for injuries incurred in auto accidents," said Alex Rosaen co-author of the report and a consultant at AEG.

A copy of the report is attached.

# # #

The Coalition Protecting Auto No-Fault: The Coalition Protecting Auto No-Fault is a broad-based coalition of consumer advocate groups, lawyers, doctors, hospitals and other health care providers working together to keep Michigan's model no-fault insurance law intact. Learn more about CPAN by visiting www.CPAN.us

Anderson Economic Group: Anderson Economic Group is a research and consulting firm specializing in economics, finance, business valuation, and industry analysis. The firm has offices in East Lansing, Michigan and Chicago, Illinois.