

No-fault auto insurance rates to rise again so Michigan can cover catastrophic accident claims

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Michigan motorists will pay an extra \$30 per year to cover the rising costs of the state's no-fault auto insurance program.

The Michigan Catastrophic Claims Association on Friday announced it will increase the premium paid for catastrophic coverage by 21 percent to \$175 per insured vehicle from July 1, 2012 to June 30, 2013.

The private, nonprofit association was created by the legislature in 1978 to reimburse auto insurers for personal injury protection benefits after they exceed \$500,000 per claim.

Michigan requires drivers to carry **no-fault insurance, which provides unlimited lifetime medical care for auto-related injuries**. The MCCA assesses auto insurance companies a premium to cover lifetime claims in catastrophic injuries cases. Those premiums are paid for by policy holders.

No-fault insurance has been a hot topic in Lansing, with contention over **proposed legislation** to let drivers choose the maximum personal injury protection coverage, ranging from a maximum of \$500,000 to \$5 million.

The Coalition Protecting Auto No-Fault contends the MCCA rate increase was a political move to pressure lawmakers into changing the no-fault system. **CPAN argues** that medical costs for those injured would still have to be covered, and could shift to taxpayers through Medicare and Medicaid. **(Federal Law prohibits Medicare and Medicaid from covering injuries from an auto accident.)**

“Right now the insurance industry can arbitrarily raise the MCCA rates and continue to hide behind a cloak of secrecy – and consumers are powerless. Shame on them,” CPAN president John Cornack said in a statement.

CPAN in January **filed a lawsuit** under the Freedom of Information Act to find out more information about the MCCA fund's financial health. CPAN doesn't believe there's a financial need for the rate increase.

MCCA Executive Director Gloria Freeland refuted CPAN's claims of political gamesmanship and said the rate increase is a result of rising costs.

Premiums are reviewed annually and have gone up and down throughout the years based on the existing and expected liabilities, she said. The premium of \$145 expires June 30. The new rate of \$175 is the highest it's been.

The association paid out \$927 million last year in catastrophic injury claims. More than 28,000 claims have been filed since 1979, with an estimated cost of \$85 billion. Nearly \$9 billion had been paid out as of June 30, 2011. **Most claims involve brain or spinal cord injuries** that result in permanent disabilities, according to the MCCA.

Attendant care by third-party assistants represented about 56 percent of the paid claims last year, Freeland said.

The Insurance Institute of Michigan, which has been encouraging no-fault reform, points to the rate increase as validation for its efforts.

"We're trying to address what we see as escalating costs particularly in the health care component of our no-fault system," said Pete Kuhnmuensch, executive director of the industry trade group.

Aside from the option to choose the maximum coverage, the group also supports a medical fee schedule like the one used for workers' compensation benefits.

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