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BILL COULD MEAN BIG SAVINGS ON AUTO INSURANCE FOR SENIORS

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LANSING - Most Michigan drivers older than 64 could drop unlimited medical insurance coverage on automotive policies and save hundreds of dollars a year under a bill that passed a House committee Thursday with bipartisan support. But the proposed change may rekindle prickly debates over Michigan's one-of-a-kind no-fault law.

Michigan is the nation's only state to require all motorists to carry unlimited medical coverage. New York has the second-highest requirement - \$50,000 coverage. Insurers for years have sought to allow lesser - and cheaper - coverage, hoping to remove the incentive for many to drive illegally without insurance.

The House bill would affect only drivers ages 65 and older who are covered by Medicare, but supporters say they eventually want to extend the opt-out to all drivers. Under the bill, senior drivers could choose the option of no medical coverage on their auto insurance, which could save at least 40% of the total cost of a premium, according to a study released last year by State Farm Insurance Companies.

"We've been pushing this for many years," said Bill Cilluffo, lobbyist for AAA Michigan, the largest auto insurer in southeast Michigan. "People eligible for Medicare should not be required to buy additional medical insurance. That's like requiring all people covered by Medicare to buy a full health care policy from Blue Cross."

Supporters of the current law say unlimited coverage guarantees proper care for victims of car accidents who suffer severe injuries without shifting the cost to hospitals and government welfare.

It's unclear whether the federal government would allow Medicare to pick up the tab for auto accidents under Michigan's no-fault law. Some lawmakers suggested the state wait for a ruling by Medicare.

The House bill is raising questions about an auto insurance system that began in 1973, and which some say is putting coverage out of the reach of many, especially in cities like Detroit where rates already are high.

Insurers say medical coverage - called personal injury protection, or PIP - is the largest single cost of a no-fault policy.

In addition to unlimited PIP, all motorists must pay a flat fee to the Michigan Catastrophic Claims Association. The MCCA is a statewide pool that pays medical care for accident victims whose medical costs exceed \$420,000.

The annual fee varies year to year, and is currently \$123.15 per vehicle.

State Rep. Virgil Smith III, D-Detroit, chairman of the House Insurance Committee, failed last year to garner support for a bill that would allow all motorists to choose less than unlimited medical coverage.

An insurance industry report last year said limiting medical coverage to \$200,000 would save an average Michigan motorist 18% on auto insurance.

The plan was scuttled by a coalition of attorneys, unions and medical care specialists who said insurance companies stood to gain excessive profits while leaving injured motorists with inadequate coverage.

In 1992, voters rejected a statewide ballot proposal to limit auto no-fault medical coverage to \$250,000.

Smith called the bill - which was sponsored by Rep. Joe Hune, R-Hamburg - a first step toward lower auto insurance rates. He hinted at eventual changes to allow those younger than 65 to choose lesser no-fault medical coverage.

"Ten years from now, I'm afraid of what an auto premium will be," Smith said.

The Coalition Protecting Auto No-Fault opposes the elimination of mandatory, unlimited medical coverage, but it's open to the idea of exempting Medicare seniors, said CPAN spokesman Kevin McKinney.

Still, McKinney expressed concern that it would lead to a renewed push to end mandatory unlimited medical insurance.

He said the bill, which will now go to the full House for consideration - should be modified to allow seniors to buy supplemental medical insurance.

"Medicare doesn't cover a lot of medical services people might need if they're in a severe auto accident," he said.

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