



CPAN 2017 No-Fault Reforms

Frequently Asked Questions

Why has CPAN launched these reforms?

CPAN is a staunch defender of Michigan's no-fault laws and the benefits they provide to thousands of auto accident victims each year. However, we also recognize that the system is not perfect. The reforms CPAN has proposed will address a number of flaws in the system by making Michigan auto no-fault more efficient, transparent, fair and affordable.

How will CPAN's reforms help reduce costs for drivers?

CPAN's reforms will reduce costs by adopting reasonable cost containment measures, streamlining the claims process, reducing litigation and stopping fraud. Together, these reforms will save costs for both insurance companies and health care providers, which will translate to savings for consumers.

CPAN has previously opposed fee schedules in the past. Why has this been included?

CPAN recognizes fee schedules are oftentimes arbitrary and can result in underpayment to providers treating a particular class of patients. However, by adopting a reasonable fee schedule, combined with legislation that requires prompt payment by insurers, we can bring more predictability and efficiency to the claims processing system. This will save costs for both insurance companies and health care providers.

In the past, hospitals have complained that an auto no-fault fee schedule would harm Michigan's trauma centers. What has been done to address this?

CPAN supports an auto no-fault fee schedule that pays 185 percent of Workers Compensation for all medical providers, with one exception: Level 1 trauma hospitals would be exempt from the fee schedule. This ensures that the emergency rooms treating the most severely injured patients in our state will not be impacted and will continue to have the resources to serve patients quickly and effectively.



Capping rates for attendant care has also been opposed by CPAN members in the past. Can you explain why CPAN believes this is needed?

CPAN has historically opposed fee schedules for family-provided attendant care primarily because past proposals greatly undercompensated caregivers who were willing to give up their careers to care for their injured family members. Past proposals created a disincentive for family-provided care and would have resulted in more catastrophic accident victims being institutionalized.

However, CPAN has never been opposed to reasonable cost containment measures. Moving forward, we will support legislation that adopts reasonable hourly rates for family-provided attendant care as long as the rate schedules are reflective of the nature and extent of a patient's injury and their specific needs.

Which of CPAN's reforms will help protect consumers?

CPAN will bring fairness to Michigan's no-fault system by ensuring fair rate setting practices, implementing stronger oversight and adding transparency to the MCCA. Specifically, CPAN's proposals will:

- Stop non-driving rating factors, such as credit scores, from impacting insurance rates
- Require auto insurers to obtain prior authorization before implementing a rate increase
- Subject the Michigan Catastrophic Claims Association (MCCA) to Michigan's transparency laws

Insurance companies have long argued that credit scores strongly correlate with the likelihood of filing a claim. Why does CPAN believe banning credit scoring is important?

Using credit scores to set rates is inherently unfair because credit scores have nothing to do with one's driving ability or driving record. Instead, the credit score is a predictor of whether someone can afford to pay for their repair out of their own pocket rather than filing a claim. It is not fair for a Michigan driver with a perfect driving record and a poor credit score due to unexpected life circumstances to be charged more than a wealthy driver with multiple accidents on their record, but that is what happens under the current system. In addition, studies have shown that charging higher rates to people with low credit scores disproportionately impacts minorities and low-income drivers.



Why should Michigan require auto insurance companies to obtain prior approval before implementing a rate increase?

Michigan residents are required by law to purchase auto insurance for their vehicle, yet our “file and use” rating system provides few controls to ensure that rates are affordable and/or appropriate. In fact, our current law says that as long as there is competition in the market then rates cannot be determined to be excessive.

Similar to utility companies, which must have their rate increases reviewed and approved by the state, auto insurance companies should be required to obtain prior approval from the State Insurance Commissioner before a rate increase can take effect.

Why is it important for there to be transparency at the Michigan Catastrophic Claims Association?

The MCCA is critical to Michigan’s no-fault system. It was created by Michigan Legislature to reimburse auto insurance companies for personal injury claims exceeding a certain amount (now set at \$545,000). Each Michigan driver currently is required to pay \$160 annually per vehicle to fund the MCCA, and it currently holds about \$20 billion in assets.

The board of the MCCA is controlled by insurance companies, and even though they are a public body as defined by Michigan law, their meetings are not subject to the Open Meetings Act and the organization argues it is exempt from the Freedom of Information Act. Because of this shroud of secrecy, the public has no way to determine if the annual \$160 fee is appropriate or if the \$20 billion held by the MCCA is being appropriately managed.

When will CPAN be introducing legislation for its reforms?

CPAN has shared its proposed reforms with both Democrat and Republican lawmakers and is working closely with them to ensure its proposals are part of the no-fault reform discussion moving forward. Bills have not yet been introduced because CPAN is working hard to find consensus and develop a balanced and comprehensive no-fault reform package.