



## Cheaper auto insurance for Detroit, but at what cost?

By [Lester Graham](#) • June 29, 2015

People in Detroit pay some of the highest auto insurance rates in the nation. Detroit Mayor Mike Duggan believes that's part of the reason people move out of the city. He's put together a plan to provide cheaper auto insurance for city residents. Some critics think it would be a bad deal for Detroiters.

Evening rush hour in downtown Detroit, complete with a lot of construction detours, makes for a chaotic ballet of sheet metal and rubber. You can easily imagine a crash any second. That's bad enough, but add this: half of Detroit residents don't have auto insurance. It costs about double to insure a car in Detroit as it does in the suburbs. The cost is somewhere between two thousand and five thousand dollars a year.

Ask Detroit residents about the cost and you'll hear comments like these:

"I know that it is definitely necessary to something about the insurance rates. They are ridiculous," said Sylvia Bradley.

"The insurance, it's too high here. Way too high," Corney Kennedy replied when asked about the rates.

"It's too high for my family, all car insurance. Money, money, money." Miah Tara said.

Mayor Duggan blames the state's auto no-fault law which requires unlimited medical coverage. If you get in a wreck and you're hurt really badly, you get the care you need no matter the cost. During a presentation to the Detroit City Council, Duggan said there ought to be a cheaper option.

"Michigan is the only state that doesn't have an in-between that gives people the ability to drive by buying a lower cost option. And that's what we're proposing to fix."

He calls his plan [D-Insurance](#). The Mayor says the only way to lower premiums is to limit emergency room coverage to 250 thousand dollars and care afterward to 25 thousand.

"We're going to be honest. This is going to be real. You're not going to cut your premiums without cutting your coverage," Duggan explained.

The Mayor says if an accident victim needs more coverage, they can use healthcare insurance whether it's through an employer, Obamacare, Medicare, or Medicaid. But none of those options likely would

cover the expenses that the current Personal Injury Protection does under Michigan no-fault insurance law.

### **How much would Detroit drivers save with D-Insurance?**

Mayor Duggan says anywhere from 25 to 33 percent.

“We believe we could have a thousand dollars in savings for many Detroiters by the first of next year,” the Mayor stated.

Part of the reason Detroit auto insurance is so high is because Detroit residents file more medical claims when they’re injured in an accident. On average, it’s twice the rate of claims filed in the suburbs. That increases medical expenses an average of about 70 percent. The Mayor believes capping the insurance coverage will stop residents from running up medical costs.

An attorney says too often those costs are due to what he calls “billboard lawyers and ambulance chasers” who are looking for ways to file lawsuits.

He says D-Insurance is treating the symptoms of the problem instead of the causes. Steven Gursten is with the firm [Michigan Auto Law](#).

“The main problem with D-Insurance is it does nothing to solve the problems that Mayor Duggan has identified,” Gursten said.

He believes there are several [options to reduce auto insurance costs](#), including:

- 1) The state could limit medical fees.
- 2) It could stop insurance companies from basing premiums on credit scores.
- 3) And it could make insurance companies reveal their profit margins.

The Michigan Health and Hospital Association would add creating a state bureau to crack down on fraud.

Gursten says that while D-Insurance might be a little cheaper, it will still be the highest in the state and Detroit residents will be getting the worst coverage. He says in the end that will cost everyone.

“Because it’s going to cause more lawsuits, more people are going to be forced into personal bankruptcy, and more people are going to be forced onto Medicaid which is going to increase the burden on taxpayers,” Gursten explained.

But Mayor Duggan’s D-Insurance has a much greater chance of getting legislative approval than the kind of overhaul Gursten is suggesting.

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