



Detroit's Soaring Car Insurance Costs Add Roadblock to Bankruptcy Comeback

By Chris Christoff
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Lawrence Williamson moved three years ago from Macon, Georgia, to Detroit and paid \$17,000 for a 4,500-square-foot historic-district limestone house at a tax sale. Then he suffered sticker shock.

His car insurance premium tripled.

Williamson said he now pays \$4,560 a year to insure a 2012 Hyundai and a 2003 Subaru, with a \$1,000 collision deductible. It's a burden faced across the Motor City: Detroit has the highest auto-insurance premiums in the U.S., according to an analysis by CarInsurance.com.

"I thought, 'This is ridiculous.' I didn't factor it in," said Williamson, 52, who works for a nonprofit that promotes Detroit development. He said he and his wife, 45, have clean driving records. "Insurance is just something you have to pay."

Detroit's emergence from a record municipal bankruptcy in December heralded a fresh start for a city of 688,700 that had 1.8 million residents in 1950. As boosters work to lure new tax-paying residents, the cost of insurance for an indispensable car lurks as a budget-eater beneath the promise of low-cost housing.

Detroit, ridden by crime, blight and poverty, has the five most expensive zip codes in the U.S. for auto insurance, according to CarInsurance.com. They produced average annual rates of about \$5,000, 29 percent more than the highest average premium in New York City. New York's median household income of \$52,259 is twice Detroit's, according to the U.S. census.

The analysis averages rates in zip codes among six large insurance companies. The example is a single 40-year-old man who possesses a 2014 Honda Accord and a good driving record, said Michelle Megna, managing editor of CarInsurance.com.

Mayor's Vow

Auto insurance is such a universal complaint in Detroit that Mayor Mike Duggan promised in his 2013 election campaign to start a municipal insurance agency to offer reduced premiums. The city hired an

actuary to study whether it's feasible. While officials are looking at all possibilities, including state legislation, Michigan Representative Harvey Santana said Detroit lacks the money to provide insurance relief.

Many Detroiters drive illegally without insurance because it's too expensive, said Santana, a Democrat from the city. An estimated 21 percent of Michigan motorists are uninsured, according to CarInsurance.com.

Insurance industry representatives and local officials say the percentage of uninsured Detroit drivers is much higher, though no data are available. Nationwide, 12.6 percent of drivers are uninsured.

"You can build stadiums and casinos and tear down all the blight, but if you can't get people to move into the city because of auto insurance rates -- all they've got to do is move to an adjoining city and it drops by 50 percent -- then you've got a big problem," Santana said.

Car Theft

The insurance industry attributes Detroit's rates to the volume and higher cost of claims compared with surrounding areas. Detroit's vehicle-theft rate in 2014 was 1,534 per 100,000 residents, almost seven times the national rate, according to data from the FBI and Detroit Police Department.

"We do believe that we can construct a system that would deliver a low-cost policy and provide coverage for people at an affordable rate," Detroit's city attorney Melvin Butch Hollowell said in an interview.

A cheaper alternative would be welcome, said Susan Mosey, president of Midtown Detroit Inc., a nonprofit community-development agency. "Anything that affects your relative cost versus moving to a suburban community or out of state is a challenge for Detroit," she said.

No Fault

Michigan is among 12 states with mandatory no-fault auto insurance to bypass lawsuits over accidents. It's the only state that requires unlimited medical coverage, which insurance companies have sought to cap for years. In contrast, New York requires \$50,000 of medical coverage.

Michigan requires coverage that pays those injured in auto-related accidents as much as \$5,282 a month for lost wages for as long as three years.

"If I was going to be hit by a car and be seriously injured, I'd want to be in Michigan," said Robert Hunter, director of insurance at the Washington-based Consumer Federation of America. "It's proper to cover people for injuries. That's what insurance is supposed to do."

Yet rates in Detroit and other urban cities are out of reach for many, he said.

"I don't think insurance companies want to write policies for poor people," Hunter said. He said the federation is studying whether the costs amount to racial redlining.

Math, Risk

Car insurance premiums in Detroit and elsewhere are functions of math and risk, said Peter Kuhnmuench, executive director of the Insurance Institute of Michigan, which represents insurance companies. Insurers must charge premiums that will cover payouts based on the history of claims within assigned areas, he said.

While the public would like lower auto rates, there isn't the political will for changes that would do it, he said.

Car-owners in some areas surrounding Detroit may pay annual premiums of \$3,000 to \$4,000, according to CarInsurance.com. Still, Detroit produces the most consistently high rates.

Detroit retiree Tommie Miller said residents with clean driving records pay unfairly high premiums. Miller, 72, said in an interview that she pays \$225 a month to insure a 2001 Ford Taurus -- \$2,700 a year.

Civil Rights

"I have to be on a really tight budget; I can't afford extra things," said Miller, who will have her city pension cut 4.5 percent under the Detroit bankruptcy settlement.

Detroit-area attorney Steve Gursten said the cost of insurance is a civil-rights issue in Detroit, which has a population that's 83 percent black and 39 percent impoverished, according to the U.S. census. Insurers gouge Detroiters by labeling them high-risk motorists and aren't required by the state to reveal profit margins, Gursten said.

Risking Peril

Those without insurance risk peril because if they're hurt in an accident, they're barred by Michigan law from suing.

"I get calls every week from people who are residents of Detroit who are injured in auto accidents, and I tell them there's nothing I can do," Gursten said. "They lose everything. They lose their homes. They have to turn to Medicaid."

Gursten said auto-insurance fraud is rampant in Detroit, which contributes to higher premiums.

The cost of insurance also shrinks Detroit's voter rolls because many residents register their vehicles at suburban addresses to get lower rates and can't register to vote in the city, said Detroit political consultant Jamaine Dickens.

Dickens, 43, said he pays \$5,000 a year to insure his 2008 Cadillac Escalade.

"That totally changes the quality of life," Dickens said.