
CRAIN'S DETROIT BUSINESS

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Insurance companies are making Michigan drivers pay for savings

Other Voices

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Why are people's car insurance premiums jumping significantly now at renewal?

The answer is that Michigan's insurance companies are hiking your car insurance premiums now so they can keep profits high in the future. Auto insurers must provide Michigan drivers with mandatory premium savings after July 1, 2020, under Michigan's new auto no-fault law.

The premium increases being imposed now will allow insurance companies to still keep profits even after the savings provisions take effect.

Whether you agree or disagree with the provisions of Michigan's new auto no-fault law, the promise of providing beleaguered drivers with "significant savings" was at the very heart of it. The insurance companies are raising your premiums now before the required savings takes effect. They are making drivers pay now for the savings that these same insurers are supposed to be providing to drivers in the future.

In addition to hiking premiums now at renewal, some Michigan auto insurers are also filing with the State of Michigan under slightly new business names. The names might be different, but these are the same insurance companies currently doing business in this state today.

Filing under new names will allow them to erase the history of what they were previously charging customers in premiums. Without a rate history, these "new" companies can avoid the new no-fault law's requirement that insurers provide mandatory savings from the premiums they were previously charging.

Michigan's insurance companies are also still exploiting non-driving rating factors such as gender (charging women more than men), marital status (charging widows more than widowers), zip codes (redlining), credit scores, and even home ownership, education level attained, occupation to charge some people more than others for car insurance.

This is discriminatory. It has nothing to do with whether someone is a safe driver or not. It is also something that the politicians who voted for this new auto law promised us would be stopped. This was supposed to be one of the "big wins" for consumers that Gov. Whitmer touted when she signed this bill into law on May 30, 2019.

Apparently, no one told this to the insurance companies.

It turns out the lobbyists for the insurance companies were a lot smarter than the politicians who voted for this new auto law. These lobbyists, aided by allies in the Legislature, created loopholes that will still allow insurance companies to keep using the most discriminatory non-driving factors such as zip codes and credit scores even past the new law's effective date.

For example, insurance companies can now create de-facto zip codes using their own "territorial ratings" so they can still charge people more who live in places like Detroit. Likewise, insurance companies can create their own credit scores by using credit information, credit reports, and creating their own "insurance scores" to charge these drivers more as well.

Finally, insurers can continue to increase car insurance premiums for drivers by using "price optimization." Price optimization is where certain businesses, such as cable providers and car insurance companies, determine how much they can keep charging people before they get fed up enough to start shopping around and take their business elsewhere.

None of this was how the new auto no-fault law was supposed to work. These Wild West, the intent-of-the-law-be-damned actions by the auto insurers are causing substantial harm for Michigan drivers.

There is also nothing that we can do about it. No one – not the governor, the Legislature, the insurance commissioner or the courts – has the power to slam the brakes on the insurance industry's deliberate exploitation of the new auto law because all of this is in the law.

It is all perfectly legal.

Unconscionable, but legal.

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