

INSURANCE INDUSTRY: A SHINING LIGHT IN A DARK ECONOMY

By Gary Mitchell

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Today Michigan families face financial uncertainty that includes loss of employment and financial insecurity. In the face of that uncertainty, I'm proud of the fact that the insurance industry is doing all that it can to promote and enhance the economic and business climate in this state. While the current economy is laced with bankruptcies and layoffs, the insurance industry is one of the few industries that continues to grow and create jobs and is financially strong. The Michigan insurance industry employs more than 60,000 people and contributes more than \$241 million in state and regulatory taxes. For every three people employed in the insurance industry, one additional job is created elsewhere in our state's economy.

Unlike other industries in Michigan's struggling economy, the insurance industry has actually grown. While the manufacturing sector is outsourcing jobs and shipping jobs overseas, the insurance industry remains a shining light in a dark and gloomy environment. The Michigan Association of Insurance Agents recently reported that approximately 30 percent of their members planned to hire additional personnel over the next three years.

Michigan insurance companies pay more than \$400 million annually to state and local government in taxes, special licenses, sales, real estate and employment taxes, motor vehicle registration and retrieval taxes. The industry also pays more than \$180 million to fund special state mandated programs.

Earlier this year, in the Governor's State of the State Address, it was reported that Michigan drivers are paying some of the highest auto insurance rates in the nation, and insurance companies were called on to implement a 12-month rate freeze. One day after the Governor's address, the state's Insurance Consumer Advocate (a political appointee of the Governor) issued a report critical of our state's No-Fault Insurance system, and alleged that consumers were demanding major revisions in the system.

To single out for attack an industry that provides thousands good-paying jobs for Michigan citizens and, through Michigan's No-Fault auto insurance, a degree of financial security for all citizens for political purposes is disingenuous. And to do so citing inaccurate "facts" calls into question the credibility of the entire report.

For example, to say that Michigan drivers are paying the highest auto insurance rates in the nation is simply not true. According to the most recent figures available, Michigan ranks 11th among all states in average premiums. Michigan motorists pay \$130 more than the national average of \$936. Yet, Michigan's No-Fault Insurance system provides unlimited medical benefits and rehabilitation services. Widely praised by Consumer Reports Magazine, no other state in the nation provides injured drivers with a better benefit package than Michigan's No-Fault Law. A report released by the Office of Insurance and Financial Regulation (OFIR) concluded that Michigan's insurance rates were not excessive and that the insurance marketplace was highly competitive. In fact, insurance rates declined by two percent over the past year. Since 1986, auto insurance premiums have risen at an average rate of about three percent. Hardly a level one could categorize as excessive. In fact, insurance costs pale when compared to rising medical and auto repair costs. Between the years 2003-08, the consumer price index for auto insurance costs rose 8%, compared to hospital & related services (35%), medical care (31%), legal services (22%), and motor vehicle repairs (18%).

Another false charge is that consumers are unhappy with our current insurance system and are demanding that major changes be made. According to OFIR's own website, the number of consumer complaints regarding insurance has declined. Furthermore, the public has twice overwhelmingly rejected statewide ballot proposals that would have allowed them to make major changes to our No-Fault system. If the Insurance Consumer Advocate had listened to those who testified at his own hearings, he would realize that consumers appreciate and want to maintain the current No-Fault system. Unfortunately, he chose not to take advantage of the opportunity to educate consumers regarding the options they have to lower the cost of auto insurance, including citing the strong education tools OFIR has available on its website.

The time is long overdue for these industry critics to recognize the value Michigan's insurance industry brings to this state. This industry is committed to growing our state's economy and should not be subjected to constant political scorn and ridicule.

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