

STATE OF MICHIGAN



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WILLIAM G. MILLIKEN, Governor  
**DEPARTMENT OF COMMERCE**

RICHARD K. HELMBRECHT, Director

October 6, 1976

The Honorable William G. Milliken  
Governor  
State of Michigan  
The State Capitol  
Lansing, Michigan

Dear Governor Milliken:

I am pleased to transmit to you this report on no-fault automobile insurance on the third anniversary of its taking effect in Michigan. Michigan, through your leadership and that of the Legislature, was a pioneer in enacting the most comprehensive no-fault law in the nation.

In your statement of January 5, 1972, assigning high priority to the adoption of no-fault insurance, you expressed your hopes for a new system of reparations for the victims of automobile accidents as follows:

"The citizens of Michigan deserve a better system for compensating those injured in automobile accidents than exists today. Part of the problem lies in the insurance mechanism, which in turn is based on a legal system which did not contemplate the use of the automobile by nearly every citizen.

"In addition to delays and inequities, the present system of settling automobile accident injury claims is inefficient and expensive. Nearly 33% of the automobile bodily injury insurance premium dollar goes for attorneys fees. Valuable lawyers' time is spent on both sides of each claim. To these costs must be added the price to the taxpayers of the courts and juries, overburdened as they are."

I am pleased to report to you that no-fault has in fact fulfilled your hopes and the hopes of its many other supporters. No-fault auto insurance has provided Michigan's drivers and passengers with more benefits per premium dollar than the insurance system of any other state and has



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assured that those benefits are distributed more promptly and equitably. This report supports that conclusion in every important aspect.

First, and most importantly, no-fault has resulted in more accident victims receiving compensation for their injuries and in the most seriously injured receiving more adequate compensation.

Second, no-fault has eliminated delays in the payment of legitimate claims. Before no-fault, 34% of the families suffering a serious injury or fatality were forced to use their own assets or to borrow funds to pay the costs associated with their accident. Now, that is not necessary.

Third, no-fault has enabled Michigan's citizens to coordinate their auto insurance benefits with other insurance benefits and thereby has created the potential for overall cost-savings in insurance premiums.

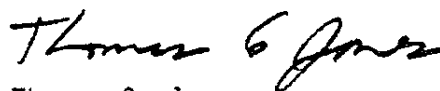
Fourth, and finally, no-fault has reduced the administrative and legal costs associated with auto accident insurance claims. Court cases have been significantly reduced, resulting in more premium dollars being available to pay benefits to people.

In summary, the record bears out that no-fault has been successful in righting the wrongs of the old tort liability system and in protecting the Michigan consumer. That fundamental improvements were needed in the tort liability system there can be little doubt. The old fault system systematically undercompensated the most seriously injured and overcompensated the least seriously injured. Those results were inequitable and wrong and could not be allowed to continue.

Fortunately, we have improved the auto insurance system without incurring the dramatic premium increases experienced by other states. In spite of overall rampant inflation, Michigan insurance premiums remained virtually level from 1971 until 1975. Since 1975, rate increases have averaged about 25 to 30%. Those increases are substantially less than states with other no-fault systems and than states which still have the fault system. In addition, those increases are far less than the 91% increase in automobile crash parts, and than the overall increase of 49% in medical care costs, the main things for which auto insurance must pay.

In short, I believe no-fault auto insurance represents a signal achievement for the people of our state, one of which you, the Legislature, and all of Michigan can be proud.

Sincerely,



Thomas C. Jones  
Commissioner of Insurance