Consumer Federation of America
1620 I Street, N.W., Suite 200 * Washington, DC 20006

Consumer Watchdog

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Contact:
Bob Hunter (703) 528-0062
Doug Heller 310-392-0522 ext. 309

Michigan's Proposed FAIR Initiative Modeled After Nation's Most Successful Insurance Reforms

California Drivers Have Saved $62 Billion in 20 Years Under Similar Rules and Have Among Most Competitive Insurance Markets in Nation

A proposed ballot measure would allow Michigan voters to weigh in on consumer-oriented insurance reforms that have saved California drivers an average of $3 billion per year since being enacted in 1988, said two national consumer groups today. Consumer Watchdog and the Consumer Federation of America (CFA) pointed to a 2008 CFA study that reviewed insurance regulations around the country and determined that the California system, on which the Fair Affordable Insurance Rates (FAIR) proposal is based, has been the most effective law in the nation in creating a auto insurance market that is competitive, has low rates and protects consumers from abusive insurer practices.

The proposed initiative would cut insurance rates by 20 percent and establish an aggressive review process for insurance company rates and pricing practices, prohibiting the kind of price gouging that forces Michigan drivers to pay about 12 percent more than the national average for auto insurance, according to the 2008 study. The proposal would also require insurers to base rates primarily on a motorist's driving record rather than factors like their ZIP code or marital status, which currently dominate the pricing structure of many insurers.

"Michigan law requires motorists to purchase auto insurance, it should also require insurance companies to sell policies at fair and reasonable prices," said J. Robert Hunter, Director of Insurance at CFA. Hunter is a former Texas Insurance Commissioner and Federal Insurance Administrator under Presidents Ford and Carter. "Our research proves that California's system is the finest in the nation at protecting consumers, leading to a price drop in auto insurance relative to the national average, from 36 percent above the national average when the law was adopted to a mere 2 percent higher today. Michigan consumers deserve a system that works to protect them rather than the insurance companies," Hunter said.

"Before an insurance company sells a homeowners', auto, business or just about any policy in California, the insurer has to be able to prove in a public hearing that its rates are actuarially justified and not excessive. This has made the California market extremely competitive and has kept rates from growing for two decades while premiums skyrocketed

-MOREeverywhere else," said Douglas Heller, Executive Director of Consumer Watchdog, a national consumer advocacy organization with offices in California and Washington D.C.

Among the findings of CFA's 2008 study, *State Automobile Insurance Regulation: A National Quality Assessment and In-Depth Review of California's Uniquely Effective Regulatory System*, auto insurance prices have increased by 69 percent in Michigan since 1988, the year in which California enacted Proposition 103, its version of the proposed FAIR initiative. California has seen rates increase by only 12.9 percent. Also, Michigan's auto insurance market is ranked in the middle of the states (21st place) for competitiveness, while California is the fourth most competitive in the country.

The CFA study is available at:
http://www.consumerfed.org/elements/www.consumerfed.org/file/finance/state_auto_insurance_report.pdf

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