



SENATE DEMOCRATIC CAUCUS  
LANSING, MICHIGAN

FOR IMMEDIATE RELEASE  
June 7, 2007

Contact: Tom Lenard  
(517) 373-8421

## EXPERT TESTIMONY SUPPORTS NEED FOR MASSIVE AUTO INSURANCE REFORM

*Senators Scott, Clarke, and Clark-Coleman cite findings of discrimination*

LANSING- Senate Democrats today lauded the testimony of an independent researcher whose analysis of the Michigan auto insurance market indicates that where the driver lives has the greatest effect on a driver's premium. The study found that Michigan's three leading insurers also give substantial weight to education, occupation, lack of prior coverage, and credit history, regardless of its questionable legal status. The testimony was provided by insurance expert Jay Angoff, Roger Brown & Associates, of Jefferson Missouri, during a hearing of the Michigan House Insurance Committee.

The three insurers included in the study were State Farm, Allstate, and AAA Michigan. Findings also indicated that those same insurers have made substantial profits from liability and physical damage coverages.

"This scientific and impartial study substantiates what I and my colleagues have been saying for years," said Sen. Martha G. Scott (D-Highland Park). "Detroit drivers are blatantly discriminated against when it comes to setting rates. And insurance companies are earning obscene profits on the backs of the poor."

The report compares 2006 auto premiums in Kalamazoo versus South Central Detroit from six Michigan auto insurers. Detroit's premiums ranged from 241% to 365% higher. The study also reported that AAA, the only one of the three leading companies who insures primarily in Michigan, more than doubled its profits in five years.

"Insurance is supposed to provide some level of *assurance*, but all Detroit residents are assured of are imbalanced and inflated rates based on where they live, what they do for a living, and where they went to school," said Sen. Hansen Clarke (D-Detroit). "That's why I've introduced legislation today to exclude employment and education in calculating insurance rates."

The report was also critical of the fact that Michigan allows insurers to raise rates at will; prohibits the Insurance Commissioner from ordering refunds when consumers have been overcharged; and prohibits drivers from suing when auto insurers overcharge their policies. Michigan also allows rate increases to take effect automatically upon filing, with no waiting period or prior approval from the commissioner.

"We are delighted to finally have an expert provide data that validates what we've known all along -- Detroit residents are unfairly targeted with extremely high and unfair insurance rates," Sen. Irma Clark-Coleman (D-Detroit) said. "Maybe now we can begin to rectify the situation."

###