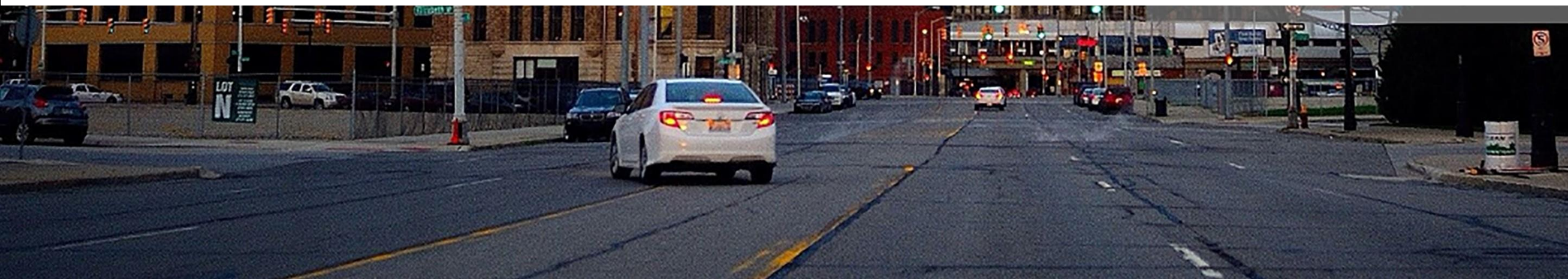




MICHIGAN NO-FAULT OVERVIEW





Chief Executive Officer
CURE Auto Insurance

EDUCATION: University of Colorado, B.S., Accounting; Seton Hall University School of Law, J.D.

BAR ADMISSION: New Jersey

COURT ADMISSION: U.S. District Court of New Jersey

As Chief Executive Officer of CURE Auto Insurance, Eric Poe oversees the operations of nearly 400 employees and nearly \$100 million in assets. He is a licensed active New Jersey attorney and Certified Public Accountant. Eric is responsible for the marketing, filing of rates, underwriting, claims, loss control, and litigation strategy for CURE.

Mr. Poe is credited as the outspoken catalyst and initial source of information on the topic of banning the use of education and occupation as income proxies in the car insurance industry. Mr. Poe's influence has been instrumental in the ban of the industry practice in New York (2018) and Michigan (2019).

As a recognized commentator in the insurance field, Mr. Poe has testified on discriminatory rate setting practices twice before the United States House of Representatives (2008 and 2020), Committee on Financial Services (Subcommittee on Oversight and Investigations) in Washington D.C. on the topic of insurance scoring, and the availability and affordability of insurance. He has also testified a combined six times before the New Jersey Senate and Assembly, including the New Jersey Senate Commerce Committee (October 2020), the Florida Office of Insurance Regulation and the New Hampshire Legislature as well as presented to the National Association of Insurance Commissioners (NAIC) Special Committee on Race and Insurance and National Council of Insurance Legislators (NCOIL). In addition, Mr. Poe has appeared nationally on CNBC, Fox Business News, and regionally on ABC, CBS, NBC and WPHL as an authority in the field of insurance.

Mr. Poe was awarded NJBIZ's "40 Under 40" award, recognizing him as one of the 40 most influential New Jersey business entrepreneurs under the age of 40. Poe regularly argues cases and has appeared several times before the New Jersey Supreme Court. In 2015, Mr. Poe successfully argued CURE v. Perez, before the New Jersey Supreme Court, overturning an Appellate Division decision. Additionally, in 2015, under Mr. Poe's leadership, CURE was nominated as NJBIZ's "Business of the Year." He was also named as one of New Jersey Law Journal's Trailblazers in 2020 for his innovation and thought leadership in both the insurance and legal industries. In 2021, Mr. Poe was named to the ROI-NJ Influencers Power List of Executives and was recognized by NJBIZ as one of the "Leaders in Law" in New Jersey.

- 1. HISTORY OF “NO-FAULT” PIP IN THE U.S.**
- 2. ON-GOING MISCONCEPTIONS AND AREAS OF ABUSE**
- 3. UNDERSTANDING WHO BEARS THE COST**
- 4. PROPOSED SOLUTIONS**

1: HISTORY OF “NO-FAULT” PIP IN THE U.S.

1: NO FAULT IDEOLOGY: WORKERS' COMP

Mandatory car insurance laws passed in 1970's. Primary concern was, "What occurs to hospitals and doctors when liability on the accident is being argued?"

Solution: No-Fault Personal Injury Protection (PIP) -

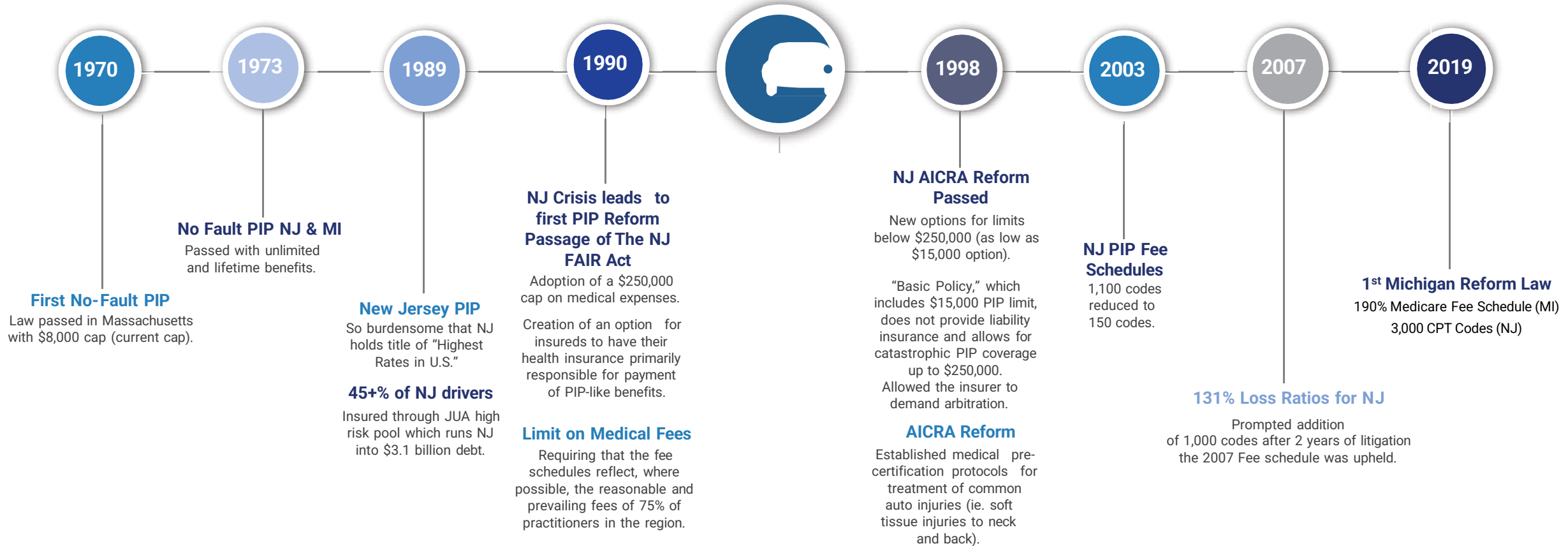
- Car insurers become pseudo WC/Health insurers
- Several assumptions: 1) providers won't abuse the system by over treating or over billing 2) car insurers would be put in the same position workers' comp or health insurers would be put into

When several legislatures struggled with precise way to handle rates paid to providers, they adopted that the insurance carrier is required to pay any provider their "Usual Customary and Reasonable (UCR) rates"

KEY: Car insurers are not capable of negotiating rates for service because they don't have the ability to "direct" care like workers' comp or health insurance.

25 years after Massachusetts No-Fault law was passed, largest study done found that the 15 states of no-fault, which were aimed to reduce litigation and speed up payments, was proven to have higher litigation costs and longer payment cycles.

1: HISTORY OF NO-FAULT PIP; NJ & MI



1. NO-FAULT STATES COMPARISON

Where does Michigan rank?

First Place: Michigan (\$47,826)

Second Place: New Jersey (\$21,111)

Third Place: New York (\$16,352)

State	PIP limits	Average Loss Severity					Incurred Loss Ratio				
		2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Michigan	unlimited*	56,946	63,478	66,067	61,708	47,826	111%	58%	65%	81%	110%
New Jersey	250,000	17,213	18,145	19,160	22,147	21,111	59%	56%	43%	57%	56%
New York	50,000	12,261	12,165	14,823	17,650	16,352	72%	73%	63%	78%	73%
Minnesota	20,000	8,164	8,059	8,618	9,750	9,440	58%	58%	43%	52%	56%
Delaware	15,000	7,454	8,077	7,020	8,579	9,323	65%	69%	49%	60%	68%
Florida	10,000	7,914	8,424	8,405	8,520	7,798	71%	70%	65%	73%	64%
North Dakota	30,000	6,368	6,480	6,927	7,983	7,528	53%	58%	52%	60%	65%
Oregon	15,000	4,614	5,192	4,690	5,912	6,225	53%	58%	43%	60%	62%
Kentucky	10,000	5,328	5,324	5,236	5,902	6,114	59%	62%	50%	55%	62%
Hawaii	10,000	5,370	5,284	5,372	6,077	6,097	48%	55%	33%	44%	43%
Pennsylvania	5,000	4,397	4,179	4,423	4,714	4,787	62%	62%	53%	64%	62%
Kansas	4,500	3,547	3,468	3,653	4,089	4,166	55%	54%	45%	55%	56%
Massachusetts	8,000	2,262	2,542	2,575	3,096	3,304	44%	58%	41%	59%	59%
Utah	3,000	2,310	2,315	2,266	2,510	2,700	59%	62%	46%	56%	57%

PUBLIC DATA: Insurance carriers are required in all states to file

1. NO-FAULT STATES COMPARISON

Where does Michigan rank?

First Place: Michigan (\$4,994)

Second Place: New York (\$2,087)

Third Place: New Jersey (\$1,766)

		Average Cost of Defending PIP Claim				
State	PIP limits	2018	2019	2020	2021	2022
Michigan	unlimited*	5,030	5,616	6,097	6,315	4,994
New York	50,000	1,815	1,990	2,165	2,324	2,087
New Jersey	250,000	1,711	1,783	1,770	1,934	1,766
Florida	10,000	875	815	884	1,013	834
Minnesota	20,000	673	729	831	748	573
Delaware	15,000	450	478	489	464	490
Massachusetts	8,000	257	245	285	257	246
Pennsylvania	5,000	177	160	171	176	174
Oregon	15,000	226	250	242	196	171
North Dakota	30,000	142	155	227	164	147
Hawaii	10,000	164	153	169	158	121
Kentucky	10,000	169	160	132	110	116
Utah	3,000	76	83	93	80	85
Kansas	4,500	90	96	103	88	81

PUBLIC DATA: Insurance carriers are required in all states to file

Why did the 2019 Reform Law Work?

Two components:

1.

MEDICAL NECESSITY

2.

REASONABLE RATES



- Fee schedule eliminates reasonableness in rate disputes.
- Indirectly eliminates incentive for abuse of medical necessity.

2: ON-GOING MISCONCEPTIONS AND AREAS OF ABUSE

2: SUMMARY



Michigan requires the most liability coverage for people to buy (2019) and the highest amounts of medical coverage (No Fault).



Any system that permits a debate about reasonableness of rates or medical necessity allow for a "field day" for lawyers

NO FAULT LAWSUITS MAKE UP

**40% OF ALL
LAWSUITS**



**123%
HIGHER**
AVERAGE PIP CLAIM
THAN THE 2ND HIGHEST
IN USA



WITH "WHERE YOU LIVE"
FACTORS AND CREDIT
SCORE FACTORS LOWEST
INCOME PAYING HIGHEST
BURDEN OF THESE COSTS

MICHIGAN REALIZATION OF SAVINGS SET BACK BY:

1. COVID supply chain shortages increased PD losses 37% USA
2. Andary Michigan Supreme Court saying law doesn't apply for pending treatment of prior accident victims
3. Agents/Brokers paid commissions have zero incentive to push for new cost saving options. Lower commissions and an argument that they are exposing themselves.

2. FEE SCHEDULE BASICS

When treatment or services are provided, what falls under Medicare fee schedule v. the 45% discount from the 2019 Charge Master?

86%

PIP FEE SCHEDULE

Most treatments for providers are recognized by all health insurers and Medicare. Treatment is assigned a CPT code and are paid. Depending on if hospital treats 30% or more of its patients as indigent patients, the sliding scale of reimbursement occurs.

14%

NO FEE SCHEDULE

14% of all treatment forced by car insurers in Michigan to pay for treatment / accommodations are NOT recognized and coded by Medicare. Pharma, non-medical attendant care etc. all fit under this category where 45% discount is applied from 2019.

LITIGATION COST

Michigan, unlike NJ, has no arbitration system in place, so every single dispute goes to court like any other lawsuit in Michigan. Result: 40% of all lawsuits in Michigan are docketed as No Fault suits.

2: MISCONCEPTIONS AND ABUSE

1. Biggest misconception is that long term, catastrophically injured are being left out in the cold through “loopholes” in the system. Michigan law still provides more coverage than any state in the U.S., regardless of injury. Non-medical/medical attendant care NOT limited to catastrophically injured people. Records indicate less than 1% of all No-Fault claims involve “catastrophic” injuries defined as spinal or brain injuries.
2. Bills being proposed (Senate) would raise costs over **\$500MM** but don’t have a requirement that the new payments are for catastrophically injured people only.
3. Critical question: Why should injured people in car accidents in Michigan receive significantly better care than those injured at work, home, and or Medicare people?

CPT CODE

PRIOR BILLED

200% MEDICARE

63047 Laminectomy

\$32,100

\$2,506

95913 Nerve
Conduction

\$5,250

\$677

2: MISCONCEPTIONS AND ABUSE

DISABILITY CERTIFICATE

[Signature], have examined and/or treated Vera for injuries sustained in a motor vehicle accident on 1-5-2023. It is my opinion that as a result of the injuries received in this accident, the aforementioned patient is disabled in doing:

PLEASE CHECK ALL THAT APPLY

(1) "Housework", as some housework may involve bending, lifting, twisting, and prolonged standing as required by changing linens; making beds; washing floors, sinks, bathtubs, pots; moving furniture, picking up objects off floors; carrying garbage, etc.

(2) "Caring for patient's children", which may involve bending, twisting, lifting, and prolonged standing as required by changing children's clothes; bathing children; cooking for children; watching the children; feeding children; cleaning or straightening up after the children, etc.

(3) "Caring for patient's personal needs", which may include bending, twisting, lifting, and prolonged standing as required bathing the patient; dressing the patient; fetching, drying, and lifting things for the patient, etc. for 6 hours per day from 1-5-2023 to 10-26-2023.

(4) "Driving"

In my opinion that the patient (is) (was) disabled from 1-5-2023 to 10-26-2023.

EMPLOYMENT DISABILITY

(1) He/She may not return to his/her place of employment at this time.

(2) He/She is able to return to his/her place of employment at this time, but was unable to perform his/her work duties from the date of accident until _____.

In my opinion that the patient (is) (was) disabled from 1-5-2023 to 10-26-2023.

(DOCTOR'S SIGNATURE)
[Signature]
 (ADDRESS)
1431 Airport Rd
Westerfield MA 01081
 (CITY/STATE/ZIP)
248 479 6150
 (PHONE NO.)
248 710 2200
 (FAX NO.)

AFFIDAVIT OF ATTENDANT CARE SERVICES PERFORMED

Name of Insured: Vera
 Claim #: CLM-00005987 Date of Incident: 01/05/2023
 Service Provider's Name: ALICIA

Describe specifically what attendant care services were provided:

- A Assistance with Hygiene
- B Grooming
- C Bathing
- D Toileting
- E Transferring/Positioning
- F Physical Therapy Oversight
- G Eating
- H Meal Preparation
- I Medication Management
- J Care of Health Equipment
- K Management of Finances
- L Wound Care
- M Safety Supervision
- N _____
- O _____
- P _____
- Q _____

On the following calendar, please indicate: (a) the services by letter; (b) the dates on which those services were performed; and (c) the number of hours required for performance of those services for each date.

Month: February, 2023

1 A,B,C,H Hours: 5hrs	2 A,B,C,H Hours: 5hrs	3 A,B,C,H Hours: 5hrs	4 A,B,C,H Hours: 7hrs	5 A,B,C,H Hours: 5hrs	6 A,B,C,H Hours: 5hrs	7 A,B,C,H Hours: 5hrs
8 A,B,C,H Hours: 5hrs	9 A,B,C,H Hours: 5hrs	10 A,B,C,H Hours: 5hrs	11 A,B,C,H Hours: 5hrs	12 A,B,C,H Hours: 5hrs	13 A,B,C,H Hours: 5hrs	14 A,B,C,H Hours: 5hrs
15 A,B,C,H Hours: 5hrs	16 A,B,C,H Hours: 5hrs	17 A,B,C,H Hours: 5hrs	18 A,B,C,H Hours: 5hrs	19 A,B,C,H Hours: 5hrs	20 A,B,C,H Hours: 5hrs	21 A,B,C,H Hours: 5hrs
22 A,B,C,H Hours: 5hrs	23 A,B,C,H Hours: 5hrs	24 A,B,C,H Hours: 5hrs	25 A,B,C,H Hours: 5hrs	26 A,B,C,H Hours: 5hrs	27 A,B,C,H Hours: 5hrs	28 A,B,C,H Hours: 5hrs
29 X	30 X	31 X				

Total hours: 156 Charge per hour: \$12.50 Total Due: \$1,950

Have you provided services prior to the accident? NO
 Amount to be paid for all services provided: _____

I declare the above information to be true and accurate and above services were performed as indicated.

(signature of party performing services) [Signature] (date) 02/02/2023

(signature of insured) [Signature] (date) 02/01/2023

2: MISCONCEPTIONS AND ABUSE

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MONEY

Victim's lawyer got \$3K/month for years under Mich. no-fault system

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Detroit Free Press

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3: UNDERSTANDING THE COSTS AND THOSE HIT HARDEST

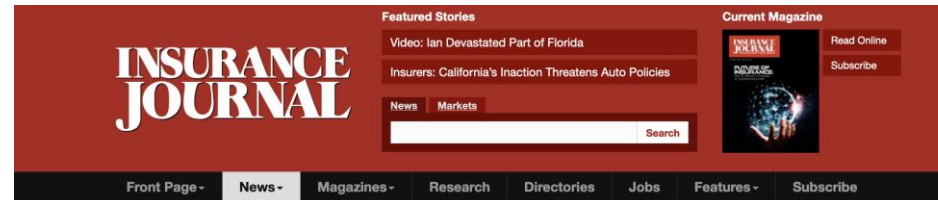
3. INDUSTRY IMPACT OF COVID

One reason why rates in Michigan have not gone down:

SUPPLY CHAIN SHORTAGES DRIVING UP PHYSICAL DAMAGE CLAIMS 37% COUNTRYWIDE

GEICO / PROGRESSIVE MULTI BILLION DOLLAR LOSSES

KEY: ALL FINANCIAL DATA BY CAR INSURERS ARE PUBLIC.



Berkshire Hathaway Posts \$43.8 Billion Loss as Stock Holdings Tumble

By Jonathan Stempel | August 8, 2022



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REUTERS The slide in U.S. stock prices punished Berkshire Hathaway Inc's bottom line in the second quarter, as the conglomerate run by billionaire Warren Buffett on Saturday reported a \$43.8 billion loss.

Berkshire nevertheless generated nearly \$9.3 billion of operating profit, as gains from reinsurance and the BNSF railroad offset fresh losses at the Geico car insurer, where parts shortages and higher used vehicle prices boosted accident claims.

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3: AVERAGE INCREASES IN COSTS ISN'T PROPER

PRIMARY FACTORS AS TO WHY AN AVERAGE RATE ISN'T A FAIR REFLECTION

Territory: Car insurers create location territories and assign a “factor” to charge for living in that territory based upon experience of car accidents, stolen vehicles, towing costs and other incidents that differentiate costs. One territory of Detroit currently has a 320% territorial relativity assigned to it. This means the driver would pay 3.2 times an average driver in the state for living in Detroit.

Credit based insurance scores: Credit based insurance scores are used by the majority of car insurers in the marketplace. This methodology causes those with sub-600 credit scores to typically get charged 200% of the person who has a 700+ credit-based insurance score.

Conclusion: Simply taking a cost of \$500 MM and dividing it by how many people buy car insurance in Michigan is misleading, as the costs are not spread out evenly to the market. Urban, lower income drivers see a more dramatic impact to their rates due to credit scores and geography alone.

4: PROPOSED SOLUTIONS

What is missing to prevent fraud abuse?

1.

MEDICAL NECESSITY

- A. PRE-CERTIFICATION PROCESS (TBD)
- B. CARE PATHS (TBD)

2.

REASONABLE RATES



- Fee schedule eliminates reasonableness in rate disputes.
- If there are non-Medicare treatments required, national database on PAID amounts for treatment (i.e. FAIR HEALTH PAID)

4: PROPOSED SOLUTIONS

1.

CATASTROPHIC LANGUAGE TRIGGER: IF PEOPLE WANT EXTENSIVE AND HEIGHTENED COVERAGE PUT A TRIGGER WHICH PREVENTS FRAUD AND ABUSE

2.

REDUCE WAGE LOSS, REQUIRE DISABILITY FIRST, AND ELIMINATE LOOPHOLES ON WAGE LOSS SUCH AS TEMPORARY UNEMPLOYMENT. FLORIDA IS 60% CAP

3.

PLACE MAXIMUM DAILY CAP ON CHIROPRACTOR BILLABLE AMOUNTS: NJ \$105/ day, Michigan \$ unlimited

4.

CARE PATHS & PRE-CERTIFICATION LIKE ALL OTHER SIMILAR INSURANCE

5.

STIFFER FRAUD PENALTIES

6.

REQUIRE APPEALS TO DIFS FOR EXPERT OPINION ON CARE/TREATMENT/COSTS, MIRROR ARBITRATION SYSTEM IN NJ PIP

7.

LOWER BACK MANDATORY BI LIABILITY LIMITS TO \$25k/\$50k

8.

IF ALL ADOPTED, NO-FAULT COSTS WOULD BE REDUCED BY 65% / \$1.4 BILLION OUT OF THE COSTS IN MICHIGAN

4: SUMMARY OF 2019 IMPACT

1. Incurred losses dropped by approximately 25%
2. \$3 billion in cash refunds from MCCA
3. 240,000 new insured drivers (previously uninsured can afford insurance) +3% to 4% of market
4. 70+ new car insurers entered Michigan since 2019 reform laws were passed
5. CURE alone insures 45,000 Detroit residents who previously did not have car insurance

THANK YOU

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