

TO: Senate Insurance Committee

FROM: David Finkbeiner, Senior Vice President, Advocacy

DATE: April 15, 2015

RE: Concerns related to Senate Bill 248 - Oppose as introduced

The MHA continues to support anti-fraud efforts and appropriate as reforms to attendant care.

However, as the MHA has consistently shared with lawmakers over the past two years, Michigan hospitals have many unanswered questions about a new catastrophic fund in proposed SB 248. The existing Michigan auto no-fault insurance system uses private insurers to pay all claims through the ultimate loss for the injured person. The insurer manages, pays, adjusts and if necessary litigates the claim from beginning to end. The insurer submits receipts for the services above \$530,000 to the Michigan Catastrophic Claims Association (MCCA) and is reimbursed 100% by the MCCA for the cost of those services. Policyholders and those injured in auto accidents can depend on their insurance contract to protect their interests.

The proposal within SB 248 to create a new public mechanism to replace the insurer's requirement to provide the no-fault benefit above \$500,000 raises several questions.

- Will creating the new fund reduce auto insurance rates?
- Is this new fund an insurance product? Why does the legislation exclude this entity from all insurance laws of the state?
- How will the minimum capital and surplus requirements be met by this new fund?
- Will the state set aside these amounts when the fund is created? If not, who or what entity will?
- If the liability is removed from the auto insurers, where does the liability land? Will the fund be backed by the full faith and credit of the State of Michigan?
- Will policyholders who would pay into this new fund have a contract with the fund to protect them in legal disputes and guarantee that the fund must meet its obligations after the premium is paid?
- Will insurers be allowed to mark up the premium for the new fund, charging expenses and agent commissions in addition to the premium?
- At present, if an insurer becomes insolvent and cannot pay claims, the Property Casualty Guaranty Association is responsible for attempting to pay outstanding claims by assessing the solvent insurers in the same line of business. Will this fund be a member of the Guaranty Association? If not, what will be the mechanism for meeting the requirements of the policy (will policies be issued?) that was sold in exchange for the assessment?
- What rates will the fund pay providers and how will that be assured going forward?

Memo: SB 248 – Oppose as introduced

April 15, 2015

Page 2

Creating this new public fund, which would be vulnerable to being raided or repealed by future legislatures, adds uncertainty to Michigan's no-fault system. If the Senate decides to move forward with this new public fund, we strongly urge that it do so with a complete understanding of the issues outlined above.