



Insurance Institute of Michigan

December 9, 2015

The Honorable Joe Hune
Michigan Senate
Lansing, Michigan 48909

Dear Senator Hune:

On behalf of the members of the Insurance Institute of Michigan, I write to express our strong opposition to Senate Bills 412 and 413. The legislation would provide that the annual, per vehicle assessment for the Michigan Catastrophic Claims Association be collected by the Michigan Secretary of State at point of motor vehicle registration, rather than the current practice of the assessment being levied against auto insurance companies.

By way of background, Michigan law provides that all auto insurance policies sold in Michigan provide unlimited, lifetime medical expense coverage, also referred to as Personal Injury Protection, or "PIP," for losses attributable to auto accident injuries. Therefore, individuals who are injured in auto accidents will receive all reasonable and necessary medical benefits for their entire lives. The costs to operate this system are expensive.

The Michigan Catastrophic Claims Association ("MCCA") is an unincorporated, non-profit association created by the Michigan legislature in 1978. The MCCA reimburses auto no-fault insurance companies for PIP claims paid in excess of the current threshold of \$545,000.00. This threshold is subject to review every two years.

While the MCCA reimburses insurance companies for PIP expenses in excess of the threshold, it is important to remember that the liability for the unlimited benefit statutorily and contractually remains with the insurance company. The insurance company manages the claim for the life of the claim. The claim never transfers to the MCCA; the MCCA does not pay claims.

The purpose of the MCCA is to act as a reimbursement mechanism to provide stability to the auto insurance marketplace and companies within that marketplace. The MCCA protects against any one company's solvency being threatened by a series of catastrophic claims.

Currently, the MCCA annually assesses auto insurance companies collectively an amount sufficient to cover the lifetime costs of claims filed from those injured in the year the assessment was levied. This assessment mechanism is one of the fundamental cornerstones of the system as it assures payment into the fund and that the fund will in turn have sufficient resources to reimburse insurers for the costs associated with catastrophic claims.

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To the extent Senate Bill 412 and 413 provide that this assessment would be collected by a state agency – in this case the Secretary of State – they subject the MCCA to the vagaries of the Legislature's appropriations process, and therefore the politics of the moment. Individual insurance company ratings are based upon the stability of the entire system, and, therefore, IIM members are very concerned this legislation could have a material impact on ratings agencies' view of the stability of the fund, and stability of the individual auto insurance companies operating within the Michigan market.

Additionally, the MCCA, per MCL 500.3104, was created as a non-profit, unincorporated association. The MCCA is a private entity, not a government agency. Therefore, IIM members believe it is entirely inappropriate for a government agency to be injected into the workings of the MCCA, its assessment authority and mechanisms, and interactions with individual auto insurance companies.

In light of the above concerns, **we ask that you OPPOSE Senate Bills 412 and 413.** Thank you in advance for your attention to this matter. Please let me know if you have any questions or comments.

Sincerely,

Peter A. Kuhnmuensch
Executive Director

cc: Members, Senate Insurance Committee