

**REVISE DEFINITION OF ULTIMATE
LOSS**

House Bill 6224

Sponsor: Rep. Andrew Richner

**Committee: Insurance and Financial
Services**

Complete to 11-6-02

A SUMMARY OF HOUSE BILL 6224 AS INTRODUCED 6-18-02

Currently, each no-fault automobile insurer writing auto insurance in the state must be a member of the Michigan Catastrophic Claims Association (MCCA). (The MCCA is an unincorporated, nonprofit association composed of companies writing auto insurance in the state; the MCCA acts as a reinsurer for these auto insurers by reimbursing an insurance company for the amount of personal injury protection [PIP] losses over an amount specified in statute.) The MCCA must provide and each member must accept indemnification for 100 percent of the amount of ultimate loss sustained under PIP coverages in excess of the statutorily specified amount for each occurrence. "Ultimate loss" means the actual loss amounts that a member is obligated to pay and that are paid or payable by the member, and do not include claim expenses. An ultimate loss is incurred by the MCCA on the date that the loss occurs.

The bill would amend the Insurance Code to specify that the above definition of "ultimate loss" would apply until June 30, 2002. As of July 1, 2002, the bill would define "ultimate loss" as the actual loss amounts that a member was obligated to pay and that were paid or payable by the member, including litigation expenses. "Litigation expenses" would mean those attorney fees, interest, legal costs, and sanctions that are all of the following:

- reasonable and necessary;
- necessarily incurred to reasonably contest a claim for personal protection insurance benefits; and,
- approved by the association's board of directors.

The bill would take effect July 1, 2002.

(Note: Under Public Act 3 of 2001, the retention amounts that each member must be responsible for increases on July 1 of each year until reaching \$500,000 on July 1, 2011. Beginning on July 1, 2013, the rate will be increased biennially in the odd-numbered years by the lesser of 6 percent or the consumer price index and rounded to the nearest \$5,000.)

MCL 500.3104

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