

Legislative Analysis



MCCA REVISIONS: AUDITS, BOARD EXPANSION

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House Bill 4677

Sponsor: Rep. Lee Gonzales

House Bill 4678

Sponsor: Rep. Richard LeBlanc

Committee: Insurance

Complete to 11-27-07

A SUMMARY OF HOUSE BILLS 4677 & 4678 AS INTRODUCED 4-26-07

The bills would amend the Insurance Code (1) to require an annual audit of the Michigan Catastrophic Claims Association (MCCA) and (2) expand the MCCA board of directors from five to nine by adding three members to represent the general public and one to represent insurance agents.

The MCCA is a statutorily mandated nonprofit association composed of the companies writing automobile insurance in the state. It functions as a reinsurer under Michigan's compulsory no-fault auto insurance system, which provides unlimited lifetime medical and rehabilitation benefits. An auto insurance company is responsible for a specified amount of a personal injury protection (PIP) claim, with the MCCA responsible for amounts above that. [The MCCA picks up claims at \$420,000 from July 1, 2007 until June 30, 2008; at \$440,000 from July 1, 2008 to June 30, 2009; and the amount will increase annually until it reaches \$500,000 in July 2011. The MCCA threshold is established in the Insurance Code.] The member insurance companies are charged a premium to cover the expected losses of the association, with the premium based, generally speaking, on the amount of a company's business in the state. Typically, an assessment to support the MCCA is placed on each auto insured under a no-fault policy, as well as each motorcycle.

House Bill 4677 would amend the Insurance Code (MCL 500.3104) to require that the state auditor general (within the legislative branch) or a certified public accountant appointed by the auditor general annually conduct an audit of the MCCA and deliver it to the standing committees on insurance issues in the House of Representatives and the Senate. In conducting the audit, the auditor general or designated CPA would have access to all records of the association. Each audit would have to include a determination of whether the association was likely to be able to continue to meet its obligations.

House Bill 4678 would amend the Insurance Code (MCL 500.3104) to expand the membership of the board of directors of the MCCA from five members to nine members, adding three members representing the general public and one member representing insurance agents. The code currently requires the MCCA to have five directors and specifies that the directors must represent auto insurance companies contributing at least

40 percent of the total premiums to the MCCA. The commissioner of the Office of Financial and Insurance Services (OFIS) is an ex officio board member without a vote. (The bill would also increase the number of directors needed for a quorum from four to six and would increase from three to five the number of directors required to call a special meeting.)

FISCAL IMPACT:

There is no significant fiscal impact on the State of Michigan or its local units of government.

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