

Legislative Analysis



REGULATE HOW THE MCCA ASSESSMENT CAN APPEAR ON AUTO INSURANCE BILLS

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House Bill 4423

Sponsor: Rep. Joan Bauer

Committee: Insurance

Complete to 3-17-09

A SUMMARY OF HOUSE BILL 4423 AS INTRODUCED 2-24-09

The bill would amend the Insurance Code to prohibit an automobile insurance company from listing on a policy declaration page or other notices to policyholders the customer's portion of an assessment levied against the company by the Michigan Catastrophic Claims Association unless prior approval of the notification is given by the state insurance commissioner and the following conditions are met:

**** The MCCA assessment is listed as a separate and distinct item.**

**** The assessment amount reflects the actual per vehicle amount the company was assessed by the MCCA for the corresponding policy period and does not include any additional expenses. If additional expenses are listed, expenses related to the collection of the MCCA assessment, including agent commissions and administrative expenses, could not be included with the MCCA assessment listing. Instead, each expense would have to be identified separately as the type of expense it is, with the corresponding amount for each expense listed separately, and the expense would have to be identified as related to the MCCA assessment.**

MCL 500.2112

BACKGROUND INFORMATION:

The MCCA is a statutorily mandated nonprofit association made up 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 \$440,000 until June 30, 2009; \$460,000 until June 30, 2010; \$480,000 until June 30, 2011, and \$500,000 until June 30, 2013. From then on, the threshold is to be increased every two years by inflation or six percent, whichever is less. These MCCA thresholds are 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.

FISCAL IMPACT:

The bill would have no apparent fiscal impact on state government or local units of government.

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