

Legislative Analysis



MCCA: ANNUAL INDEPENDENT AUDIT

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4426

Sponsor: Rep. Lee Gonzales

Committee: Insurance

Complete to 3-24-09

A SUMMARY OF HOUSE BILL 4426 AS INTRODUCED 2-24-09

The bill would require that an independent certified public accountant appointed by the commissioner of the Office of Financial and Insurance Regulation annually conduct an audit of the Michigan Catastrophic Claims Association (MCCA) and deliver it to the commissioner and to the standing committees on insurance issues in the House of Representatives and the Senate. In conducting the audit, the appointed 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. The bill amends the Insurance Code (MCL 500.3104).

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:

There is no apparent fiscal impact on the State of Michigan or local units of government. The bill does not specify who must pay for the independent audit. If the audit is the responsibility of OFIR, the state would incur additional costs.

Legislative Analyst: Chris Couch
Fiscal Analyst: Mark Wolf

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