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MCCA REBATE

House Bill 5491
Sponsor: Rep. Bob Brown
Committee: Insurance

Complete to 2-27-98

A SUMMARY OF HOUSE BILL 5491 AS INTRODUCED 1-22-98

The bill would amend the Insurance Code to require that no later than June 1, 1998, the Michigan Catastrophic Claims Association return at least one billion dollars of excess premium to its members (auto insurance companies) in proportion to the premiums paid by each member. The companies would be required, in turn, to make pro rata rebates to their insureds (customers).

The term "excess premium" is used in the bill to refer to premiums paid by association members in excess of actual and anticipated covered claims and expenses of the association.

[Michigan's compulsory no-fault auto insurance system provides unlimited lifetime medical and rehabilitation benefits. An auto insurance company is responsible for the first $250,000 of a personal injury protection (PIP) claim, and amounts above that (for "catastrophic" injuries) are the financial responsibility of the Michigan Catastrophic Claims Association. (However, the original insurer continues to handle the claim with association scrutiny.) The MCCA is a statutorily mandated unincorporated non-profit association composed of the companies writing automobile insurance in the state. The member companies are charged a premium to cover the expected losses and expenses of the association, with the premium based, generally speaking, on the amount of a company's business. Typically, an assessment to support the MCCA is placed on each auto insured under a no-fault policy. Motorcycles are also assessed.

The association is run by a five-member board made up of representatives of automobile insurance companies. The state's insurance commissioner appoints the board members, and the commissioner also serves on the board as a non-voting member. Among the board's principal functions, obviously, are the setting of the annual premium per vehicle, and managing the association's investments. The association assesses each year an amount sufficient to cover the lifetime claims of persons catastrophically injured in that accident year, with adjustments for excesses or deficiencies in previous assessments. This requires making assumptions about the number of cases, future costs, inflation rates, and investment rates.]

MCL 500.3104a

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