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MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

By Matthew Pociask

UNDER MICHIGAN'S UNIQUE personal injury protection auto insurance system, every insured driver in the state must pay a fee to the state-run Michigan Catastrophic Claims Association and, in return, receives unlimited medical coverage for auto accidents.

Michigan auto insurers pay the first \$500,000 of PIP claims, while the MCCA pays amounts that exceed that total. A family of four drivers with five cars would pay roughly \$900 a year to cover the MCCA fee.

The benefits of the system are that catastrophic accidents can be very expensive and impose a lifelong financial burden that the MCCA relieves. However, on the other hand, the chances of being in a life-altering accident are not high, while the costs to pay for other people's life-long medical expenses are. Michigan is the only state with this sort of law.

Here are some recent popular articles that tackle the subject:

ARTICLE: "Oh Ye State Legislature, Hear the Cries of Michigan Motorists; The State Supreme Court Adds to the List of No-Fault Areas in Need of Reform!"

AUTHOR: Shaun Springer

SOURCE: *University of Detroit Mercy Law Review*; Summer 2010, Vol. 87 Issue 4, p731-759, 29p

LINK: <https://litigation-essentials.lexisnexis.com/webcd/app?action=DocumentDisplay&crawlid=1&doctype=cite&docid=87+U.+Det.+Mercy+L.+Rev.+731&srctype=smi&srcid=3B15&key=67fb7687e32a00c8489a179c55080d44>

- In July 2009, the Michigan Supreme Court ruled to eliminate the MCCA ability to deny reimbursements to insurance companies for excess payments of Personal Protection Insurance benefits.
- Decision caused a 19% rise in premium prices for Michigan drivers
- Between 1979 and 2009, over 23,100 "catastrophic" claims have been placed. More than half of those claims are still active.
- Future payments could exceed 70 billion.
- "MCCA assessment will see a substantial increase because it will have to account for tremendous expenses required to satisfy even the most unreasonable claims. This result will represent the '\$643.8 million bill' that each motorist will share"

ARTICLE: "Auto Insurance Bill Introduced in Michigan"

AUTHOR: Associated Press

SOURCE: *Insurance Journal*, Sept. 15, 2011

LINK: <http://www.insurancejournal.com/news/midwest/2011/09/15/215774.htm>

- A proposal would offer a voluntary coverage range of \$25,000 to \$500,000.
- "Opponents of the proposed legislation say motorists opting for less coverage could wind up underinsured and in deep financial trouble if they're seriously injured in an accident. Critics say the plan could burden Michigan's Medicaid program with additional costs."

ARTICLE: "State House Committee approves bill that sets limits on no-fault auto insurance coverage"

AUTHOR: Dave Murray

SOURCE: *Michigan Live*, Oct. 13, 2011

LINK: http://www.mlive.com/politics/index.ssf/2011/10/state_house_committee_approves_1.html

- Rep. Kate Segal, D-Battle Creek, contends research shows 85% of drivers would purchase the cheapest coverage.
- Rep. Roy Schmidt, D-Grand Rapids asks of people whose treatment exceeds insured amount: "Do they go for the public help? Or do they just die?"
- Kevin Clinton, commissioner of the Office of Financial and Insurance Regulation
 - ♦ "If the MCAA were an insurance company, we'd shut it down for insolvency."
 - ♦ It is not the state's job to protect people who do not buy enough insurance
 - ♦ Problem with rising rates is 20% of Michigan drivers drive without insurance

- ♦ Michigan needs affordable insurance options
- Rep. Marcia Hovey-Wright, D-Muskegon, says the state needs to look after all residents or crash victims will be “left in the wind”
- Insurance Institute of Michigan supports the bill
- Michigan coverage increases because advance medical technology is being used and it keeps people alive longer
- John Cornack, president of Coalition Protecting Auto No-Fault:
 - ♦ “It is irresponsible to approve legislation that would shift millions of dollars onto already over-burdened taxpayers. It is irresponsible to approve legislation that kills thousands of good-paying jobs. It is irresponsible to approve legislation that circumvents voters’ constitutional rights. It is irresponsible to approve legislation based on unverifiable data controlled by a single interest group. And finally, it is irresponsible to approve legislation that destroys the best auto insurance system in the country.”

ARTICLE: “No-fault auto insurance rates to rise again so Michigan can cover catastrophic accident claims”

AUTHOR: Melissa Anders

SOURCE: *Michigan Live*, March 19, 2012

LINK: http://www.mlive.com/business/index.ssf/2012/03/michigan_no-fault_rate_increas.html

- “With contention over proposed legislation to let drivers choose the maximum personal injury protection coverage, ranging from a maximum of \$500,000 to \$5 million. The Coalition Protecting Auto No-Fault contends the MCCA rate increase was a political move to pressure lawmakers into changing the no-fault system. CPAN argues that medical costs for those injured would still have to be covered, and could shift to taxpayers through Medicare and Medicaid.”
- “The Insurance Institute of Michigan, which has been encouraging no-fault reform, points to the rate increase as validation for its efforts.”

TITLE: “Auto Insurance fee rekindles Michigan law debate”

AUTHOR: Tim Martin

SOURCE: *Business Week*, April 11, 2012

LINK: <http://www.businessweek.com/ap/2012-04/D9U2UV700.htm>

- Lawmakers want transparency in how rates are determined
- Bills pending in the Legislature would offer drivers cheaper insurance options with limited injury coverage
- Since the MCCA is a private nonprofit, they are not subject to open meeting and freedom of information acts. The money they collect, technically, comes from auto insurers and vehicle owners, not public taxes.
- Rep. Pete Lund, R-Macomb, believes increasing cost is not due to increasing profits but rather the outrageous benefits that insurance companies have to pay.

ARTICLE: “End catastrophic insurance fund secrecy”

AUTHOR: Rep. Philip Cavanaugh, D-Redford Township

SOURCE: *Detroit Free Press*, April 19, 2012

LINK: <http://www.freep.com/article/20120419/OPINION05/204190456/Guest-commentary-End-catastrophic-insurance-fund-secrecy>

- Since 2000, rates have risen from \$5.60 per insured automobile to \$175.
- According to MCCA, huge increases in price are still needed to keep fund solvent
- Cavanaugh contends MCCA auditors benefit the MCCA while harming drivers financially

ARTICLE: “Crisis predicted in no-fault’s unlimited coverage”

AUTHOR: Pete Daly

SOURCE: *Grand Rapids Business Journal*, vol. 30.

LINK: <http://insurancenewsnet.com/article.aspx?id=345423&type=propertycasualty>

- Many Michigan insurance agents are worried that the unlimited lifetime medical coverage is about to cause a crisis
- Wayne Blackwell, president of Blackwell Insurance Services: “Without any type of fee schedule or negotiated rates for the care providers, the current system is unsustainable and headed for a crisis”
- The breakdown of the new \$175 per vehicle MCCA rate (effective July 1):
 - ♦ \$141.93: Covers claims
 - ♦ \$32.72: addresses the \$2 billion estimated deficit
 - ♦ \$0.35: administrative expenses
- The MCCA’s current deficit is estimated at \$310.78 per insured car