

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

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MCCA sets 2013 – 2014 Insurance Company Assessment

Livonia, MI – The assessment paid by auto insurance companies to the Michigan Catastrophic Claim Association (MCCA) will increase on July 1, 2013. The MCCA assessment will rise to \$186.00 per insured vehicle for the period July 1, 2013 to June 30, 2014.

The assessment represents an increase of \$11.00 (6%) from the current MCCA charge of \$175.00 and represents \$156.44 to cover anticipated new claims, \$29.19 to address a \$2 billion estimated deficit related to existing claims, and \$0.37 for administrative expenses.

All auto insurance companies operating in Michigan are required to pay the assessment to the MCCA to cover the cost of Personal Injury Protection (PIP) benefits guaranteed under Michigan's No-Fault insurance law. PIP coverage is mandatory and provides for the payment of unlimited, lifetime medical auto insurance benefits. The cost of these benefits is reflected in the insurance premiums all Michigan policyholders pay.

The MCCA assessments are used to reimburse auto insurance companies for PIP benefits paid in excess of \$530,000 per claim. The MCCA paid out \$947 million — more than \$135 per insured car — in 2012 for claim costs resulting from catastrophic injuries. The majority of these catastrophic claims involves closed-head and spinal cord injuries, multiple fractures, and back and neck injuries.

Independent actuarial consultants evaluate expectations for medical cost inflation, economic conditions, investment returns and the number of claims presented to the MCCA. The MCCA Actuarial Committee recommends to the MCCA Board of Directors the annual assessment. It is adjusted for fund surpluses or deficiencies from earlier assessments. Currently, the MCCA has a \$2 billion deficit, which represents \$300.77 per insured car.

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Since its creation by the Michigan Legislature in 1978, the MCCA has faced steadily climbing costs associated with providing unlimited lifetime catastrophic claim insurance:

- Michigan's unique no-fault auto insurance law provides unlimited lifetime coverage for medical expenses resulting from auto accidents. Michigan is the only state in the nation that requires all drivers to purchase these unlimited benefits. The state with the next highest mandatory benefit level (New York) requires \$50,000 of coverage.
- Each year an increasing number of individuals are receiving benefits from catastrophic automobile accidents.
- Payments to full time family or agency attendant and residential care providers comprise approximately 60 percent of claim payments.
- Since 1979, there have been more than 29,474 claims reported to the MCCA, which will cost an estimated \$83 billion.
- Medical care costs continue to rise more rapidly than general inflation.
- Unlike other insurance types such as Medicare or Workers' Compensation, Michigan's No-Fault auto law does not contain comparable cost control measures.

Additional information on the MCCA, including claim payment statistics, audit reports, financial statements and answers to frequently asked questions is available at www.michigancatastrophic.com, and from the Michigan Department of Insurance and Financial Services at <http://www.michigan.gov/difs>

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Michigan Catastrophic Claims Association

Created by the state legislature in 1978, the MCCA is a private, non-profit association whose mission is to protect the financial integrity of Michigan's auto insurance industry by providing an effective reinsurance mechanism for Personal Injury Protection (PIP) benefits.