



MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

17584 Laurel Park Drive North, Livonia, MI 48152

♦ Phone (734) 953-2779 ♦ Fax (734) 953-9511 ♦ Website: www.michigancatastrophic.com

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Contact: Kevin Clinton,
Executive Director
(734) 244-8014

MCCA sets 2018 – 2019 Insurance Company Assessment

Livonia, MI – The assessment paid by auto insurance companies to the Michigan Catastrophic Claim Association (MCCA) will be \$192.00 per insured vehicle for the period July 1, 2018 to June 30, 2019. This is an increase of \$22.00, or 13%, over the 2017-2018 assessment of \$170.00. The increase is due to higher than expected claim costs, partially offset by better than expected investment performance. The assessment per insured vehicle represents \$161.00 to cover anticipated new claims and expenses, and \$31.00 to address a \$2.3 billion estimated deficit related to existing claims.

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 assessment is used to reimburse auto insurance companies for PIP benefits paid in excess of \$555,000 per claim. The majority of catastrophic claims involve brain and spinal cord injuries, multiple fractures, and back and neck injuries. In 2017, the MCCA paid out \$1.2 billion (\$160 per insured vehicle) for claim costs resulting from catastrophic injuries.

An independent actuarial consulting firm analyzes MCCA data and provides the MCCA with an estimate of the MCCA's cost per car for the upcoming fiscal year, as well as an estimate of any deficit or surplus in existing reserves for past claims. Currently, the MCCA has assets of \$20.7 billion and liabilities (present value) of \$23.0 billion, which results in an estimated deficit of \$2.3 billion (present value), or \$302 per insured vehicle.

Since its inception in 1978, the MCCA has faced steadily increasing liabilities. Costs have increased largely due to the following:

- Michigan's unique no-fault auto insurance law provides unlimited lifetime coverage for medical expenses resulting from auto accidents.
- Each year an increasing number of individuals are receiving benefits.
- Medical care costs continue to rise more rapidly than general inflation.

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

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.
