



MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

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MCCA sets 2019 – 2020 Insurance Company Assessment

Livonia, MI – The assessment paid by auto insurance companies to the Michigan Catastrophic Claims Association (MCCA) will be \$220.00 per insured vehicle for the period July 1, 2019 to June 30, 2020. This is an increase of \$28.00 over the 2018-2019 assessment of \$192.00. The assessment per insured vehicle represents \$177.00 to cover anticipated new claims and expenses, and \$43.00 to address a \$3.9 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 benefits. The cost of these benefits is reflected in the auto insurance premiums all Michigan policyholders pay. It is estimated that over 1,000 Michigan insureds will be catastrophically injured in auto accidents in the upcoming fiscal year.

The MCCA assessment is used to reimburse auto insurance companies for PIP benefits paid in excess of \$580,000 per claim. The majority of catastrophic claims involve brain and spinal cord injuries, multiple fractures, and back and neck injuries. From inception of the MCCA on July 1, 1978 to December 31, 2018, 40,715 claims have been reported. Of those claims, 17,751 remain open (including claims as far back as 1978) and over \$17.2 billion have been paid.

In 2018, the MCCA paid out \$1.2 billion for claim costs resulting from catastrophic injuries. Of the \$1.2 billion in payments, approximately \$911 million, or 76%, were comprised of the following payment categories:

- Attendant care (including residential care): \$683 million, or 57%.
- Prescriptions: \$121 million, or 10%.
- Hospitalization: \$107 million, or 9%.

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 \$20.0 billion and liabilities (present value) of \$23.9 billion, which results in: (1) a deficit of \$3.9 billion (present value), or \$510 per insured vehicle, and (2) a percentage of liabilities funded of 84%. In projecting claim payments for long-term claims in which medical benefits are unlimited, there is considerable uncertainty due to the difficulty in predicting life expectancies, medical cost inflation, investment returns, and the number of claims to be reported to the MCCA.

The MCCA faces steadily increasing liabilities. Costs have increased largely due to the following:

- An increasing number of individuals are receiving benefits.
- Medical care costs continuing to rise more rapidly than general inflation.
- The number of claims being reported to the MCCA has increased by 47% from 2014 to 2018.
- Increased deficit recoupment needed because of a volatile investment market that resulted in less than expected investment earnings on assets set aside to pay existing claims.

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 website (<https://www.michigan.gov/difs>).

<p><i>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.</i></p>
