

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

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MCCA sets 2015 – 2016 Insurance Company Assessment

Livonia, MI – The assessment paid by auto insurance companies to the Michigan Catastrophic Claim Association (MCCA) will be \$150.00 per insured vehicle for the period July 1, 2015 to June 30, 2016.

The assessment represents \$145.10 to cover anticipated new claims, \$4.50 to address a \$ 292 million estimated deficit related to existing claims, and \$0.40 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 \$545,000 per claim. The MCCA paid out \$1 billion — more than \$149 per insured car — in 2014 for claim costs resulting from catastrophic injuries. The majority of these catastrophic claims involves brain and spinal cord injuries, multiple fractures, and back and neck injuries.

An independent actuarial consultant evaluates expectations for medical cost inflation, economic conditions, investment returns and the number of claims presented to the MCCA. The MCCA Actuarial Committee provides to the MCCA Board of Directors an estimate of pure premium for the upcoming fiscal year as well as an estimate of the current surplus/deficit for outstanding claims. The MCCA Board then determines the assessment. Currently, the MCCA has an estimated \$292 million deficit, which represents more than \$44.00 per insured car.

Since its creation by the Michigan Legislature in 1978, the MCCA has faced steadily increasing liabilities associated with unlimited catastrophic claim costs.

- 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 58 percent of claim payments.
- Since 1979, there have been more than 32,600 claims reported to the MCCA, which will cost an estimated \$80 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.

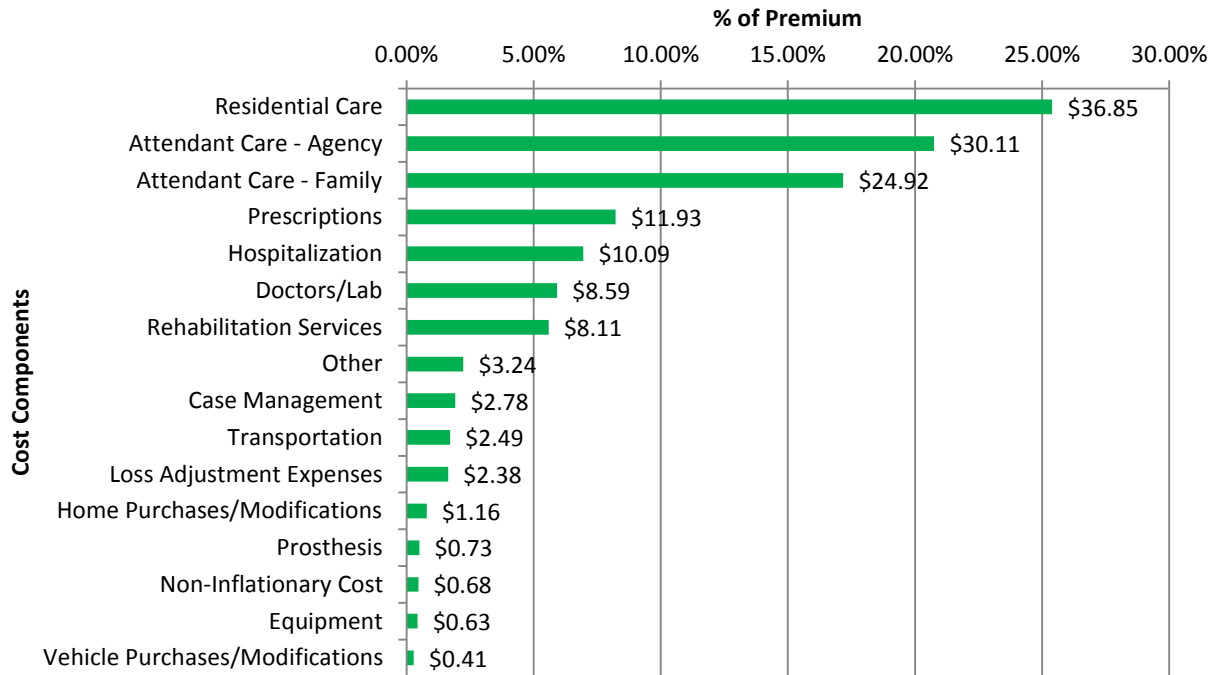
Additional information on the MCCA, including claim payment statistics, audit reports, financial statements and answers to frequently asked questions is available at www.michigancatastrophic.com, and from the Michigan Department of Insurance and Financial Services at <http://www.michigan.gov/difs>

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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.

Michigan Catastrophic Claims Association 2015-2016 Premium Cost Components



Cost Components	Estimated	
	Cost	%
Residential Care	36.85	25.40%
Attendant Care - Agency	30.11	20.75%
Attendant Care - Family	24.92	17.17%
Prescriptions	11.93	8.22%
Hospitalization	10.09	6.95%
Doctors/Lab	8.59	5.92%
Rehabilitation Services	8.11	5.59%
Other	3.24	2.23%
Case Management	2.78	1.92%
Transportation	2.49	1.72%
Loss Adjustment Expenses	2.38	1.64%
Home Purchases/Modifications	1.16	0.80%
Prosthesis	0.73	0.50%
Non-Inflationary Cost	0.68	0.47%
Equipment	0.63	0.43%
Vehicle Purchases/Modifications	0.41	0.28%
Total Premium Cost:	\$145.10	100.0%

Total Premium Cost: \$145.10

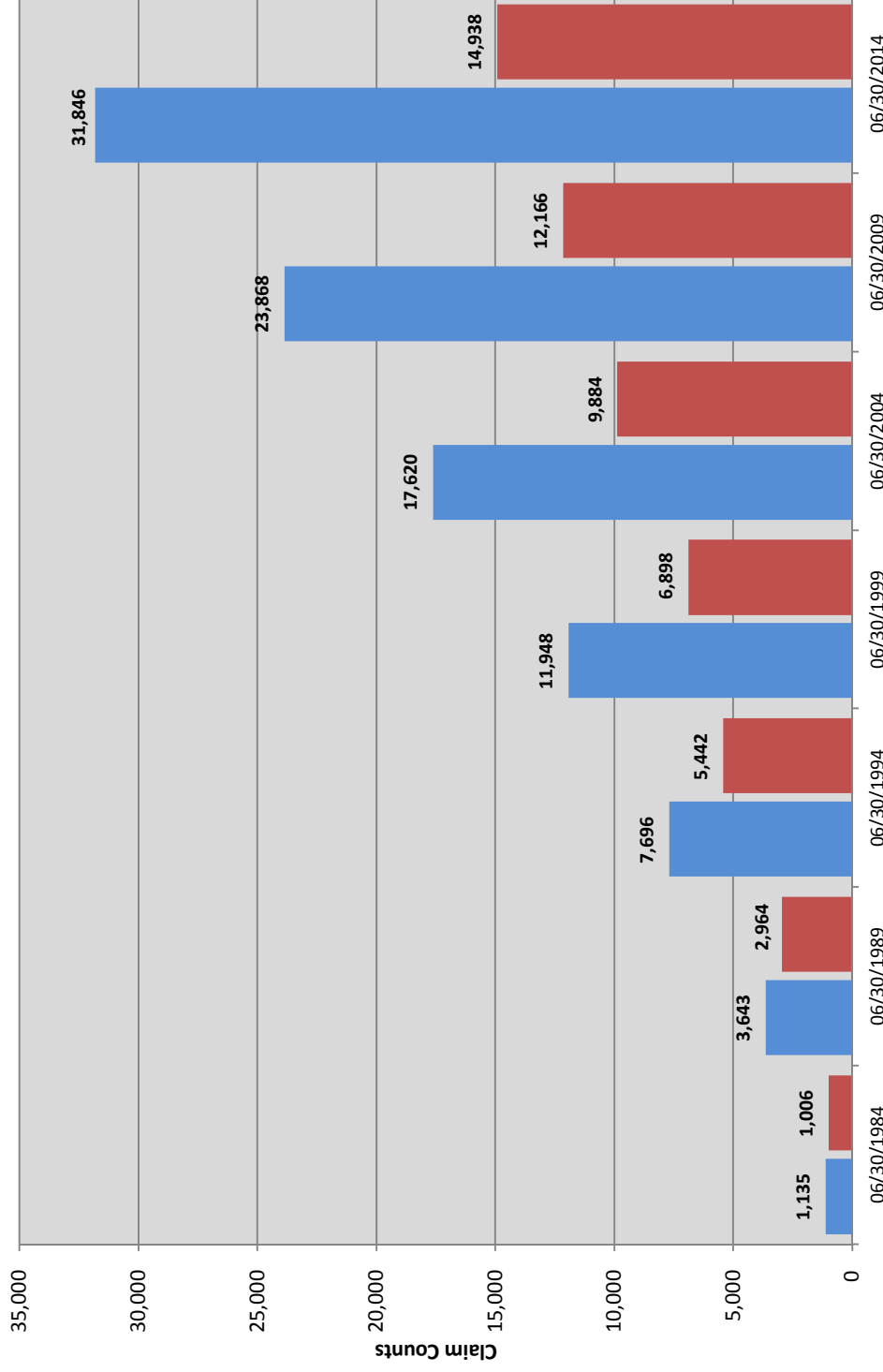
Deficit Reduction: \$4.50

Expenses: \$0.40

Total 2015-2016 MCCA Assessment \$150.00

Michigan Catastrophic Claims Association

Inception to Date Reported and Open Claim Counts

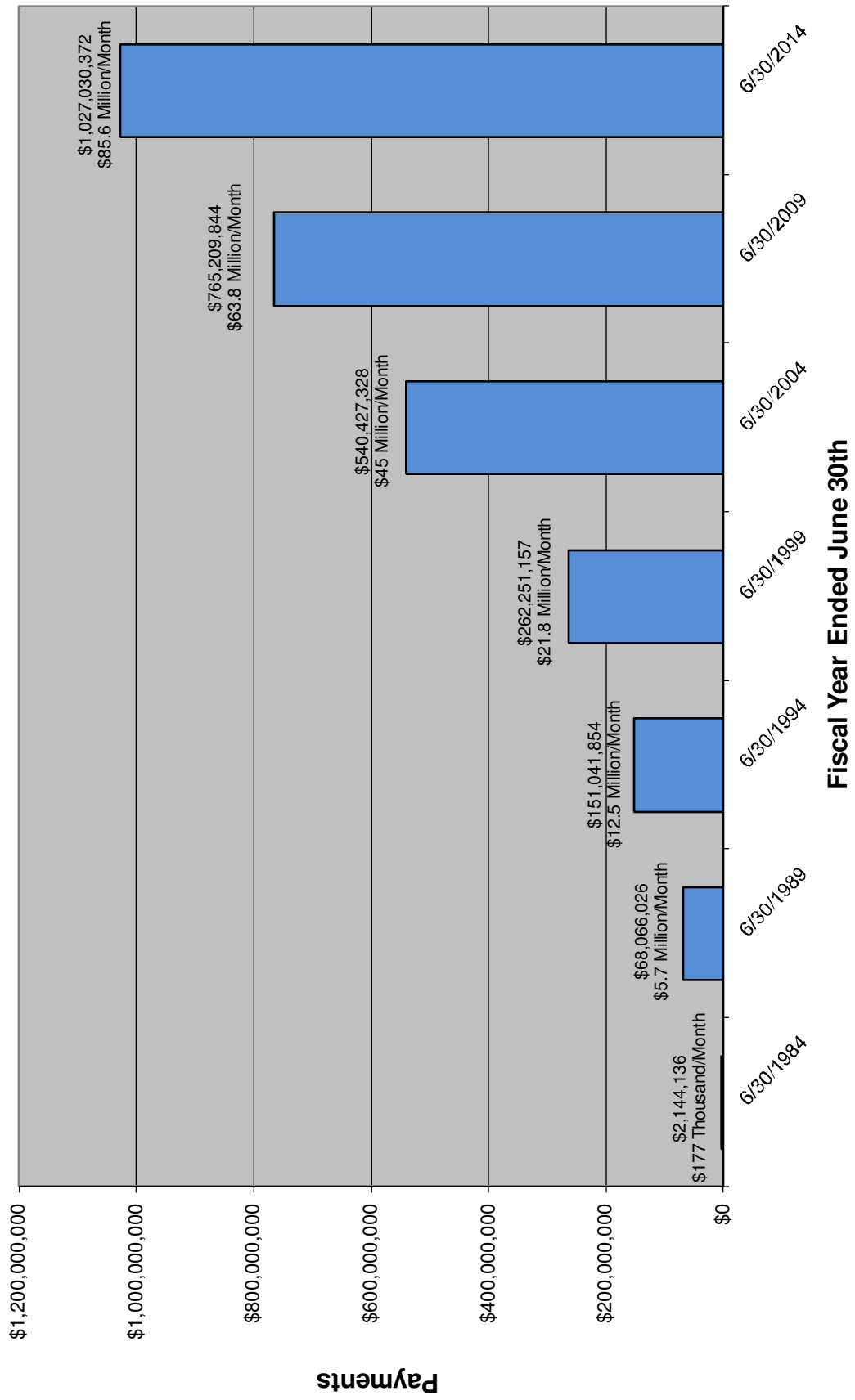


Inception date of the MCCA: 07/01/1978

Reported claims: # of reported claims from the inception date of July 1, 1978 to fiscal year ended June 30th

Open claims: # of active claims as of fiscal year ended June 30th

**Michigan Catastrophic Claims Association
Claim Payments for No-Fault Benefits Provided
1984 to 2014**



Note: Total amount paid inception to date as of 6/30/2014 is \$ 11.9 billion

MCCA Loss Payment Summary by Category

Period: 07/01/2013 to 06/30/2014

