

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

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MCCA Premium Set At \$175.00 for 2012-2013

Livonia, MI - The premium paid to the Michigan Catastrophic Claims Association ("MCCA") by member insurance companies will be \$175.00 per insured vehicle effective July 1, 2012 to June 30, 2013. This represents an increase of \$30.00 (21%) over the current MCCA charge of \$145.00. The \$175.00 assessment represents \$141.93 to cover claims; \$32.72 to address the \$2 billion estimated deficit and \$.35 for administrative expenses. The current deficit is estimated at \$310.78 per insured car. The MCCA premium charge is determined each year at this time following its annual actuarial evaluation.

Michigan's unique no-fault auto insurance law provides unlimited lifetime coverage for medical expenses resulting from auto accidents and is the only state in the nation that mandates these unlimited benefits. (The state with the next highest level of benefits mandates only \$50,000). 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 reinsurance for these unlimited benefits. The MCCA reimburses auto insurance companies for Personal Injury Protection (PIP) benefits paid in excess of \$500,000 per claim.

All auto insurance companies operating in Michigan are required to be members and pay premiums for the reinsurance provided by the MCCA. These premiums, together with the insurer's PIP premium, represent the cost to cover the mandatory unlimited medical benefits which, like other costs and expenses, are reflected in the auto premiums all Michigan policyholders pay.

Each year more individuals receive benefits resulting from catastrophic automobile accidents and their claim costs are rising. Estimating the ultimate costs of these benefits requires sophisticated analysis but the trend of increasing costs is a key driver of changes to the MCCA assessment.

The MCCA paid out \$927 million (more than \$133 per insured car) in 2011 for claim costs resulting from catastrophic injuries. The majority of these catastrophic injuries involve closed-head injuries, paraplegia, quadriplegia and burns. Since 1979, there have been over 28,000 claims reported to the MCCA, which will cost an estimated \$85 billion.

Additional information on the MCCA, including claim payment statistics, audit reports and answers to frequently asked questions can be obtained from its public website: www.michigancatastrophic.com and from the website of the Michigan Office of Financial and Insurance Regulations: www.michigan.gov/ofic
