

Michigan Catastrophic Claims Association

Presented By:

Richard L. Fox, FCAS, MAAA

VP - Chief Actuary, West Bend Mutual Ins. Co.

Government & Insurance Seminar

October 4, 2010

Disclaimer

Everything said and all material presented is the personal opinion of the presenters

These opinions do not represent the opinions or positions of:

- The Michigan Catastrophic Claims Association
- Our employers
- The State of Michigan

History

Michigan no-fault system adopted in 1973

- Mandatory
- Personal & Commercial Auto
- Unlimited medical & rehab benefits
- 3 year wage replacement
- Misc replacement services
- Coupled with tight tort threshold

Smaller insurance companies had difficulty obtaining reinsurance for no-fault policies (unlimited benefit)

History

Public Act 136 of 1978 – effective 7/1/1978

Adds Section 3104 to the Michigan no-fault law

Creates Catastrophic Claims Association (MCCA)

- Non-profit, unincorporated
- Every MI Auto Ins. Co. required to be a member
- Indemnify members for no-fault loss > \$250,000
- Carrier retention gradually increased starting in 2002
- Reinsurer: relationship with ins cos, not policyholders

No reach back

- No-fault claims prior to 7/1/78 are not covered
- Some of these (pre-MCCA) claims are still active

MCCA Today

Assessments

- MCCA assesses members (insurance companies)
- Uniform amount per vehicle x number of vehicles
- Required to assess current year cost (pure premium)
- May adjust for excesses or deficiencies in past
- Member carriers usually pass cost on to policyholders

Organization

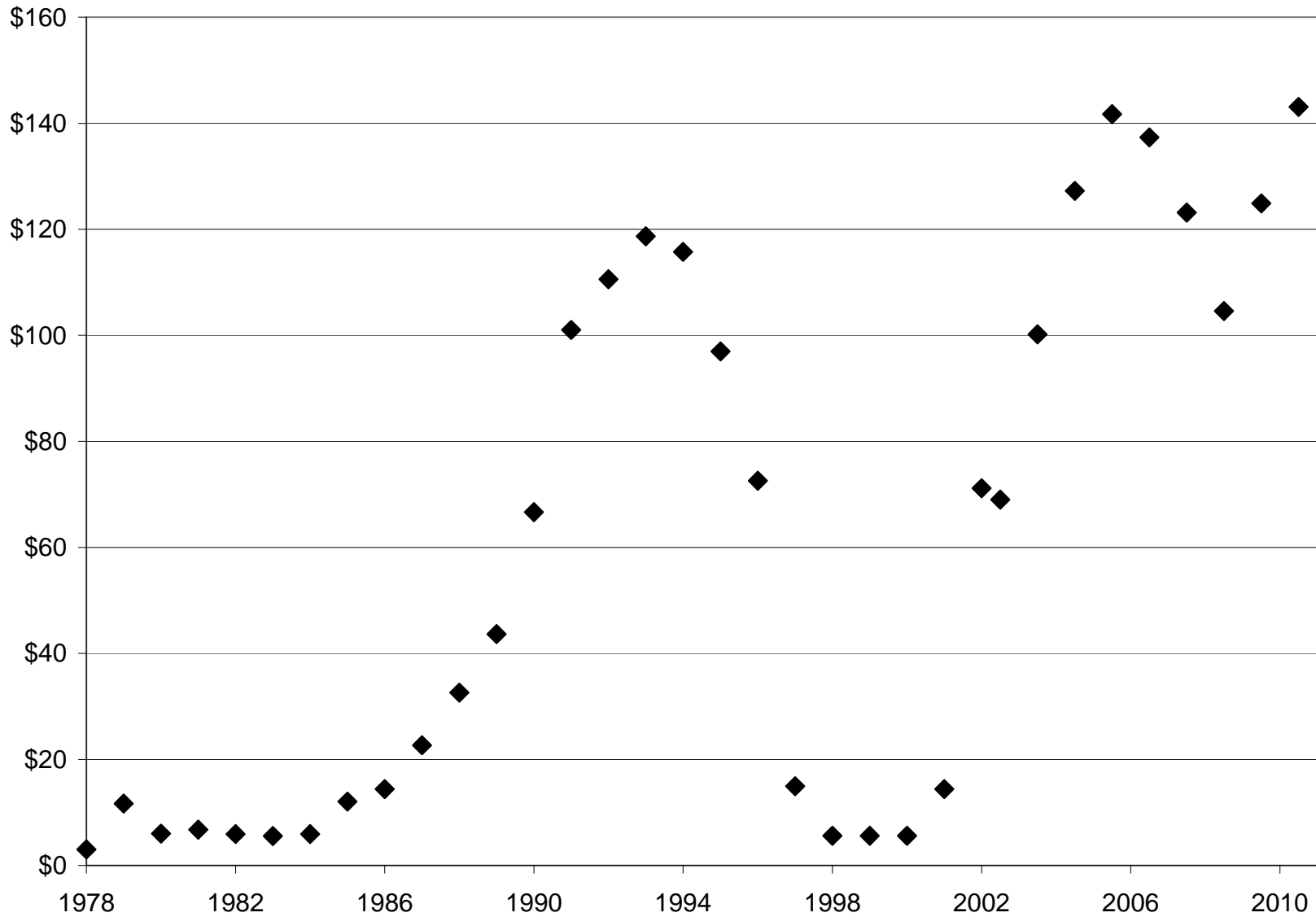
- Governed by Board of Directors
- 5 member cos. appointed by Insurance Commissioner
- Must have at least 40% market share
- Insurance Commissioner is an ex officio board member
- 5 standing committees
- Actuarial, Audit, Claims, Investment, Personnel
- 22 employees

Governmental or Non-Governmental?

Similar to:

<u>Characteristic</u>	<u>Private Reinsurer?</u>	<u>Government?</u>	<u>Comments</u>
Pre-Fund	Yes	No	Not like Social Security
Open Records	Yes	No	Mostly private
Capital	No	Yes	None
HR Practices	Yes	No	No civil service
Pricing	No	Yes	Flat rate for all
Accounting	Yes*	No	Follow Stat (*discounting)
Politically visible	No	Yes	Press coverage
Governance	Sort of	No	Private board
Acquisition Expense	No	Yes	More like Social Security
Taxation	No	Sort of	Can assess member insurers
Cash Flow	Yes	No	Prefunding
Created by statute	No	Yes	
Profit seeking	No	Yes	Intent is to break even

MCCA Assessment History (Per Vehicle)



**Michigan Catastrophic Claims Association
Calendar Year Paid Summary
1979 to 2008**

