

Legislative Analysis



ANNUAL AUDIT OF MCCA

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House Bill 4002

Sponsor: Rep. Steve Bieda

Committee: Insurance

Complete to 2-23-07

A SUMMARY OF HOUSE BILL 4002 AS INTRODUCED 1-22-07

The bill would amend the Insurance Code to require the auditor general or a certified public accountant appointed by the auditor general to conduct an annual audit of the Michigan Catastrophic Claims Association (MCCA) and deliver it to the Senate and House of Representative standing committees on insurance issues.

The auditor general or appointed CPA would have access to all records of the MCCA. Each audit would have to determine whether the association is likely to be able to continue to meet its obligations.

MCL 500.1304

BACKGROUND INFORMATION:

The Michigan Catastrophic Claims Association is essentially a statutorily created reinsurer for automobile insurance companies writing insurance in Michigan. Michigan's compulsory no-fault auto insurance system provides unlimited lifetime medical and rehabilitation benefits. An auto insurance company is responsible for the first \$400,000 of a personal injury protection (PIP) claim, and amounts above that—for "catastrophic" injuries—are the financial responsibility of the MCCA. (The threshold amount is set in statute to increase each year until it reaches \$500,000 on July 1, 2011.)

The MCCA is a statutorily mandated unincorporated nonprofit association composed of the companies writing automobile insurance in the state. The member companies are charged a premium to cover the expected losses and expenses of the association, with the premium based, generally speaking, on the amount of a company's business. Typically, an assessment to support the MCCA is placed on each automobile insured under a no-fault policy. (Motorcycles are also assessed). The assessment is established annually. (Currently, it is \$137.33 per vehicle.) The association is run by a five-member board of directors made up of representatives of insurance companies and appointed by the state insurance commissioner. The commissioner serves as a non-voting member.

FISCAL IMPACT:

If the annual audit is conducted by the Office of the Auditor General, there is no fiscal impact on the State of Michigan or its local units of government. If a certified public

accountant is hired to perform the audit, the audit fees will require an increase in State of Michigan expenditures, but such increase will not be significant.

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