



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

## BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 787 (as introduced 1-25-18)  
Sponsor: Senator Rick Jones  
Committee: Insurance

Date Completed: 6-6-18

**CONTENT**

**The bill would amend the Insurance Code to do the following:**

- **Require an individual who was 65 or older to select between a \$50,000 maximum limit and no maximum limit on personal protection insurance benefits when he or she applied for or renewed an automobile insurance policy.**
- **Specify that the Michigan Catastrophic Claims Association (MCCA) would not have any liability for a loss to which the maximum \$50,000 limit applied.**
- **State that the premium charged to a member, the total car years of insurance, and the applicable average premium per car would have to be adjusted to provide for policies to which the maximum \$50,000 limit applied.**
- **Prohibit insurance rates from resulting in a charge for the MCCA for a policy to which the maximum \$50,000 limit applied.**
- **Delete provisions regarding a plan of operation for the MCCA.**

The bill would take effect 90 days after it was enacted.

**65 Or Older Maximum Personal Protection Election**

After the bill's effective date, when an individual who was 65 years of age or older applied for or renewed an insurance policy that provided benefits under Chapter 31 (Motor Vehicle Personal and Property Protection) of the Code, the individual would have to select one of the following levels of maximum personal protection insurance benefits:

- A \$50,000 limit.
- No maximum limit.

The \$50,000 limit would apply to allowable expenses consisting of all reasonable charges incurred for reasonably necessary products, services, and accommodations for an injured person's care, recovery, or rehabilitation. The maximum limit selected would apply only to benefits payable because of an accidental bodily injury to the insured named in the policy and the insured's spouse.

**\$50,000 Limit Election Updates**

The Code requires the MCCA to perform certain actions on behalf of its members. In particular, the Association must, in a manner provided for in the plan of operation, calculate and charge to members a total premium sufficient to cover the expected losses and expenses that it will likely incur during the period for which the premium is applicable. The premium must include

an amount to cover incurred but not reported losses for the period and may be adjusted for any excess or deficient premiums from previous periods. Each member must be charged an amount equal to that member's total written car years of insurance providing the security required by the Code written in the State during the period to which the premium applies, multiplied by the average premium per car. The average premium per car is the total premium divided by the total written car years of insurance providing the required security written in the State of all members during the period to which the premium applies.

The bill specifies that the premium charged to a member, the total car years of insurance, and the applicable average premium per car would have to be adjusted to provide for policies issued to which the maximum \$50,000 limit applied.

Under the Code, premiums charged to members by the MCCA must be recognized in the rate-making procedures for insurance rates in the same manner that expenses and premium taxes are recognized. The bill specifies that the rates could not result in a charge for the Association for a policy to which the maximum \$50,000 limit applied.

Except as otherwise provided, personal protection insurance benefits are payable for reasons listed under the Code, including allowable expenses consisting of all reasonable charges incurred for reasonably necessary products, services, and accommodations for an injured person's care, recovery, or rehabilitation. Under the bill, this provision would be subject to the maximum \$50,000 limit selected, if applicable.

MCL 500.3104 et al.

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.