



MCCA

MCCA TESTIMONY

OCTOBER 2023

What is the MCCA?

- ▶ An unincorporated, private, nonprofit association created by statute that reinsures auto injury medical costs of more than \$635,000.
- ▶ Established in 1978 because insurance companies were finding it hard to purchase reinsurance for Michigan's unique unlimited personal injury protection (PIP) benefits for catastrophic claims.
- ▶ All auto insurers in Michigan are required to be members (378).
- ▶ Spreads the cost of the unlimited benefits proportionately across the entire industry. Members are charged a per vehicle assessment.
- ▶ There is no contractual relationship between the MCCA and individual drivers.

Who Oversees the MCCA?

- ▶ Five member companies appointed by the Director of the Department of Insurance and Financial Services (DIFS), representing 40% of premiums paid to the MCCA.
- ▶ DIFS director serves as a non-voting member of the Board.
- ▶ In addition to the Board, the MCCA has several committees to assist the Board, including:
 - ▶ Actuarial Committee, Audit Committee, Claims Committee, Communication Committee, Human Resources, Investment Committee and IT Committee
- ▶ DIFS financial analysis staff monitor and examine the MCCA in the same manner as any Michigan-based insurance company.
- ▶ An MCCA staff of 51 people handle the day-to-day operations
- ▶ Our Plan of Operation is posted on our website

MCCA Transparency

- ▶ The MCCA has the same financial reporting requirements as insurance companies
- ▶ DIFS appoints the MCCA Board members and the DIFS director is an ex-officio member of the Board
- ▶ DIFS performs a financial audit of the MCCA every 3 years
- ▶ In the last examination, DIFS had an outside independent actuary review MCCA's reserves
- ▶ No adjustments to the MCCA's financial statements were recommended by DIFS
- ▶ The MCCA also has an independent annual audit performed by Plante Moran
- ▶ Our Financial Statements and all audits are published on the MCCA website at www.michigancatastrophic.com
- ▶ Starting September 1, 2019, the MCCA is required to submit to the Senate and the House a consumer statement with 18 separate categories of information
- ▶ A wealth of other information is available on our website, including our claim statistics, and our Plan of Operation.

What is the Financial Status of the MCCA ?

- ▶ As of June 30, 2023:
 - ▶ Assets of \$ 21.6 billion
 - ▶ Liabilities of \$ 23.7 billion
 - ▶ Deficit of \$ 2.1 billion (\$ 259 per car)
 - ▶ \$23.2 billion in loss reserves
- ▶ We are not a “pay as you go” entity.
- ▶ We are required to reserve ALL future medical payments for currently injured parties

MCCA Permitted Accounting Practice

- ▶ In determining our loss reserves, we use a “permitted practice”, granted by DIFS, to discount our reserves for future investment income.
- ▶ We do not establish reserves at full value; rather, we take credit in our reserves for all of the anticipated investment income we will earn in the future
- ▶ Without the permitted practice, the deficit would be \$50 billion (\$6,600/car) as of 6/30/2023.

- ▶ MCCA Deficit (Undiscounted Reserves) = \$47.0 B
- ▶ Offset for Future Investment Income = \$44.9 B
- ▶ MCCA Deficit (Discounted Reserves) = \$ 2.1 B

Cost Components of the Current MCCA Charge

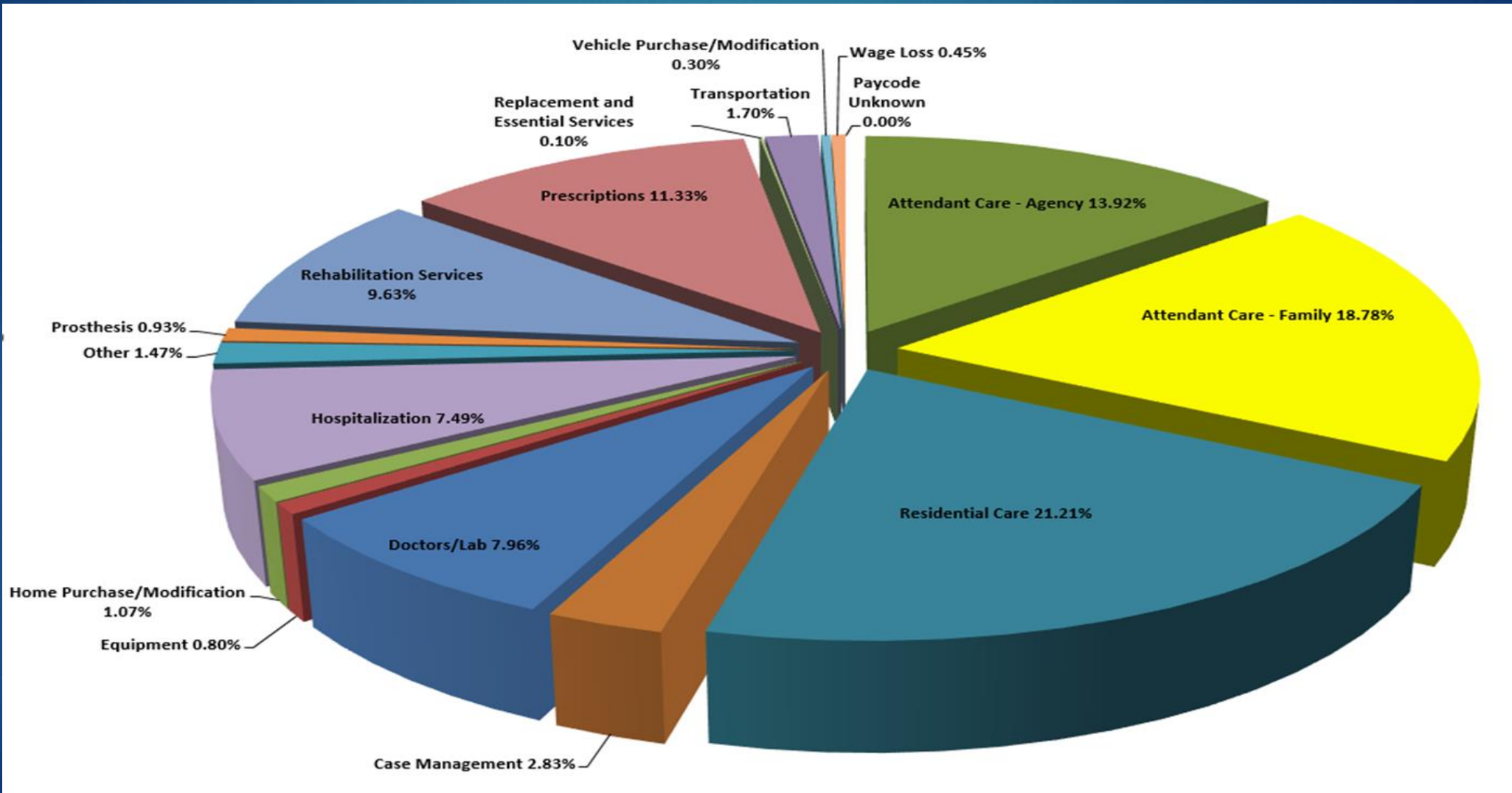
- ▶ The current MCCA charge for the period 7/1/2023 to 6/30/2024 is:
 - ▶ If you select Unlimited PIP Benefits:
 - ▶ \$122.00 charge consists of \$74.00 to cover anticipated new claims and \$48.00 to cover the deficit based on 15-year amortization period.
 - ▶ If you select other PIP Benefit Levels
 - ▶ \$48.00 charge to cover the deficit based on 15-year amortization period.

MCCA Statistics

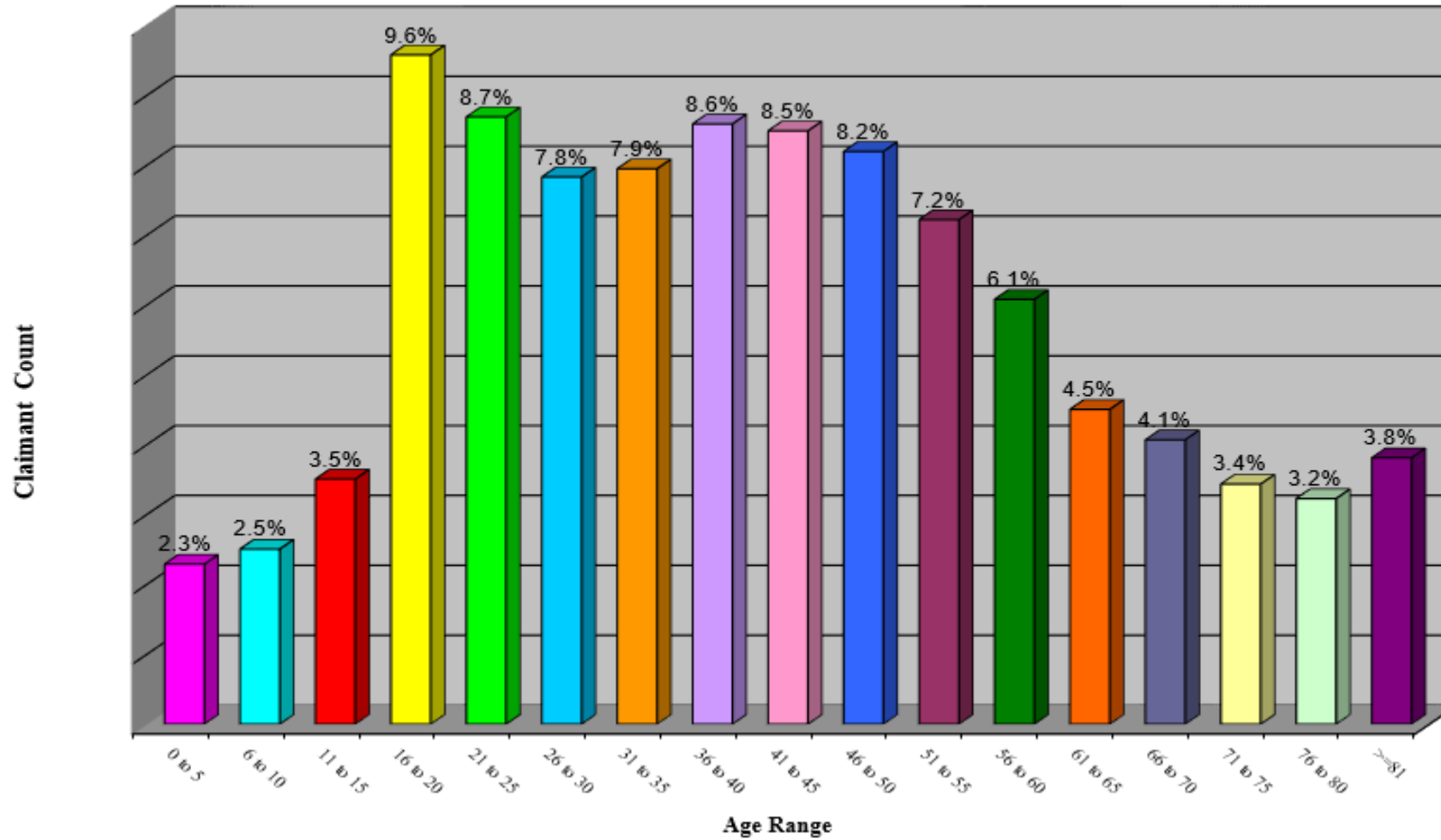
As of 6/30/2023

- ▶ Since inception, 47,898 claims have been reported. 15,712 claims are still open.
- ▶ Since 1978, the MCCA has reimbursed over \$22.4 billion to cover claims paid by carriers
- ▶ In FYE 6/30/2023 alone, \$1.2 billion was reimbursed
- ▶ Costs average \$ 91 million/month
- ▶ Many injuries are suffered by young people whose care will be funded by the MCCA decades into the future
- ▶ Attendant care is 51% of our payments (\$586 million) and 62% of our reserves
- ▶ Must consider the cost of attendant care and the cost of residential care facilities to understand the costs of the MCCA

MCCA Loss Payments by Category 7/01/2022 to 6/30/2023



Michigan Catastrophic Claims Association
Claimant Age Distribution Summary
Inception to Date as of June 30, 2023



CATASTROPHIC CLAIMS EXPERTISE



Because the MCCA sees all catastrophic claims, it has developed expertise in the care needs of those who suffer the most serious injuries.

This expertise is shared with each of its members to assist them in providing to claimants the benefits they need.