

# A Guide to Understanding the Michigan Catastrophic Claims Association and Current Assessment Fees

Frankly speaking, auto insurance can be a bit complicated, especially if you live in Michigan. Due to recent changes in auto insurance laws, personal injury protection (PIP) options, and the Michigan Catastrophic Claims Association (MCCA) annual assessment fees, it can be hard to understand all of the factors that go into calculating your annual auto premium. Furthermore, a topic that's gained traction recently is why all auto policyholders are paying a MCCA deficit recoupment fee starting on July 1, 2023, regardless of their personal injury protection (PIP) coverage. Read on to learn more.

## First things first. What is the MCCA?



The MCCA was established by the Michigan Legislature in 1978 to serve as a reinsurance fund for Michigan auto insurers, and its funding is solely reserved to pay for injury claims of insured individuals with unlimited (lifetime) PIP benefits who are catastrophically injured in automobile accidents that exceed a certain threshold, currently \$600,000. The MCCA is a non-profit, unincorporated association, and all Michigan auto insurers are required to be members of the association.

How it works: When someone is injured in an auto accident, the injured person must first turn to their own auto insurance policy, and their resulting claims costs will be paid by their insurance company. For those with unlimited (lifetime) PIP benefits, any claim costs that exceed \$600,000 are reimbursed to their insurance company and paid for by the MCCA.

## How is the MCCA funded?



The MCCA is funded by Michigan motorists when they purchase their personal and/or commercial auto policies. If you look at your policy declaration sheet, one of the line items will show an annual assessment fee that is paid to the MCCA for every vehicle you insure. When you pay your auto premium, your insurance carrier will treat the assessment as a pass-through fee that is sent directly to the MCCA.

The annual assessment is determined by the MCCA on a per-vehicle charge. The assessment amount for Michigan policyholders is the same for all vehicles, with the exception of historic vehicles and motorcycles (20% of the current assessment), and it will vary depending on the level of PIP coverage they elect to have on their auto policy, as illustrated below.

Since the annual assessment is intended to cover projected payouts for catastrophic medical claims and the number of catastrophic auto accidents varies from year to year, the assessment fee can change year over year.

Here are the current fees for the assessment period of July 1, 2023, through June 30, 2024:

PIP Coverage	Pure Premium (costs of anticipated new claims)	Deficit Recoupment	Total Assessment	% Change from 2022–2023 assessment
Unlimited PIP Benefits	\$74.00	\$48.00	\$122.00	42% increase
All Other PIP Benefits	\$0.00	\$48.00	\$48.00	N/A

To see the full schedule of assessment rates by coverage type, [click here](#).



## Michigan policyholders received surplus refunds last year, but now all Michigan policyholders are required to pay a deficit recoupment fee. What's the deal?

Last year, the MCCA's Board of Directors unanimously decided to return approximately \$3 billion of its estimated surplus to its member insurance companies to refund to policyholders, due to realized and expected savings from the 2019 reforms to the Michigan auto no-fault law and higher-than-projected investment returns. This year tells a different story.

The MCCA now has a \$3.7 billion deficit that all Michigan policyholders will be legally required to help address via a recoupment fee to ensure catastrophic medical claims can be paid. This deficit resulted from two primary factors:

- **Higher-than-anticipated claims costs** resulting from the recent Michigan Court of Appeals decision in *Andary v. USAA Casualty Insurance Co.* where the court ruled in favor of Andary. This decision overturned family attendant care hourly limits and certain provisions of the medical fee schedule that were applied to losses occurring before June 11, 2019. This ruling resulted in a \$3.7 billion deficit to pay for these medical claims costs. The case was recently appealed and currently sits with the Michigan Supreme Court for a ruling, which may impact this deficit assessment.
- **Lower than expected investment returns** in the equity market.



## What can you do to help lower your auto premiums?

We have a very competitive market right now in Michigan, and we've seen many insurance carriers taking significant rate increases on auto.

To help you save money on your auto premiums, ask your independent agent about discounts you may be eligible to receive, including multi-policy, multiple-vehicle, family, student away-at-school, payment plan, advance quote discounts, and telematics programs (commercial auto only), just to name a few. You can also elect to have a higher deductible, which may further lower your auto premium.

### Sources:

- [Understanding the Michigan Catastrophic Claims Association, Assigned Claims Plan - Sinas Dramis Law Firm](#)
- [MCCA Assessment Release Notice 09222022.pdf \(michigancatastrophic.com\)](#)
- [MCCA > Home \(michigancatastrophic.com\)](#)
- [Higher auto insurance payments scheduled for MI | wzzm13.com](#)