

Everything drivers need to know about the Michigan Catastrophic Claims Association (MCCA).



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 the factors that go into calculating your annual auto premium.

Wondering about the MCCA? Or why you may need to pay an MCCA deficit recoupment fee for auto policies with an effective date of July 1, 2023, and thereafter? We're giving you all the answers you need. Read on to learn about MCCA.

What is the MCCA?

The Michigan Catastrophic Claims Association was established by the Michigan Legislature in 1978 to serve as a reinsurance fund for Michigan auto insurers. 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 nonprofit, unincorporated association, and all Michigan auto insurers are required to be members of the association.

How does it work?

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 it 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 you elect to have on your auto policy. 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.

Why are Michigan policyholders paying deficit recoupment fees this year when they received surplus refunds last year?

In 2022, 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 us 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.

What can you do to help lower your auto premium?

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.

Our local, independent agents are experts in auto coverage. They can help you learn more about MCCA, this year's fees, and opportunities to save on your policy. Talk to one today.