

What's behind the 21 percent increase in MCCA assessment?

To the Editor:

The Michigan Catastrophic Claims Association (MCCA), which reimburses no-fault insurance companies for auto accident medical claims that exceed \$500,000, recently announced a 21 percent increase (\$30) in its annual per vehicle assessment.

The MCCA assessment, which is charged to the no-fault insurers and is used to reimburse them for claims exceeding \$500,000, is passed on to and paid for by all of us as consumers, who are required by law to purchase no-fault auto insurance on our cars.

If Michigan drivers are now going to be asked to pay more money for their auto insurance, we should at least know why. Below are six points that I believe will help increase transparency regarding the cost of Michigan no-fault insurance.

1. The Michigan insurance commissioner should conduct an updated study of the “excessiveness” of Michigan auto insurance prices.

Michigan's three leading Michigan auto insurers — State Farm, Allstate, and AAA — were all deemed “highly profitable ...,” according to a May 2007 report by former insurance commissioner Jay Angoff (“An Analysis of the Profitability and Performance of the Michigan Auto Insurance Market”).

Michigan is a unique state where our insurance commissioner does not have the power to regulate “excessive profits,” unlike most others.

2. Michigan auto insurance companies should be required to disclose trends on their no-fault claims, and just how much money they are making in profits.

In the ongoing debate over Michigan no-fault “reform,” the state's auto insurance industry contends that the average no-fault claim has increased. But insurance companies fail to discuss how much in profits they make in this state, or how much more the profits are that they are making in Michigan than in other states where unreasonable pricing and profit margins can be regulated by state insurance commissioners.

3. Michigan auto insurance companies should be required to disclose loss ratios on their no-fault coverage lines each year.

An auto insurance company's “loss ratio” reflects how much of each premium dollar is paid out in claims. It's calculated by dividing the insurer's “incurred losses” by its “earned premiums.” If an insurer's

loss ratio is 60 percent or less, meaning that for every \$1 collected in insurance premium only 60 cents is paid out in claims, then its insurance prices are deemed “unreasonable,” according to MCL 500.1615(5).

4. Remove Freedom of Information Act (FOIA) exemptions that protect the MCCA.

In a lawsuit filed in January 2012, the Coalition Protecting Auto no-fault (CPAN) seeks a declaratory judgment that the MCCA’s claimed exemption (MCL 500.134(4) and (6)(c)) to FOIA (MCL 15.231) is unconstitutional. Further, legislation pending in the Michigan Senate and House of Representatives proposes to close the MCCA’s FOIA exemption “loophole” in MCL 500.134 (Senate Bill 74, which was introduced on Jan. 26, 2011; House Bill 4785, which was introduced June 16, 2011).

5. Amend the Open Meetings Act to apply to the MCCA.

Under Michigan’s Open Meetings Act, the meetings of “public bodies” are required to be open to the general public so that anyone can attend. Moreover, any deliberations and/or decisions of the public body must be made during the public, “open meeting.” (MCL 15.261, et al.) Legislation pending in the Michigan Senate and House of Representatives proposes to amend Michigan’s Open Meetings Act to specifically include the MCCA as a covered “public body” (Senate Bill 75, which was introduced Jan. 26, 2011; House Bill 4786, which was introduced June 16, 2011).

6. Appoint an emergency financial manager for the MCCA.

Either the investments that the MCCA is making are incredibly poor and reckless, or the data — especially the “incurred by not reported” data — is being manipulated. It must be emphasized that the MCCA is governed by a board of directors made up of executives from the insurance industry, and an analysis by the respected former chief economist at the Texas Department of Insurance done in January 2012 showed the MCCA to be stable, sustainable and operating as designed.

In light of the factual discrepancies over the data used by the Michigan insurance industry to support its efforts of taking away vital no-fault protections as part of its no-fault “reform,” while at the exact same time making unreasonably high profits in this state, there has never been a greater need for transparency into the pricing decisions of the MCCA.

Both the MCCA and the insurance companies sell a product that 8 million-plus Michigan drivers are required by law to purchase. It stands to reason we should have some understanding into how these products are being priced.

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April 6, 2012