



MCCA

MCCA TESTIMONY

MARCH 13, 2019

What is the MCCA?

- ▶ An unincorporated, private, nonprofit association that reinsures auto injury medical cost of more than \$555,000.
- ▶ Established in 1978 because insurance companies were finding it hard to purchase reinsurance for Michigan's unique unlimited personal injury protection (PIP) for catastrophic claims.
- ▶ All auto insurers in Michigan are required to be members. (364)
- ▶ 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, Investment Committee, IT Committee and Personnel Committee
- ▶ DIFS financial analysis staff monitor and examine the MCCA in the same manner as any Michigan based insurance company.
- ▶ An MCCA staff of 46 people handle the day to day operations
- ▶ Our Plan of Operation is posted on our website

What is the Financial Status of the MCCA ?

- ▶ As of June 30th, 2018:
 - ▶ Assets of \$ 20.6 billion
 - ▶ Liabilities of \$ 23.5 billion
 - ▶ A deficit of \$ 2.9 billion (\$ 383 per car)
 - ▶ \$22.9 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
- ▶ 401K Example

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 future anticipated investment income we will earn in the future
- ▶ Without the permitted practice, the deficit would be \$50 billion. (\$6,600/car) as of 6/30/18.

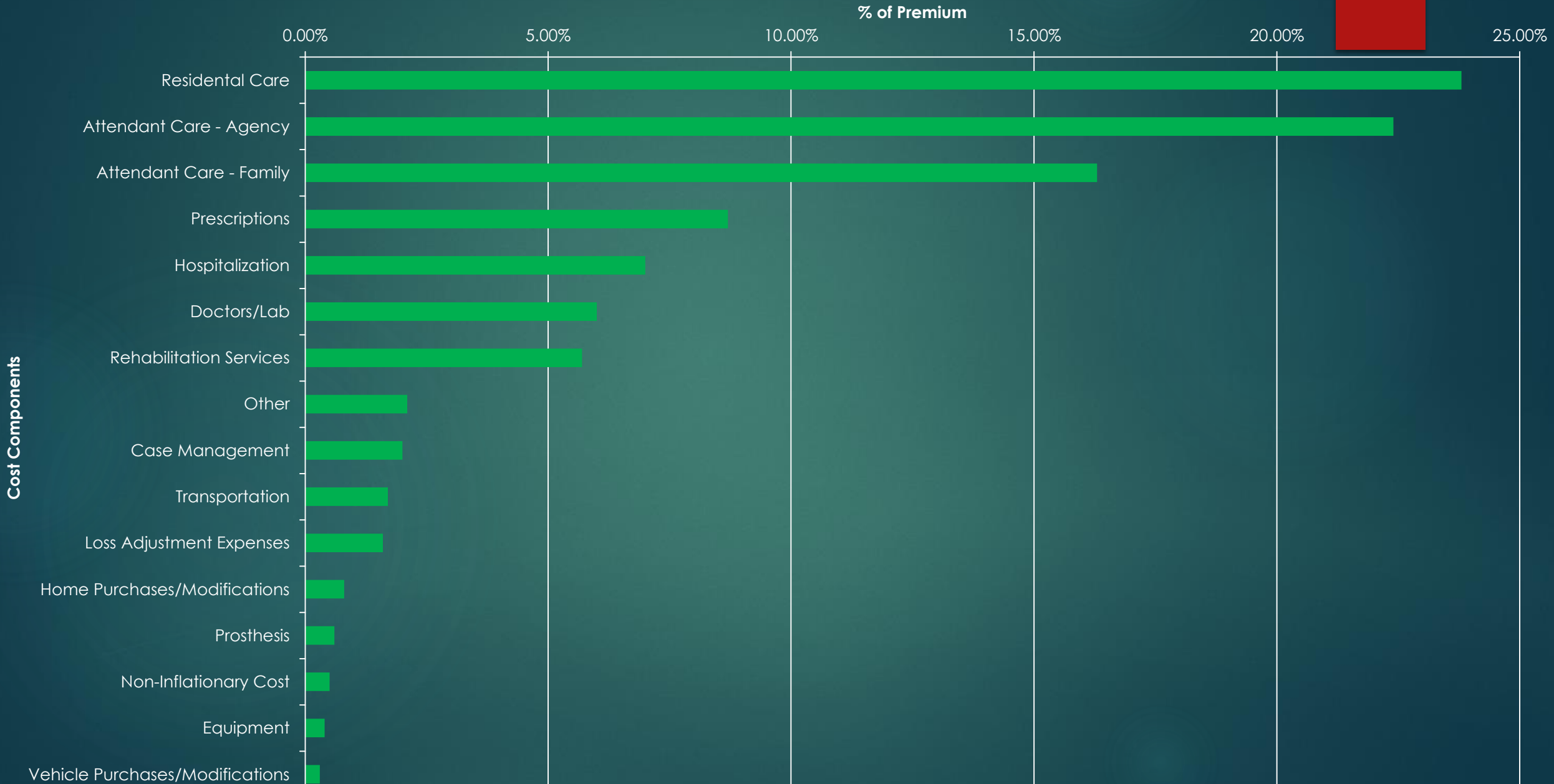
- ▶ MCCA Deficit (Undiscounted Reserves) = \$50.2 B
- ▶ Offset for Future Investment Income - \$47.3 B
- ▶ MCCA Deficit (Discounted Reserves) = \$ 2.9 B

Cost components of the Current MCCA Charge

- ▶ The current MCCA charge is \$192 per car. The fee breaks down as follows:
 - ▶ \$161 to cover catastrophic claims incurred this year
 - ▶ \$ 31 to gradually cover the deficit

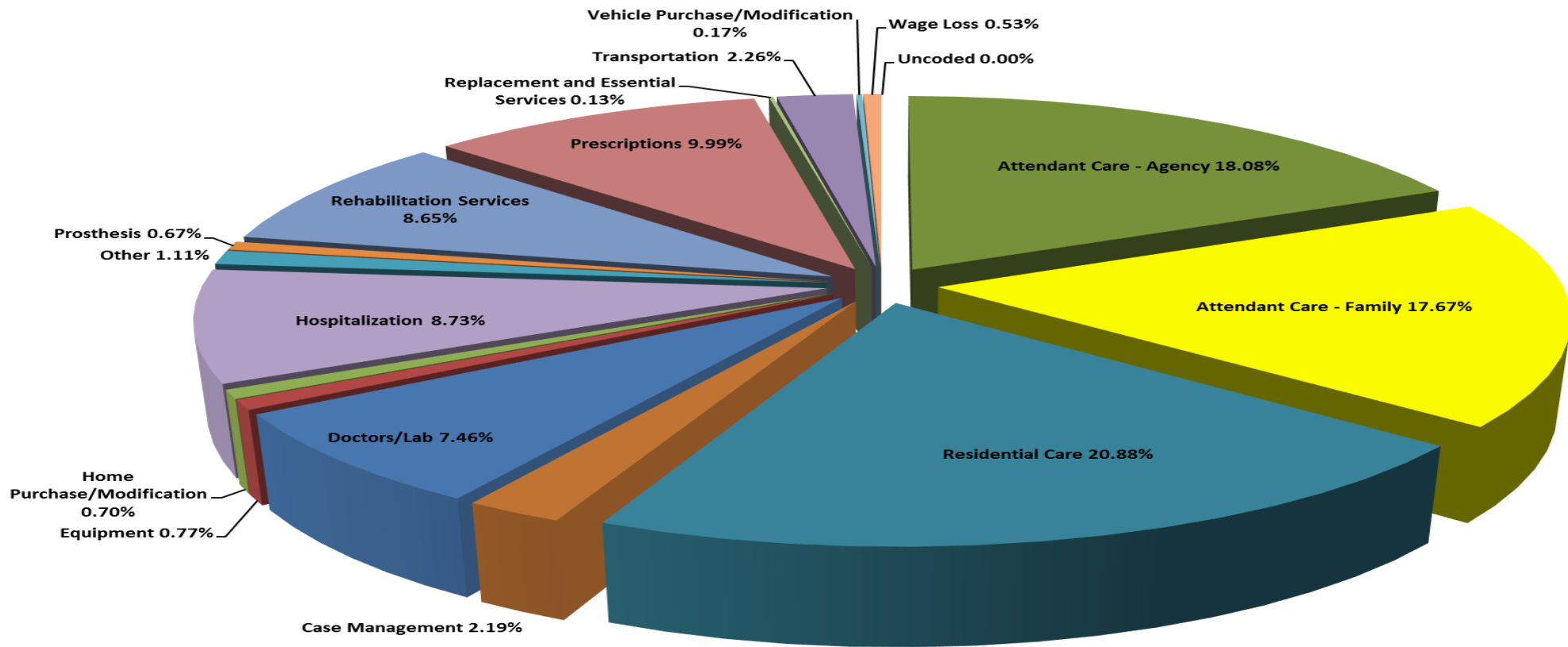
Michigan Catastrophic Claims Association

2018-2019 Premium Cost Components



MCCA Loss Payments by Category

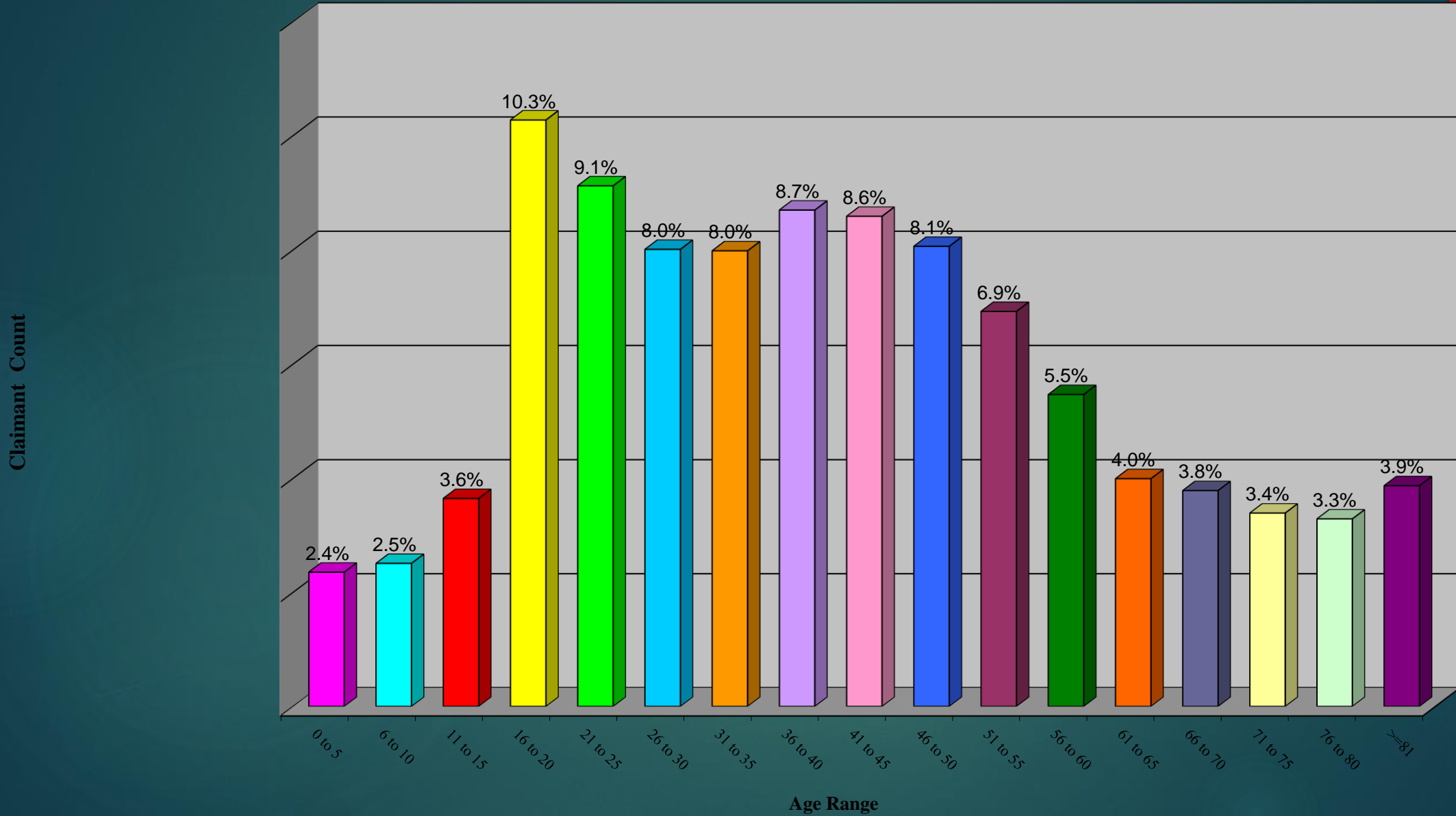
7/01/17 to 6/30/18



MCCA Miscellaneous Statistics

- ▶ Since inception, approximately 40,000 claims have been reported
- ▶ The MCCA has 18,000 open claims
- ▶ Since 1978, the MCCA has paid out over \$16.5 billion to cover claims
- ▶ Costs keep increasing and in 2018 alone, \$1.2 billion was paid out
- ▶ Costs average \$ 100 million/month
- ▶ Most injuries occur to young people
- ▶ Attendant care is 57% of our payments (\$676 million and 70% of our reserves
- ▶ Must consider the cost of attendant care to affect the costs of the MCCA

Michigan Catastrophic Claims Association
Claimant Age Distribution Summary
Inception to Date as of June 30, 2018



MCCA Transparency

- ▶ The MCCA has the same financial reporting requirements as every other insurance company.
- ▶ The DIFS Director is an ex-officio member of the board
- ▶ DIFS performs a financial audit of the MCCA every 3-5 years.
- ▶ In the last examination, DIFS has an outside independent actuary review MCCA's reserves.
- ▶ No adjustments to the MCCA's financial statements were recommended by DIFS
- ▶ The MCCA 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.
- ▶ A wealth of other information is available on our website, including our annual report to the Director of DIFS, claim statistics, and our Plan of Operation.



What are PIP benefits?

THEY CONSIST OF “ALL REASONABLE CHARGES INCURRED FOR REASONABLY NECESSARY PRODUCTS, SERVICES AND ACCOMMODATIONS FOR AN INJURED PERSON’S CARE, RECOVERY, OR REHABILITATION.”



Four parts to this definition:

“[1] all [2] reasonable charges incurred for [3] reasonably necessary products, services and accommodations [4] for an injured person’s care, recovery, or rehabilitation.”

All

- Unlimited benefits
- Lifetime benefits

Reasonable charges

- No fee schedule
- Focus on reasonably and customary charges
- Focus is not on what a provider accepts; it's on what the provider charges
- No-fault insurers get charged the sticker price; no discounts like your health insurer

EXACT SAME MRI BILLS

NO-FAULT INSURER

\$5,100

\$5,100

\$5,100

\$5,100

\$4,800

\$35,400

HEALTH INSURER

\$329

\$329


\$327

\$347

\$347

\$2,366





Reasonably necessary products, services and accommodations

- If provider and insurance company don't agree
- Jury question



For an injured person's care, recovery, or rehabilitation.

- Not just doctor and hospital bills
- Includes our biggest cost drivers:
 - Residential facility care
 - Agency attendant care
 - Family-provided attendant care

For care, recovery, or rehabilitation:

- \$1,956 per year of adderall (related to the MVA?)
- 7 pairs of compression socks every 3 mons \$1,587/yr
- 2 pairs of shoes every 3 mons \$1,079/year
- \$2,700/year in hot tub expenses
- \$8,892/year in psychological counseling for depression
- \$29,328/year in physical therapy
- \$2,795/year in MRI expenses
- 4 hours/day of LPN level care to help with home exercise and emotional support
- He's claiming \$83,979 per year currently (that's not counting the spinal cord stimulator)

For care, recovery, or rehabilitation:

- He wanted a snow thrower; we bought him that
- He says he may need a spinal cord stimulator for \$32K, plus new batteries every 8 yrs at \$16K each time
- He's 59 yrs old; blames his deteriorating vision on mva, so a claim for that is coming
- He advised the insurance company that he anticipates ending up in a residential care facility someday soon