

Legislative Analysis



ASSIGNED CLAIMS PLAN

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4455

Sponsor: Rep. Deb Shaughnessy

Committee: Insurance

Complete to 3-23-11

A SUMMARY OF HOUSE BILL 4455 AS INTRODUCED 3-17-11

Generally speaking, the bill would transfer the operations of the Assigned Claims Plan from the Secretary of State to the Michigan Automobile Insurance Placement Facility.

The Assigned Claims Plan is a program that aims at providing financial assistance to individuals injured in an uninsured motor vehicle accident in Michigan who have no insurance coverage of their own. Claims are submitted to the Department of State and, after initial screening, are assigned to participating private auto insurance companies. Following an investigation, the insurance company pays the claim and is reimbursed by the Assigned Claims Plan, which is supported by all the companies writing auto insurance in the state.

The Automobile Insurance Placement Facility is a "residual market" mechanism to provide auto insurance to drivers who do not qualify for coverage in the normal auto insurance market. (However, other drivers can purchase from the facility as well.) The Facility is a nongovernmental, nonprofit association whose membership is made up of all of the companies writing auto insurance in the state; it uses a limited number of private auto insurance companies as servicing carriers. (Currently these are the Auto Club, Auto-Owners, State Farm, and Citizens, according to the Facility website.) It is considered a joint underwriting association. It charges rates based on the weighted average of the base rates of the five largest auto insurers in the voluntary market. Customers are placed by insurance agents with one of the servicing carriers; customers can choose the company, although the rates would not vary. The organization is governed by a board made up of seven representatives from participating auto insurance companies, two insurance agent representatives, and two public representatives. The Commissioner of the Office of Financial and Insurance Regulation (OFIR) appoints the agent members and public representatives.

Under House Bill 4455, the current Assigned Claims Plan would be maintained by the Secretary of State only until the Automobile Insurance Placement Facility adopted and maintained its own assigned claims plan. The Placement Facility board would have to adopt an assigned claims plan by majority vote and submit it to the Commissioner of OFIR for approval. The plan would be considered approved if the commissioner failed to act within 30 days. If the board and the commissioner are unable to agree that the provisions of the plan meet the requirements of the Insurance Code, either party could submit the issue to the Ingham County Circuit Court.

FISCAL IMPACT:

House Bill 4455 would have an indeterminate fiscal impact on the Department of State. Currently, the Department of State receives funding for its administrative costs associated with the program from the Assigned Claims Fund. Annual administrative costs total approximately \$1.0 million. Under the provisions of the bill, the operations of the Assigned Claims Plan would be transferred to the Michigan Automobile Insurance Placement Facility. While a majority of the administrative costs would be borne by the Michigan Automobile Insurance Placement Facility (costs would still be paid from the Assigned Claims Fund to the Facility), the Secretary of State would still retain some costs associated with the suspension and reinstatement of licenses for those uninsured motorists who fail to make a required payment to the Assigned Claims Fund as required by a court judgment against them.

The bill would not appear to have a significant impact on the Office of Insurance and Financial Regulation.

Legislative Analyst: Chris Couch
Fiscal Analyst: Mark Wolf
Ben Gielczyk

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