

Reps. Cavanagh, Santana, Callton, Yonker, MacMaster, Slavens, Hovey-Wright, Segal, Kandrevas, McCann, Lipton, Darany, Smiley, Brown, Brunner, Rutledge, Switalski, Kosowski, Barnett, Zemke, Durhal, Banks, McBroom and Roberts offered the following resolution:

House Resolution No. 196.

A resolution to implore the Michigan Department of Treasury to conduct a financial review of the Michigan Catastrophic Claims Association (MCCA) to consider the appointment of an emergency financial manager.

Whereas, The Michigan Catastrophic Claims Association (MCCA) is an insurance fund that provides for the care of Michigan drivers who are catastrophically injured in an auto accident. The MCCA reimburses no-fault auto insurers for all benefits that exceed \$530,000, spreading costs among all motorists, since every Michigan driver is required by law to carry valid insurance. The MCCA has raised its annual rates from \$5.60 to \$175.00 per insured vehicle since 2000 – an increase of over 2,489 percent; and

Whereas, The MCCA just mandated a 6% increase beginning July 1, 2013 that forces every driver to pay \$186.00 per vehicle, the highest amount ever levied. MCCA is a creature of statute, framed and granted authority by the legislature of the State of Michigan. The MCCA is responsible for charging only what is necessary and "sufficient to cover the expected losses and expenses of the association that the association will likely incur during the period for which the premium is applicable", MCL 500.3104(7)(d); and

Whereas, The total number of accidents and the severity of injuries in these accidents has been declining every year. There is currently over \$14 billion in the MCCA reserves and this fund grows every year. Michigan drivers pay these fee increases without knowing if they are truly justifiable. The MCCA Board is not required to make their finances open to the public for accountability and scrutiny. MCCA decisions are made outside of the Open Meetings Act and the Freedom of Information Act even though these decisions effect every driver in the State of Michigan; and

Whereas, The proponents of changing our auto-no fault law consistently make the claim that the current law is "broken" and "unsustainable" and that insurance companies cannot maintain the level of benefits for drivers and those suffering long-term catastrophic injuries in auto accidents; and

Whereas, On October 11, 2011 the Michigan Association of Insurance Agents (MAIA) testified before the House Insurance Committee on the financial stability of the MCCA and that the MAIA "believes there is significant concern for the financial integrity of the MCCA". On July 1, 2012, when the MCCA instituted its largest increase in history of 20% (the CPI over the same period was .05%) the fund balance was over \$13 billion.

Whereas, On March 21, 2013, the Director of the Department of Insurance and Financial Services (DIFS), Kevin Clinton, testified before the House Insurance Committee and there is a projected deficit of \$2 billion related to existing claims. He also testified that in 30 years the fund's investments have grown commensurate with the rate of the Standard and Poor's index. The Standard and Poors index is up 17.27% year to date. The MCCA fund should have grown at least \$2,400,000,000 based on the growth in the Standard and Poors gains, thereby eliminating the 30 year projected "unfunded liability" in nine months; but the MCCA, in spite of growth in the market, without reasoning, analysis, supportive data, or figures ignores the over funding, as they still raised assessments on consumers by 11% to manufacture a crisis for political purposes; and

Whereas, On Thursday, April 25, 2013, the Director of DIFS, Kevin Clinton, testified before the House Insurance Committee that Michigan's Auto No-Fault System is unsustainable

because the MCCA is unsustainable and that deficiencies within the MCCA hurt insurance company ratings. He also testified on Thursday, April 25, 2013 that based on current investment return of 7.6% at present value the deficit is \$2 billion, but that if you didn't reduce to the present value that the deficit would be \$56 billion; which is more than the cumulative deficits of all municipalities and school districts in Michigan combined. When an Emergency Financial Manager was ordered by the governor Flint had a \$7 million deficit with long term unfunded liabilities of \$115 million, Ecorse had a \$9 million deficit, Allen Park had a deficit of \$6.8 million, Benton Harbor had a deficit of \$10 million and Detroit's deficit was \$300 million with unfunded liabilities of \$14 billion; and

Whereas, These arguments for change are based on the belief that a financial emergency exists in the auto insurance industry and the MCCA. Financial information regarding the MCCA is not public and these claims are impossible to verify. Michigan's Emergency Financial Manager law exists theoretically to assist institutions created by state statute suffering from a financial emergency and to help them get their finances in order; now, therefore, be it Resolved by the House of Representatives, That we implore the Michigan Department of Treasury to conduct a financial review of the Michigan Catastrophic Claims Association (MCCA) to consider the appointment of an emergency financial manager; and be it further

Resolved that a copy of this resolution be transmitted to the State Treasurer.