Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 168 (as reported without amendment)
Sponsor: Senator Rick Jones
Committee: Insurance

CONTENT

The bill would amend the Insurance Code to refer to "written" car years, rather than "earned" car years, in the formula for calculating the assessment an automobile insurer must pay to the Automobile Theft Prevention Authority (ATPA).

The Code requires each insurer engaged in writing automobile insurance coverage to pay the ATPA an annual assessment equal to $1 multiplied by the insurer's total "earned car years" of insurance providing the required security written in Michigan during the preceding year. The Authority must deposit the money in the Automobile Theft Prevention Fund.

The bill would refer to "written" rather than "earned" car years, and would define "written car year" as the portion of a year during which a vehicle is insured as determined by the Michigan Catastrophic Claims Association (MCCA) and used to calculate premium charges under Section 3104. (That section requires each automobile insurer to be an MCCA member, and requires the MCCA to provide and each member to accept indemnification for 100% of the amount of ultimate loss sustained under personal protection insurance coverage in excess of prescribed amounts. The MCCA must calculate and charge to members a total premium sufficient to cover its expected losses and expenses during the applicable period.)

MCL 500.6107 Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill is not expected to have a significant fiscal impact on State or local government. It would not create new costs at the State or local level. It could create revenue for the Auto Theft Prevention Authority, an independent body housed within the Department of State Police that disburses grants to local law enforcement entities.

The Code requires an assessment from insurers of $1 multiplied by the number of earned car insurance policies on vehicles registered in the State. "Earned" policies are not defined in the Code, but are quantified by the ATPA as $1 ($1 per car/per year) per private passenger vehicle. For example, one passenger vehicle, insured for an entire year, will yield $1 for the ATPA. Two passenger vehicles, insured for six months each, also will yield $1 for the ATPA.

It is not certain whether the proposed amendments would result in a significant increase in $1 assessments for the ATPA. In Opinion 7284, issued in June 2015, the Attorney General determined that the ATPA may "assess fees on all motor vehicles insured under MCL 500.3101 of the Code, not just private passenger vehicles." This opinion, in conjunction with the revised language of the bill, could cause the ATPA to alter its plan of operation and begin assessing fees on additional vehicle classifications and vehicles that are not insured for an entire year.

Date Completed: 3-16-17 Fiscal Analyst: Michael Siracuse