



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 168 (as introduced 2-15-17)
Sponsor: Senator Rick Jones
Committee: Insurance

Date Completed: 3-14-17

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 the owner or registrant of a motor vehicle required to be registered in Michigan to maintain security for payment of benefits under personal protection insurance, property protection insurance, and residual liability insurance. As a condition of an insurer's authority to transact insurance in Michigan, each insurer engaged in writing insurance coverage that provides this security annually must pay to the ATPA an assessment equal to \$1 multiplied by the insurer's total "earned car years" of insurance providing that security written in Michigan during the preceding year. The Authority must segregate and deposit the money in the Automobile Theft Prevention Fund (which provides financial support to the Michigan State Police and local law enforcement agencies, local prosecutors, judicial agencies, neighborhood or community organizations and business organizations, and educational programs, for automobile theft prevention efforts).

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, which vary depending on when the policy was issued. The MCCA must calculate and charge to members a total premium sufficient to cover the Association's expected losses and expenses that it likely will incur 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.

Currently, the Code requires an assessment from insurance companies of \$1 multiplied by the number of earned car insurance policies on vehicles registered in the State of Michigan.

"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.¹ For example, one passenger vehicle, insured for an entire year, will yield \$1 for the ATPA. Likewise, two passenger vehicles, insured for six months each, also will yield \$1 for the ATPA.

The bill would replace the word "earned" with the word "written", and add a definition for "written car year". It is not certain whether this would result in a significant increase in \$1 assessments for the ATPA. It should be noted that the Attorney General, in Opinion 7284, issued in June 2015, 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 classifications of vehicle and vehicles that are not insured for an entire year

Fiscal Analyst: Michael Siracuse

¹ Auto Theft Prevention Authority, *Plan of Operation*, p. 1, Revised May 2012; available at: http://www.michigan.gov/documents/mspatpa_PlanOperation_8775_7.pdf.