



**Senate Fiscal Agency**  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL



ANALYSIS

**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

Senate Bill 168 (as enacted)  
Sponsor: Senator Rick Jones  
Senate Committee: Insurance  
House Committee: Insurance

**PUBLIC ACT 58 of 2017**

Date Completed: 6-22-17

**RATIONALE**

In 2015, Attorney General Schuette issued Opinion No. 7284 in which he determined that, under the Insurance Code, the Automobile Theft Prevention Authority (ATPA) has the statutory authority to assess fees on every insurance policy written in Michigan, not just policies for private passenger vehicles, that provides security for payment of benefits under personal protection insurance, property protection insurance, and residual liability insurance. It was suggested that Attorney General Opinion No. 7284 be codified to allow the ATPA to collect the assessment from commercial motor vehicles.

**CONTENT**

**The bill amended 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.**

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. Under the bill, 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 "written 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).

Previously, the Code contained these requirements but referred to "earned" rather than "written" car years. The bill defines "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.)

The bill took effect on June 15, 2017.

MCL 500.6107

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

Each year, the Automobile Theft Prevention Authority awards grants to law enforcement agencies, prosecutor's offices, and nonprofit organizations to assist in the recovery, prevention, and investigation of motor vehicle theft-related crimes. The grants are funded by the \$1 annual assessment on each insured noncommercial vehicle, plus interest earned on the investment of those funds. According to testimony provided by the Michigan State Police, the amendments will add to the ATPA approximately \$400,000 to \$500,000 each year. This will enable motor vehicle theft prevention teams to investigate trucking companies, the theft of commercial motor vehicles and semi-truck trailers, and cargo theft.

### **Supporting Argument**

Insurance companies already use systems that work off of a "written year", so they will not have to make system changes for implementation of the "written year" formula required under the bill.

Additionally, the "earned years" formula required data that over one-third of commercial insurance companies do not maintain. Unlike private passenger automobile insurance policies that are rated on a per-vehicle basis, many commercial policies are rated on other factors, such as receipts from trucking operations or costs of hiring vehicles to deliver products. Under the previous statutory language, in many cases insurers may have had to make up their own formulas for converting policies on a gross receipts basis to an estimated earned car year basis.

Legislative Analyst: Stephen Jackson

## **FISCAL IMPACT**

The bill is not expected to have a significant fiscal impact on State or local government. It will not create new costs at the State or local level. It may 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.

Formerly, the Code required 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 were not defined in the Code, but were quantified by the ATPA as \$1 (\$1 per car/per year) per private passenger vehicle.<sup>1</sup> For example, one passenger vehicle, insured for an entire year, would yield \$1 for the ATPA. Likewise, two passenger vehicles, insured for six months each, also would yield \$1 for the ATPA.

The bill replaced the word "earned" with the word "written", and added a definition of "written car year". It is not certain whether this will result in a significant increase in \$1 assessments for the ATPA. As noted above, 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 language of the bill, might 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

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<sup>1</sup> Auto Theft Prevention Authority, *Plan of Operation*, p. 1, Revised May 2012; available at: [http://www.michigan.gov/documents/mspatpa\\_PlanOperation\\_8775\\_7.pdf](http://www.michigan.gov/documents/mspatpa_PlanOperation_8775_7.pdf).