

HOUSE BILL No. 4080

January 24, 2019, Introduced by Reps. Webber, Crawford, Chirkun, Paquette, Griffin, Koleszar, Cynthia Johnson, Robinson and Yaroch and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending section 3104 (MCL 500.3104), as amended by 2002 PA 662.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3104. (1) ~~An~~ **THE CATASTROPHIC CLAIMS ASSOCIATION IS**
2 **CREATED AS AN** unincorporated, nonprofit association. ~~to be known as~~
3 ~~the catastrophic claims association, hereinafter referred to as the~~
4 ~~association, is created.~~ Each insurer engaged in writing insurance
5 coverages that provide the security required by section 3101(1)
6 ~~within~~ **IN** this state, as a condition of its authority to transact
7 insurance in this state, shall be a member of the association and
8 ~~shall be~~ **IS** bound by the plan of operation of the association. ~~Each~~
9 **AN** insurer engaged in writing insurance coverages that provide the

1 security required by section 3103(1) ~~within~~ **IN** this state, as a
2 condition of its authority to transact insurance in this state,
3 ~~shall be~~ **IS** considered **TO BE** a member of the association, but only
4 for purposes of premiums under subsection (7)(d). Except as
5 expressly provided in this section, the association is not subject
6 to any laws of this state with respect to insurers, but in all
7 other respects the association is subject to the laws of this state
8 to the extent that the association would be if it were an insurer
9 organized and subsisting under chapter 50.

10 (2) The association shall provide and each member shall accept
11 indemnification for 100% of the amount of ultimate loss sustained
12 under personal protection insurance coverages in excess of the
13 following amounts in each loss occurrence:

14 (a) For a motor vehicle accident policy issued or renewed
15 before July 1, 2002, \$250,000.00.

16 (b) For a motor vehicle accident policy issued or renewed
17 during the period July 1, 2002 to June 30, 2003, \$300,000.00.

18 (c) For a motor vehicle accident policy issued or renewed
19 during the period July 1, 2003 to June 30, 2004, \$325,000.00.

20 (d) For a motor vehicle accident policy issued or renewed
21 during the period July 1, 2004 to June 30, 2005, \$350,000.00.

22 (e) For a motor vehicle accident policy issued or renewed
23 during the period July 1, 2005 to June 30, 2006, \$375,000.00.

24 (f) For a motor vehicle accident policy issued or renewed
25 during the period July 1, 2006 to June 30, 2007, \$400,000.00.

26 (g) For a motor vehicle accident policy issued or renewed
27 during the period July 1, 2007 to June 30, 2008, \$420,000.00.

1 (h) For a motor vehicle accident policy issued or renewed
2 during the period July 1, 2008 to June 30, 2009, \$440,000.00.

3 (i) For a motor vehicle accident policy issued or renewed
4 during the period July 1, 2009 to June 30, 2010, \$460,000.00.

5 (j) For a motor vehicle accident policy issued or renewed
6 during the period July 1, 2010 to June 30, 2011, \$480,000.00.

7 (k) For a motor vehicle accident policy issued or renewed
8 during the period July 1, 2011 to June 30, 2013, \$500,000.00.

9 **(l) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
10 **DURING THE PERIOD JULY 1, 2013 TO JUNE 30, 2015, \$530,000.00.**

11 **(m) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
12 **DURING THE PERIOD JULY 1, 2015 TO JUNE 30, 2017, \$545,000.00.**

13 **(n) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
14 **DURING THE PERIOD JULY 1, 2017 TO JUNE 30, 2019, \$555,000.00.**

15 Beginning July 1, ~~2013, 2019~~, this ~~\$500,000.00~~ **\$555,000.00** amount
16 ~~shall~~ **MUST** be increased biennially on July 1 of each odd-numbered
17 year, for policies issued or renewed before July 1 of the following
18 odd-numbered year, by the lesser of 6% or the ~~consumer price index,~~
19 **CONSUMER PRICE INDEX**, and rounded to the nearest \$5,000.00. ~~This~~
20 **THE ASSOCIATION SHALL CALCULATE THIS** biennial adjustment ~~shall be~~
21 ~~calculated by the association by~~ January 1 of the year of its July
22 1 effective date.

23 (3) An insurer may withdraw from the association only ~~upon~~ **ON**
24 ceasing to write insurance that provides the security required by
25 section 3101(1) in this state.

26 (4) An insurer whose membership in the association has been
27 terminated by withdrawal ~~shall continue~~ **CONTINUES** to be bound by

1 the plan of operation, and ~~upon~~**ON** withdrawal, all unpaid premiums
2 that have been charged to the withdrawing member are payable as of
3 the effective date of the withdrawal.

4 (5) An unsatisfied net liability to the association of an
5 insolvent member ~~shall~~**MUST** be assumed by and apportioned among the
6 remaining members of the association as provided in the plan of
7 operation. The association has all rights allowed by law on behalf
8 of the remaining members against the estate or funds of the
9 insolvent member for ~~sums~~**MONEY** due the association.

10 (6) If a member has been merged or consolidated into another
11 insurer or another insurer has reinsured a member's entire business
12 that provides the security required by section 3101(1) in this
13 state, the member and successors in interest of the member remain
14 liable for the member's obligations.

15 (7) The association shall do all of the following on behalf of
16 the members of the association:

17 (a) Assume 100% of all liability as provided in subsection
18 (2).

19 (b) Establish procedures by which members ~~shall~~**MUST** promptly
20 report to the association each claim that, on the basis of the
21 injuries or damages sustained, may reasonably be anticipated to
22 involve the association if the member is ultimately held legally
23 liable for the injuries or damages. Solely for the purpose of
24 reporting claims, the member shall in all instances consider itself
25 legally liable for the injuries or damages. The member shall also
26 advise the association of subsequent developments likely to
27 materially affect the interest of the association in the claim.

1 (c) Maintain relevant loss and expense data relative to all
2 liabilities of the association and require each member to furnish
3 statistics, in connection with liabilities of the association, at
4 the times and in the form and detail as ~~may be~~ required by the plan
5 of operation.

6 (d) In a manner provided for in the plan of operation,
7 calculate and charge to members of the association a total premium
8 sufficient to cover the expected losses and expenses of the
9 association that the association will likely incur during the
10 period for which the premium is applicable. The premium ~~shall~~**MUST**
11 include an amount to cover incurred but not reported losses for the
12 period and may be adjusted for any excess or deficient premiums
13 from previous periods. Excesses or deficiencies from previous
14 periods may be fully adjusted in a single period or may be adjusted
15 over several periods in a manner provided for in the plan of
16 operation. Each member ~~shall~~**MUST** be charged an amount equal to
17 that member's total written car years of insurance providing the
18 security required by section 3101(1) or 3103(1), or both, written
19 in this state during the period to which the premium applies,
20 multiplied by the average premium per car. The average premium per
21 car ~~shall be~~**IS** the total premium calculated divided by the total
22 written car years of insurance providing the security required by
23 section 3101(1) or 3103(1) written in this state of all members
24 during the period to which the premium applies. A member ~~shall~~**MUST**
25 be charged a premium for a historic vehicle that is insured with
26 the member of 20% of the premium charged for a car insured with the
27 member. ~~As used in this subdivision:~~

1 ~~(i) "Car" includes a motorcycle but does not include a~~
 2 ~~historic vehicle.~~

3 ~~(ii) "Historic vehicle" means a vehicle that is a registered~~
 4 ~~historic vehicle under section 803a or 803p of the Michigan vehicle~~
 5 ~~code, 1949 PA 300, MCL 257.803a and 257.803p.~~

6 (e) Require and accept the payment of premiums from members of
 7 the association as provided for in the plan of operation. The
 8 association shall do either of the following:

9 (i) Require payment of the premium in full within 45 days
 10 after the premium charge.

11 (ii) Require payment of the premiums to be made periodically
 12 to cover the actual cash obligations of the association.

13 (f) Receive and distribute all ~~sums~~ **MONEY** required by the
 14 operation of the association.

15 (g) Establish procedures for reviewing claims procedures and
 16 practices of members of the association. If the claims procedures
 17 or practices of a member are considered inadequate to properly
 18 service the liabilities of the association, the association may
 19 undertake or may contract with another person, including another
 20 member, to adjust or assist in the adjustment of claims for the
 21 member on claims that create a potential liability to the
 22 association and may charge the cost of the adjustment to the
 23 member.

24 **(H) PROVIDE ALL INFORMATION REQUIRED, AND AS REQUESTED BY THE**
 25 **DIRECTOR OF THE DEPARTMENT, FOR PURPOSES OF THE EXAMINATION**
 26 **REQUIRED UNDER SUBSECTION (23).**

27 **(I) RETURN ANY MONEY TO MEMBERS OF THE ASSOCIATION AS ORDERED**

1 **BY THE DIRECTOR OF THE DEPARTMENT UNDER SUBSECTION (24) .**

2 (8) In addition to other powers granted to it by this section,
3 the association may do all of the following:

4 (a) Sue and be sued in the name of the association. A judgment
5 against the association ~~shall~~**DOES** not create any direct liability
6 against the individual members of the association. The association
7 may provide for the indemnification of its members, members of the
8 board of directors of the association, and officers, employees, and
9 other persons lawfully acting on behalf of the association.

10 (b) Reinsure all or any portion of its potential liability
11 with reinsurers licensed to transact insurance in this state or
12 approved by the ~~commissioner~~**DIRECTOR OF THE DEPARTMENT**.

13 (c) Provide for appropriate housing, equipment, and personnel
14 as ~~may be~~ necessary to assure the efficient operation of the
15 association.

16 (d) Pursuant to the plan of operation, adopt reasonable rules
17 for the administration of the association, enforce those rules, and
18 delegate authority, as the board considers necessary to assure the
19 proper administration and operation of the association consistent
20 with the plan of operation.

21 (e) Contract for goods and services, including independent
22 claims management, actuarial, investment, and legal services, from
23 others ~~within~~**IN** or ~~without~~**OUTSIDE OF** this state to assure the
24 efficient operation of the association.

25 (f) Hear and determine complaints of a company or other
26 interested party concerning the operation of the association.

27 (g) Perform other acts not specifically enumerated in this

1 section that are necessary or proper to accomplish the purposes of
2 the association and that are not inconsistent with this section or
3 the plan of operation.

4 (9) A board of directors is created ~~, hereinafter referred to~~
5 ~~as the board, which shall be responsible for the operation of~~ **AND**
6 **SHALL OPERATE** the association consistent with the plan of operation
7 and this section.

8 (10) The plan of operation ~~shall~~ **MUST** provide for all of the
9 following:

10 (a) The establishment of necessary facilities.

11 (b) The management and operation of the association.

12 (c) Procedures to be utilized in charging premiums, including
13 adjustments from excess or deficient premiums from prior periods.

14 (d) Procedures governing the actual payment of premiums to the
15 association.

16 (e) Reimbursement of each member of the board by the
17 association for actual and necessary expenses incurred on
18 association business.

19 (f) The investment policy of the association.

20 **(G) PROVIDING INFORMATION TO THE DEPARTMENT FOR PURPOSES OF**
21 **SUBSECTION (23) AND RETURNS AND REFUNDS OF ANY SURPLUSES AS**
22 **REQUIRED UNDER SUBSECTIONS (24) AND (25).**

23 **(H)** ~~(g)~~ Any other matters required by or necessary to
24 effectively implement this section.

25 (11) ~~Each~~ **THE** board ~~shall~~ **MUST** include members that would
26 contribute a total of not less than 40% of the total premium
27 calculated ~~pursuant to~~ **UNDER** subsection (7) (d). Each director ~~shall~~

1 ~~be~~ **IS** entitled to 1 vote. The initial term of office of a director
2 ~~shall be~~ **IS** 2 years.

3 (12) As part of the plan of operation, the board shall adopt
4 rules providing for the composition ~~and term of successor boards to~~
5 the ~~initial~~ board **AND THE TERMS OF BOARD MEMBERS**, consistent with
6 the membership composition requirements in subsections (11) and
7 (13). Terms of the directors ~~shall~~ **MUST** be staggered so that the
8 terms of all the directors do not expire at the same time and so
9 that a director does not serve a term of more than 4 years.

10 (13) The board ~~shall consist~~ **CONSISTS** of 5 directors ~~and the~~
11 ~~commissioner~~ **DIRECTOR OF THE DEPARTMENT, WHO** shall ~~be~~ **SERVE AS** an
12 ex officio, **NONVOTING** member of the board. ~~without vote.~~

13 (14) ~~Each director~~ **THE DIRECTOR OF THE DEPARTMENT** shall be
14 ~~appointed by the commissioner and~~ **APPOINT THE DIRECTORS. A DIRECTOR**
15 shall serve until ~~that member's~~ **HIS OR HER** successor is selected
16 and qualified. The **BOARD SHALL ELECT THE** chairperson of the board.
17 ~~shall be elected by the board. A~~ **THE DIRECTOR OF THE DEPARTMENT**
18 **SHALL FILL ANY** vacancy on the board ~~shall be filled by the~~
19 ~~commissioner consistent with~~ **AS PROVIDED IN** the plan of operation.

20 (15) ~~After the board is appointed, the~~ **THE** board shall meet as
21 often as the chairperson, the ~~commissioner,~~ **DIRECTOR OF THE**
22 **DEPARTMENT**, or the plan of operation ~~shall require,~~ **REQUIRES**, or at
23 the request of any 3 members of the board. The chairperson ~~shall~~
24 ~~retain the right to~~ **MAY** vote on all issues. Four members of the
25 board constitute a quorum.

26 (16) ~~An~~ **THE BOARD SHALL FURNISH TO EACH MEMBER AN** annual
27 report of the operations of the association in a form and detail as

1 ~~may be determined by the board. shall be furnished to each member.~~
2 ~~—— (17) Not more than 60 days after the initial organizational~~
3 ~~meeting of the board, the board shall submit to the commissioner~~
4 ~~for approval a proposed plan of operation consistent with the~~
5 ~~objectives and provisions of this section, which shall provide for~~
6 ~~the economical, fair, and nondiscriminatory administration of the~~
7 ~~association and for the prompt and efficient provision of~~
8 ~~indemnity. If a plan is not submitted within this 60-day period,~~
9 ~~then the commissioner, after consultation with the board, shall~~
10 ~~formulate and place into effect a plan consistent with this~~
11 ~~section.~~

12 ~~—— (18) The plan of operation, unless approved sooner in writing,~~
13 ~~shall be considered to meet the requirements of this section if it~~
14 ~~is not disapproved by written order of the commissioner within 30~~
15 ~~days after the date of its submission. Before disapproval of all or~~
16 ~~any part of the proposed plan of operation, the commissioner shall~~
17 ~~notify the board in what respect the plan of operation fails to~~
18 ~~meet the requirements and objectives of this section. If the board~~
19 ~~fails to submit a revised plan of operation that meets the~~
20 ~~requirements and objectives of this section within the 30-day~~
21 ~~period, the commissioner shall enter an order accordingly and shall~~
22 ~~immediately formulate and place into effect a plan consistent with~~
23 ~~the requirements and objectives of this section.~~

24 ~~(17)~~ (19) The proposed plan of operation or **ANY** amendments to
25 the plan of operation **OF THE ASSOCIATION** are subject to majority
26 approval by the board, ~~ratified~~ **RATIFICATION** by a majority of the
27 membership having a vote, with voting rights being apportioned

1 according to the premiums charged in subsection (7) (d), and are
2 ~~subject to approval by the commissioner.~~**DIRECTOR OF THE DEPARTMENT.**

3 **(18)** ~~(20) Upon approval by the commissioner and ratification~~
4 ~~by the members of the plan submitted, or upon the promulgation of a~~
5 ~~plan by the commissioner, each~~**AN** insurer authorized to write
6 insurance providing the security required by section 3101(1) in
7 this state, as provided in this section, is bound by and shall
8 formally subscribe to and participate in the plan ~~approved~~**OF**
9 **OPERATION** as a condition of maintaining its authority to transact
10 insurance in this state.

11 **(19)** ~~(21) The association is subject to all the reporting,~~
12 ~~loss reserve, and investment requirements of the commissioner~~
13 **DIRECTOR OF THE DEPARTMENT** to the same extent as ~~would a member~~**ARE**
14 **THE MEMBERS** of the association.

15 **(20)** ~~(22) Premiums charged members by the association shall~~
16 **MUST** be recognized in the rate-making procedures for insurance
17 rates in the same manner that expenses and premium taxes are
18 recognized.

19 **(21)** ~~(23) The commissioner~~**DIRECTOR OF THE DEPARTMENT** or an
20 authorized representative of the ~~commissioner~~**DIRECTOR OF THE**
21 **DEPARTMENT** may visit the association at any time and examine any
22 and all **OF** the association's affairs.

23 **(22)** ~~(24) The association does not have liability for losses~~
24 occurring before July 1, 1978.

25 **(23) BY JULY 1 OF 2020 AND EVERY FIFTH YEAR AFTER 2020, THE**
26 **DEPARTMENT SHALL ENGAGE 1 OR MORE INDEPENDENT ACTUARIES TO EXAMINE**
27 **THE AFFAIRS AND RECORDS OF THE ASSOCIATION RELATING TO THE**

1 ASSOCIATION'S ACTUARIAL ASSUMPTIONS, INVESTMENT STRATEGY, EXPENSES,
2 AND REAL LIABILITY DURING THE PRECEDING 5 YEARS. THE ACTUARIAL
3 EXAMINATION MUST BE CONDUCTED USING SOUND ACTUARIAL PRINCIPLES
4 CONSISTENT WITH THE APPLICABLE STATEMENTS OF PRINCIPLES AND THE
5 CODE OF PROFESSIONAL CONDUCT ADOPTED BY THE CASUALTY ACTUARIAL
6 SOCIETY. BY DECEMBER 31 OF 2020 AND EVERY FIFTH YEAR AFTER 2020, AN
7 ACTUARY CONDUCTING AN EXAMINATION UNDER THIS SUBSECTION SHALL
8 REPORT ITS FINDINGS TO THE DIRECTOR OF THE DEPARTMENT, SPECIFICALLY
9 INCLUDING A DETERMINATION OF WHETHER THE ASSOCIATION IS OPERATING
10 WITH A SURPLUS AND THE AMOUNT OF THE SURPLUS.

11 (24) IF AN ACTUARY DETERMINES UNDER SUBSECTION (23) THAT THE
12 ASSOCIATION IS OPERATING WITH A SURPLUS, THE DIRECTOR OF THE
13 DEPARTMENT SHALL ORDER THE ASSOCIATION TO RETURN THE AMOUNT OF THE
14 SURPLUS TO THE MEMBERS OF THE ASSOCIATION, IN PROPORTION TO THE
15 PREMIUMS PAID BY EACH MEMBER UNDER SUBSECTION (7) (D), TO BE
16 REFUNDED UNDER SUBSECTION (25).

17 (25) WITHIN 30 DAYS AFTER A MEMBER OF THE ASSOCIATION RECEIVES
18 A RETURN OF AN AMOUNT UNDER SUBSECTION (24), THE MEMBER SHALL
19 REFUND THE FULL AMOUNT RECEIVED TO THE PERSONS INSURED BY THE
20 MEMBER UNDER POLICIES THAT PROVIDE THE SECURITY REQUIRED UNDER
21 SECTION 3101(1) OR 3103(1), OR BOTH. THE AMOUNT REFUNDED MUST BE
22 CALCULATED ON AN EQUAL BASIS PER CAR AND PER HISTORIC VEHICLE. A
23 REBATE ATTRIBUTABLE TO A HISTORIC VEHICLE MUST BE EQUAL TO 20% OF
24 THE REBATE FOR A CAR.

25 (26) ~~(25)~~As used in this section:

26 (A) "ASSOCIATION" MEANS THE CATASTROPHIC CLAIMS ASSOCIATION
27 CREATED IN SUBSECTION (1).

1 (B) "BOARD" MEANS THE BOARD OF DIRECTORS OF THE ASSOCIATION
2 CREATED IN SUBSECTION (9) .

3 (C) "CAR" INCLUDES A MOTORCYCLE BUT DOES NOT INCLUDE A
4 HISTORIC VEHICLE .

5 (D) ~~(a)~~-"Consumer ~~price index~~"-**PRICE INDEX**" means the
6 percentage of change in the ~~consumer price index~~-**CONSUMER PRICE**
7 **INDEX** for all urban consumers in the United States city average for
8 all items for the 24 months ~~prior to~~-**BEFORE** October 1 of the year
9 ~~prior to~~-**BEFORE** the July 1 effective date of the biennial
10 adjustment under subsection ~~(2) (k)~~-**(2) (N)** as reported by the United
11 States ~~department~~-**DEPARTMENT** of ~~labor, bureau~~-**LABOR, BUREAU** of
12 ~~labor statistics,~~-**LABOR STATISTICS**, and as certified by the
13 ~~commissioner.~~-**DIRECTOR OF THE DEPARTMENT** .

14 (E) "HISTORIC VEHICLE" MEANS A VEHICLE THAT IS A REGISTERED
15 HISTORIC VEHICLE UNDER SECTION 803A OR 803P OF THE MICHIGAN VEHICLE
16 CODE, 1949 PA 300, MCL 257.803A AND 257.803P.

17 (F) ~~(b)~~-"Motor vehicle accident policy" means a policy
18 providing the coverages required under section 3101(1) .

19 (G) "SURPLUS" MEANS ANY EXCESSES FROM PREVIOUS PERIODS NOT
20 REQUIRED TO COVER THE EXPECTED LOSSES, EXPENSES, OR OTHER
21 LIABILITIES OF THE ASSOCIATION. SURPLUS DOES NOT INCLUDE EXCESSES
22 FROM PREVIOUS PERIODS ADJUSTED UNDER SUBSECTION (7) (D) OVER 5 OR
23 MORE YEARS IN THE MANNER PROVIDED IN THE PLAN OF OPERATION.

24 (H) ~~(c)~~-"Ultimate loss" means the actual loss amounts that a
25 member is obligated to pay and that are paid or payable by the
26 member, and do not include claim expenses. An ultimate loss is
27 incurred by the association on the date that the loss occurs.

1 Enacting section 1. This amendatory act takes effect 90 days
2 after the date it is enacted into law.