

RULES – IMPLEMENTATION

APRIL 30, 2019

COMMERCIAL AUTOMOBILE

LI-CA-2019-079

MICHIGAN REVISED CATASTROPHIC CLAIMS ASSOCIATION SURCHARGE ADDITIONAL RULE TO BECOME EFFECTIVE

KEY MESSAGE

This circular announces the implementation of ISO filing CA-2019-RCCA1, which revises Additional Rule **A4**. – Michigan Catastrophic Claims Association Surcharge in response to the March 2019 Michigan Catastrophic Claims Association Assessment Bulletin.

BACKGROUND

Currently, paragraph **C**. of Additional Rule **A4**. – Michigan Catastrophic Claims Association (MCCA) Surcharge contained in the Michigan state exceptions indicates that where vehicle years cannot be identified, the total Personal Injury Protection (PIP) coverage premium is to be multiplied by a factor of 2.409 to determine the applicable MCCA surcharge.

In March 2019, the MCCA issued an Assessment Bulletin for the period July 1, 2019 to June 30, 2020 announcing an assessment increase for the fiscal year ending June 30, 2020 from \$192.00 to \$220.00 per written vehicle year. For commercial fleets written on a gross receipts basis or for policies in which commercial auto vehicle years cannot be identified, the rate will be 56% of the applicable commercial auto PIP written premium for the period July 1, 2019 to June 30, 2020.

ISO ACTION

After considering the revised MCCA Loss Assessment rate of .56 and an Assumed Provision for Variable Expenses of .25, the revised MCCA Surcharge factor for policies in which vehicle years cannot be identified is **2.947**. (The variable expense provision of 25% is included to reflect appropriate expense loading. Companies are encouraged to decide independently whether the judgments made and the procedure or expense provision used is appropriate for their use.)

In light of the above, we have:

- Revised Additional Rule **A4**. – Michigan Catastrophic Claims Association (MCCA) Surcharge in the Michigan state exception pages to reflect the revised surcharge factor;
- Filed this revision with the Michigan Department Of Insurance And Financial Services under ISO Filing Designation Number CA-2019-RRCA1.

Refer to the attached explanatory material for complete details about the filing.

EFFECTIVE DATE

The ISO revision is subject to the following rule of application:

These changes are applicable to all policies written on or after January 1, 2020.

COMPANY ACTION

If you have authorized us to file on your behalf and decide:

- To use our revision and effective date, you are not required to file anything with the Insurance Department.
- To use our revision with a different effective date, to use our revision with modification, or to not use our revision, you must make an appropriate submission with the Insurance Department.

For guidance on submission requirements, consult the ISO State Filing Handbook.

In all correspondence with the Insurance Department on this revision, you should refer to ISO Filing Designation Number CA-2019-RCCA1, not this circular number. Communications with the regulator concerning a filing affecting multiple lines of business (i.e., CL, PL, AL filing designation) should specify the line(s) of business that you are addressing.

RATING SOFTWARE IMPACT

New attribute being introduced with this revision:

- Current factors are being revised.

POLICYHOLDER NOTIFICATION

If you decide to implement this revision, you should check all applicable laws for the state(s) to which this revision applies, to determine whether or not a specific policyholder notice requirement may apply. Please note that circular [LI-CL-2018-044](#) contains the ISO Guide To Renewals With Changed Conditions For Commercial Lines, which is available only as a guide to assist participating companies in complying with various conditional renewal statutes or regulations, for the major commercial lines of insurance serviced by ISO. The information in the Guide does not necessarily reflect all requirements or exceptions that may apply, and it is not intended as a substitute for your review of all applicable statutes and regulations concerning policyholder notification.

REVISION DISTRIBUTION

We will issue a Notice to Manualholders with an edition date of 1-20 (or the earliest possible subsequent date), along with any new and/or revised manual pages.

REFERENCE(S)

[LI-CL-2018-044](#) (11/27/2018) Revised Lead Time Requirements Listing

ATTACHMENT(S)

Filing CA-2019-RCCA1

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Revision To Michigan Catastrophic Claims Association Surcharge Rule

About This Filing

In response to the Michigan Catastrophic Claims Association's Assessment Bulletin, dated March 2019, we are revising Additional Rule **A4**. Michigan Catastrophic Claims Association Surcharge contained in the Michigan state exceptions of the Commercial Lines Manual (CLM), Division One - Automobile.

Revised Rules

We are revising Additional Rule **A4**. Michigan Catastrophic Claims Association Surcharge. We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

Background

Currently, paragraph **C**. of Additional Rule **A4**. Michigan Catastrophic Claims Association (MCCA) Surcharge contained in the Michigan state exceptions indicates that where vehicle years cannot be identified, the total Personal Injury Protection (PIP) coverage premium is to be multiplied by a factor of 2.409 to determine the applicable MCCA surcharge.

In March 2019, the MCCA issued an Assessment Bulletin for the period July 1, 2019 to June 30, 2020 announcing an assessment increase for the fiscal year ending June 30, 2020 from \$192.00 to \$220.00 per written vehicle year. For commercial fleets written on a gross receipts basis or for policies in which commercial auto vehicle years cannot be identified, the rate will be 56% of the applicable commercial auto PIP written premium for the period July 1, 2019 to June 30, 2020.

The following formula is used to determine the MCCA Surcharge factor for policies in which vehicle years cannot be identified:

$$\frac{\text{MCCA Loss Assessment}}{\text{Variable MCCA} - \text{Expense Loss Provision Assessment}} = \text{MCCA Surcharge Factor}$$

(A variable expense provision of 25% is included to reflect appropriate expense loading. Companies are encouraged to decide independently whether the judgments made and the procedure or expense provision used is appropriate for their use).

Explanation of Changes

After considering the revised MCCA Loss Assessment rate of 0.56 and an Assumed Provision for Variable Expenses of 0.25, the revised MCCA Surcharge factor for policies in which vehicle years cannot be identified is **2.947** (as calculated below):

$$\frac{\text{MCCA Loss Assessment}}{\text{Variable MCCA} - \text{Expense Loss Provision Assessment}} = \frac{0.56}{1 - 0.25 - 0.56} = 2.947$$

We are revising paragraph **C.** of Additional Rule **A4.** Michigan Catastrophic Claims Association Surcharge in the Michigan state exceptions of the CLM, Division One - Automobile to reflect the increase of the MCCA surcharge factor for policies in which vehicle years cannot be identified from 2.409 to 2.947.

Please note that the surcharge amount per written vehicle year is not specifically referenced in paragraph **A.** or paragraph **B.** of the Additional Rule **A4.** Thus, a revision to these paragraphs in response to this increase is not necessary.

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A4. MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION SURCHARGE

- A. For each auto other than trailers subject to no-fault where the number of vehicles can be identified, refer to the Michigan Catastrophic Claims Association Assessment Bulletin.
- B. For historic vehicles defined by Michigan Vehicle Code Section 257.20a, refer to the Michigan Catastrophic Claims Association Assessment Bulletin for the appropriate surcharge.
- C. For commercial fleets written on a gross receipts basis or where commercial auto vehicle years cannot be identified, multiply the PIP written premium by the following factor to determine the applicable additional charge:

Factor
<u>2.9472-409</u>

Table A4.C. Commercial Fleets Additional PIP Coverages Factor

- D. This additional charge is to be added to the final PIP premium that otherwise applies, after the application of all premium development calculations.
- E. In the event of changes or cancellation during the policy term the applicable changes and cancellation rules apply. Otherwise, do not modify the additional charge under any rating plan or other manual rule provision.
- F. There are no separate ISO statistical reporting requirements for the additional charge. For reporting purposes it should be added to the PIP premium for the policy.