

RULES – INFORMATION

FEBRUARY 14, 2023

COMMERCIAL AUTOMOBILE

LI-CA-2023-045

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION SURCHARGE ADDITIONAL RULE REVISION; FACTOR ADDED

KEY MESSAGE

This circular provides an additional factor to Rule **A4.** – Michigan Catastrophic Claims Association Surcharge in circular LI-CA-2022-266 for Michigan Commercial Auto rules filing [CA-2022-RCCA1](#).

BACKGROUND

In circulars:

- [LI-CA-2022-266](#), we announced implementation of filing CA-2022-RCCA1 in Michigan.
- [LI-CA-2022-269](#), we provided an update to the Background block in circular [LI-CA-2022-266](#).

In November 2022, we revised paragraph **C.** of Additional Rule **A4.** Michigan Catastrophic Claims Association (MCCA) Surcharge contained in the Michigan state exceptions to indicate that where vehicle years cannot be identified, the total Personal Injury Protection (PIP) coverage premium is to be multiplied by a factor of 0.974 to determine the applicable MCCA surcharge. This factor had been 0.630. We are now clarifying that the factor of 0.974 is if opting for unlimited PIP benefits and we are adding a factor of 0.250 if opting for other PIP benefit levels.

We also mentioned that, in September 2022, the MCCA issued an Assessment Bulletin for the period July 1, 2023 to June 30, 2024 announcing an assessment increase for the fiscal year ending June 30, 2024 from \$86.00 to \$122.00 per written vehicle year. We are now clarifying that the \$122.00 assessment is if opting for unlimited PIP benefits. The assessment is \$48.00 if opting for other PIP benefit levels. We also mentioned that, 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 37% of the applicable commercial auto PIP written premium for the period July 1, 2023 to June 30, 2024. We are now clarifying that the rate of 37% is if opting for unlimited PIP benefits and that the rate is 15% if opting for other PIP benefit levels.

ISO ACTION

We are providing an additional factor to Rule **A4.** – Michigan Catastrophic Claims Association Surcharge to account for Opting Other PIP Benefit Levels.

REFERENCE(S)

- [LI-CA-2022-269](#) (11/17/2022) Michigan Catastrophic Claims Association Surcharge Additional Rule Revision; Background Block Updated
- [LI-CA-2022-266](#) (11/15/2022) Michigan Revised Catastrophic Claims Association Surcharge Additional Rule To Become Effective

ATTACHMENT(S)Filing CA-2022-RCCA1

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CONTACT INFORMATION

If you have any questions concerning:

- The content of this circular, please contact:

Evan Dattolo

Production Operations, Compliance and Product Services

(201) 469-2895

prodops@verisk.com

- Other issues for this circular, please contact Customer Support:

E-mail: info@verisk.com

Phone: 800-888-4476

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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 September 2022, 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

In November 2022, we revised paragraph **C**. of Additional Rule **A4**. Michigan Catastrophic Claims Association (MCCA) Surcharge contained in the Michigan state exceptions to indicate that where vehicle years cannot be identified, the total Personal Injury Protection (PIP) coverage premium is to be multiplied by a factor of 0.974 to determine the applicable MCCA surcharge. This factor had been 0.630. We are now clarifying that the factor of 0.974 is if opting for unlimited PIP benefits and we are adding a factor of 0.250 if opting for other PIP benefit levels.

We also mentioned that, in September 2022, the MCCA issued an Assessment Bulletin for the period July 1, 2023 to June 30, 2024 announcing an assessment increase for the fiscal year ending June 30, 2024 from \$86.00 to \$122.00 per written vehicle year. We are now clarifying that the \$122.00 assessment is if opting for unlimited PIP benefits. The assessment is \$48.00 if opting for other PIP benefit levels. We also mentioned that, 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 37% of the applicable commercial auto PIP written premium for the period July 1, 2023 to June 30, 2024. We are now clarifying that the rate of 37% is if opting for unlimited PIP benefits and that the rate is 15% if opting for other PIP benefit levels.

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

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

$$\frac{1 - \text{Expense Provision} - \text{Loss Assessment}}{1 - \text{Expense Provision} - \text{Loss Assessment}} = \text{MCCA Surcharge Factor}$$

(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 0.37 if opting for unlimited PIP benefits and an Assumed Provision for Variable Expenses of 0.25, the revised MCCA Surcharge factor for policies in which vehicle years cannot be identified and opting for unlimited PIP benefits has been selected is **0.974** (as calculated below):

$$\frac{\text{MCCA Loss Assessment}}{\text{Variable MCCA}} = \frac{0.37}{1 - 0.25 - 0.37} = 0.974$$

$$\frac{1 - \text{Expense Provision} - \text{Loss Assessment}}{1 - \text{Expense Provision} - \text{Loss Assessment}} = 0.974$$

After considering the revised MCCA Loss Assessment rate of 0.15 if opting for other PIP benefit levels and an Assumed Provision for Variable Expenses of 0.25, the revised MCCA Surcharge factor for policies in which vehicle years cannot be identified and opting for other PIP benefit levels has been selected is **0.250** (as calculated below):

$$\frac{\text{MCCA Loss Assessment}}{\text{Variable MCCA}} = \frac{0.15}{1 - 0.25 - 0.15} = 0.250$$

$$\frac{1 - \text{Expense Provision} - \text{Loss Assessment}}{1 - \text{Expense Provision} - \text{Loss Assessment}} = 0.250$$

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 revised MCCA surcharge factors for policies in which vehicle years cannot be identified.

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 one of the following factors to determine the applicable additional charge:

Factor	
If Opting for Unlimited PIP Benefits	0.974
If Opting for Other PIP Benefit Levels	0.250

Table A4.C. Commercial Fleets Additional PIP Coverages Factors

- 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.