



Michigan Catastrophic Claims Association

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December 6, 2021

Anita G. Fox, Director
Department of Insurance and Financial Services
PO Box 30220
Lansing, Michigan 48909-7720

Dear Director Fox:

At a Special Meeting of the Michigan Catastrophic Claims Association's (the "MCCA's") Board of Directors held on November 3, 2021, the Board unanimously determined that it could fund all of its anticipated liabilities while returning a significant portion of its estimated surplus to its member insurance companies to refund to policyholders. As of June 30, 2021, the MCCA's assets of \$27.290 billion exceeded its estimated liabilities of \$22.254 billion, resulting in an estimated surplus of \$5.036 billion. Thus, the MCCA's assets exceeded its estimated liabilities by approximately 22.63% as of June 30, 2021. The estimated surplus resulted from realized and expected savings from reforms to Michigan's no-fault insurance law and higher than projected investment returns.

The MCCA will return approximately \$3.0 billion of its estimated surplus to its members for refund to policyholders on the policies discussed below that were in force as of 11:59 p.m. Eastern Standard Time on October 31, 2021. The MCCA will retain the balance of the estimated surplus to ensure its ongoing ability to provide reimbursements for personal protection insurance benefits.

Under section 3104(24) of the Michigan Insurance Code, a member of the MCCA must distribute any refund it receives to the persons that it insures under policies that provide the security required under section 3101(1) or 3103(1), or both, and that are subject to an MCCA premium on a uniform basis per car and historic vehicle.

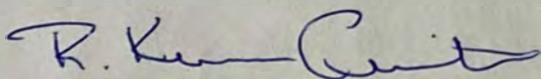
Section 3101(1) states that "[e]xcept as provided in sections 3107d and 3109a, the owner or registrant of a motor vehicle required to be registered in this state shall maintain security for payment of benefits under personal protection insurance and property protection insurance as required under this chapter" Section 3103(1) provides that "[a]n owner or registrant of a motorcycle shall provide security against loss resulting from liability imposed by law for property damage, bodily injury, or death suffered by a person arising out of the ownership, maintenance, or use of that motorcycle." Accordingly, all owners or registrants of motor vehicles required by section 3101(1) to maintain personal and property protection insurance, and owners or

registrants of motorcycles required by section 3103(1) to maintain insurance for property damage, bodily injury, or death, qualify for refunds.

The MCCA's Board of Directors has determined that the Refund Per Car will be \$400 for every car that was insured on the in-force date of October 31, 2021 at 11:59 p.m. The Refund Per Historical Vehicle is 20% of the Refund Per Car. Therefore, the Refund Per Historical Vehicle will be \$80 for every historical vehicle insured on the in-force date. In determining the Refund Per Car, the MCCA's Board of Directors sought to issue the largest possible refund to policyholders while maintaining sufficient funds to ensure continuity of care to those catastrophically injured in motor vehicle accidents.

The MCCA is currently evaluating the time needed to complete the return of surplus to its members. Logistics of returning surplus include the following: selling investment securities to access the necessary cash, subject to contractual obligations with investment managers, and doing so over a period which includes the Thanksgiving, Christmas, and New Years' holidays when trading is typically much slower; collecting data from member companies regarding the number of vehicles insured on the in-force date of October 31, 2021 at 11:59 p.m.; ensuring the accuracy of the amounts returned to each member; and devising a secure means of transferring the surplus to members. The MCCA is working with its standing committees, investment advisors, and auditors to put processes in place and estimate timeframes for doing so. Similarly, members currently are in the process of identifying the steps necessary to issue refund checks to policyholders and the timeframes associated with taking those steps. We anticipate that the MCCA will distribute surplus to its members by March 9, 2022, which is the earliest date by which the MCCA can do so using proper controls and procedures.

Sincerely,



R. Kevin Clinton
MCCA Executive Director