MCCA

Michigan Catastrophic Claims Association

Annual Report to the Legislature
and Annual Consumer Statement

For the Year Ending Dec. 31, 2025

Issued Sept. 1, 2026

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MCCA EXECUTIVE SUMMARY

The Michigan Catastrophic Claims Association ("MCCA") serves Michigan as a nonprofit reinsurer, enabling auto insurers to provide unlimited no-fault Personal Injury Protection ("PIP") coverage that supports medical care for individuals catastrophically injured in automobile accidents.

Michigan is the only state in the nation to offer unlimited PIP as an option for consumers, which makes the MCCA a one-of-a-kind entity. Without the MCCA, this unlimited lifetime coverage option would not be possible. We are nonpartisan, nonprofit and independent. We are committed to transparency and strive to be a helpful resource to lawmakers, regulators and the people of Michigan.

Our **2025 Annual Report to the Legislature and Annual Consumer Statement** highlights our critical role in stabilizing the insurance market and making Michigan's unique auto no-fault coverage more accessible and affordable.

As required by Michigan law [MCL 500.3104 (25) and (26)], this report provides important information about the MCCA, including:

- ✓ Our organization,
- ✓ Our current Board of Directors and standing committees,
- ✓ Important reference materials,
- ✓ Detailed financial information about the MCCA.

If you have any questions, please visit our website at michigancatastrophic.com or give us a call at (734) 953-2779.

Organizational History

The MCCA was established by Public Act 136 of 1978, which amended the no-fault law by adding Section 3104, effective July 1, 1978. The Legislature created the MCCA to address insurers' difficulty obtaining reinsurance for Michigan automobile no-fault policies that provided unlimited lifetime medical benefits for people catastrophically injured in automobile accidents. From the time the Legislature created the MCCA in 1978 until July 2, 2020, Michigan's unique no-fault insurance law required the owners and registrants of motor vehicles registered in Michigan to purchase unlimited lifetime coverage for medical expenses resulting from motor vehicle accidents. Although Michigan law no longer requires unlimited lifetime coverage for medical expenses, that option remains available.

2026–27 Member Assessment

The MCCA is funded by an annual premium assessment to its member insurance companies ("Members") based on the number of policies covering automobiles and motorcycles written in Michigan. The MCCA is required to assess an amount each year that is sufficient to cover the lifetime claims of all persons catastrophically injured in that year and, in addition, may adjust future assessments for excesses or deficiencies in prior assessments. Members may pass along a portion or the entire assessment to their policyholders.

In October 2025, the MCCA announced its per-vehicle assessment for July 1, 2026, through June 30, 2027. The assessment varies based on the level of PIP coverage selected. Drivers choosing unlimited PIP coverage pay $84, a $2 increase from last year's assessment, which is below the rate of inflation. The $84 assessment includes $65 for anticipated new claims[1] and $19 to address an estimated $1.764 billion deficit as of June 30, 2025. Drivers selecting less than unlimited PIP coverage pay $19, which is $4 less than last year's assessment. This is compared to the all-time high assessment of $220, which drivers paid prior to Michigan's historic auto insurance reform law that went into effect in 2019.

Retention Level 2025-27

Public Act 3 of 2001 requires Members' retention levels to be adjusted every two years. For motor vehicle policies issued or renewed from July 1, 2025, through June 30, 2027, Members are responsible for the first $675,000 payable on a claim before MCCA reimbursement begins. The previous retention level was $635,000 for policies issued or renewed from July 1, 2023, through June 30, 2025.

Organizational Structure

The MCCA is governed by a five-member Board of Directors ("Board"), appointed by the Michigan Department of Financial Services ("DIFS"). The Board consists of Members representing at least forty percent (40%) of total premium written for MCCA assessments. The Director of DIFS, or his/her representative, serves as an ex-officio (non-voting) member of the Board. The Board is responsible for the administration and management of the affairs and operations of the MCCA consistent with the MCCA Plan of Operation and the Michigan Insurance Code, including Section 3104.

[1] As a result of recent court decisions and additional litigation, the MCCA anticipates increased average future claims costs due to the restoration of higher allowable reimbursements for a substantial subset of catastrophic medical services.

MCCA BOARD OF DIRECTORS AND STANDING COMMITTEES

AS OF JUNE 30, 2025

Board of Directors

The Auto Club Group

Auto-Owners Insurance Company

The Hanover Insurance Group

Michigan Millers Mutual Insurance Company

State Farm Mutual Automobile Insurance Company

Director of the Department of Insurance and Financial Services (Ex-Officio Member)

MCCA Operations

MCCA staff oversee daily operations, including administration, claims, accounting, legal matters and information systems. Claim and assessment transactions are processed through the MCCA Membership System (MMS), a web-based, paperless platform.

To support its operations, the MCCA uses outside vendors for actuarial, auditing, legal and investment consulting and management services. The MCCA also relies on the standing committees identified below to assist with its operations:

Actuarial Committee

Provides actuarial analysis and other analytical support for premium calculation and reserving estimates.

Audit Committee

Provides oversight of the financial and regulatory reporting process of the MCCA.

Claims Committee

Reviews claims procedures and practices of both the MCCA and member companies and conducts semi-annual claim audits for claim handling practices and reserve appropriateness.

Communications Committee

Oversees MCCA's communications with its members and third parties and makes recommendations to the Board relating to such communications.

Human Resources Committee

Makes recommendations to the Board relating to staffing, compensation and employment policies of the MCCA.

Information Technology Committee

Assesses the MCCA's technology strategy and makes recommendations regarding technology investments.

Investment Committee

Recommends to the Board an investment policy for the MCCA and oversees the investments of the MCCA.

Members Serving on Standing Committees

Allstate Insurance Company

Amerisure Companies

The Auto Club Group

Auto-Owners Insurance Company

Farm Bureau Insurance Group

Frankenmuth Insurance Company

Grange Insurance Company

The Hanover Group

Hastings Mutual Insurance Company

Liberty Mutual Insurance Company

Nationwide Insurance Company

Pioneer State Mutual Insurance Company

Progressive Insurance Company

State Farm Mutual Automobile Insurance Company

United Services Automobile Association (USAA)

West Bend Mutual Insurance Company

Wolverine Mutual Insurance Company

AUDIT AND CLAIMS INFORMATION

Premium Audit Program

The MCCA conducts a Premium Audit Program for all Members. The objective of this program is to enhance the reliability of the premium data submitted by Members and to identify those who may have incorrectly reported data in their Annual Assessment Report. In addition, the MCCA conducts special audits in which circumstances warrant a deeper inquiry. Follow-up audits are based upon results reported by members or other risk factors identified by the MCCA.

The Agreed-Upon Procedures Audit is performed on a triennial basis by Members. All Members selected for 2025 had to submit their results by Dec. 31, 2025.

Department of Financial Services Audit

Pursuant to Section 3104(21) of the Michigan Insurance Code: (1) the Director of DIFS or an authorized representative may visit the MCCA at any time and examine any of its affairs; and (2) beginning July 1, 2022, and every three years thereafter, the Director must engage one or more independent actuaries to examine the association's affairs and records for the previous three years. DIFS conducted an audit covering July 1, 2022, through June 30, 2025, and reported no findings or recommendations, highlighting the MCCA's strong track record of financial stability and success.

Annual Independent Financial Audit

Plante & Moran, PLLC conducted an audit of the MCCA's statutory statements of admitted assets, liabilities and accumulated deficit, and the related statutory statements of operations and accumulated deficit, and cash flows as of June 30, 2025. Plante & Moran has issued an unmodified opinion and indicated the audited statutory financial statements present fairly, in all material respects, the financial position of the MCCA as of June 30, 2025, and the results of its operations, changes in capital and surplus, and its cash flows for the year then ended based on statutory accounting practices.

Annual Financial Reporting Model Regulation Compliance

Plante & Moran, PLLC conducted an Annual Financial Reporting Model Regulation ("AFRMR") compliance audit as of June 30, 2025. No deficiencies or weaknesses were noted in the testing of key financial controls and a general review of IT controls. On an annual basis, the MCCA files a report of internal controls of financial reporting with the Department of Insurance and Financial Services (DIFS).

REPORTING REQUIREMENTS

Annual Statement

The MCCA's annual financial statement is prepared based on statutory accounting practices prescribed or permitted by DIFS. The MCCA is subject to all the reporting, loss reserve and investment requirements of the Michigan Insurance Code. The MCCA's fiscal year is July 1 to June 30. In conjunction with the annual statement filing, the MCCA's consulting actuary prepares a statement of actuarial opinion that is filed with DIFS. The opining actuary is required to comply with all applicable actuarial standards of practice. The annual statement is available on the MCCA public website (michigancatastrophic.com).

Independent Financial Audit

An annual audit of the MCCA's financial statements is conducted by an independent public accounting firm. Most recently, Plante & Moran, PLLC performed this audit. The independent auditor reports are available on the MCCA public website (michigancatastrophic.com).

Evaluation of Internal Controls

An annual financial reporting model regulation compliance audit is conducted by an independent public accounting firm. Most recently, Plante & Moran, PLLC performed this audit.

Financial and Claim Statistics as of Dec. 31, 2025

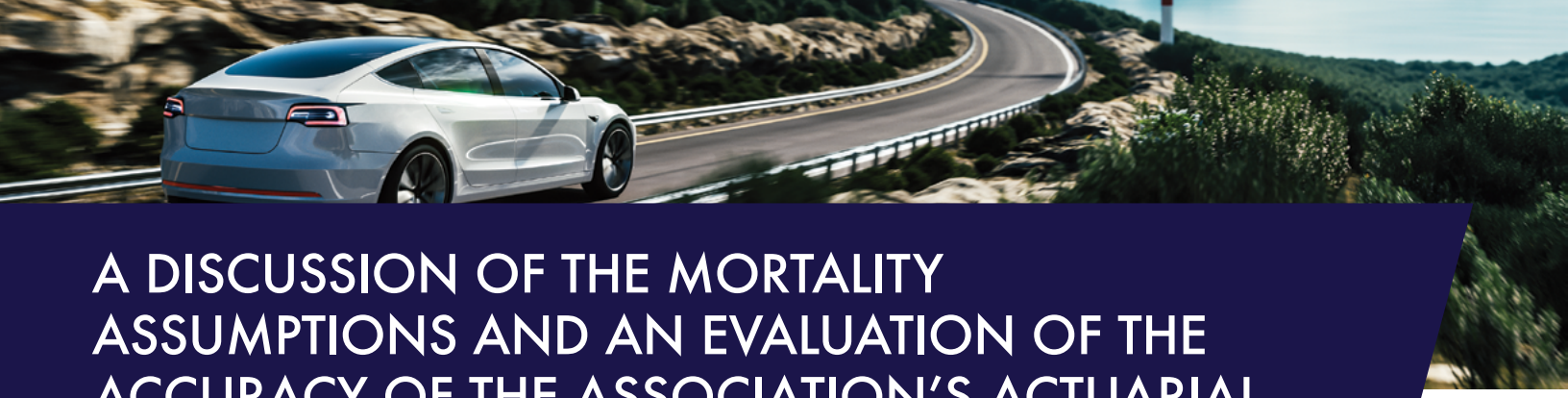
As of Dec. 31, 2025, the MCCA had $23.947 billion in assets and $25.251 billion in estimated liabilities resulting in a deficit of $1.304 billion and percentage of liabilities funded of 94.83%. In projecting claim payments for long-term claims in which medical benefits are unlimited, there is considerable uncertainty due to the difficulty in predicting (a) life expectancies; (b) medical cost inflation; (c) investment returns; and (d) claim frequency.

From the inception of the MCCA on July 1,1978, to Dec. 31, 2025, 49,895 claims have been reported to the MCCA. Key payment stats include:

- Inception to date, $25.6 billion has been paid on claims
- Payments for the 12 months ending Dec. 31, 2025, were $1.225 billion
- This represents an average of $102.1 million paid per month
- Approximately 75.8% of the $1.225 billion in payments are comprised of the following five payment categories:

  1. Residential Care: 23.2%
  2. Attendant Care – Family: 16.6%
  3. Attendant Care – Agency: 15.6%
  4. Prescriptions: 10.6%
  5. Rehabilitation Services: 9.8%

Please refer to Appendices C and D for additional information on claim payments and injury trends.



A DISCUSSION OF THE MORTALITY ASSUMPTIONS AND AN EVALUATION OF THE ACCURACY OF THE ASSOCIATION'S ACTUARIAL ASSUMPTIONS OVER THE PRECEDING FIVE YEARS

There are many ways to evaluate the accuracy of the actuarial assumptions over the preceding five years. Here, we present the following schedules.

Table I displays the changes in surplus in the five fiscal years ending June 30, 2025, because of differences in actual versus expected claim emergence, after controlling for changes in investment returns, economic assumptions and other changes to the actuarial model. This isolates how accurately the actuarial assumptions estimated the loss emergence over a one-year time horizon at each preceding evaluation. Favorable development observed in 2021, 2022 and 2023 has been followed by unfavorable development in 2024 and 2025.

Table I – Unexpected Development

	Fiscal Year Ending June 30				
	2025	2024	2023	2022	2021
Change in Surplus Due to Unexpected Development	(22,997,753)	(1,050,329,141)	1,510,953,418	1,438,187,765	1,048,403,926

One can also evaluate the expected versus actual claimant death and claim closures over the five years spanning July 1, 2020, to June 30, 2025. On average, actual claim closures (including deaths) were greater than anticipated in the actuarial closure models. Claimant mortality was lower than expected in fiscal year ending 2025, but higher than expected in the four preceding fiscal years. Table II displays these amounts.

Table II – Closure and Mortality Rates

	Fiscal Year Ending June 30				
	2025	2024	2023	2022	2021
Expected Claimant Deaths	300.3	302.0	311.1	330.0	380.5
Actual Claimant Deaths	290	322	348	366	405
Expected Claim Closures	999.4	1,085.2	1,256.8	1,413.5	1,500.2
Actual Claim Closures	1,267	1,421	1,944	2,242	2,386

Table III displays the historical pure premium estimates underlying past assessments as well as the corresponding estimated pure premiums for the most recent five complete assessment years as of June 30, 2025. Differences between these two estimates reflect the extent to which actual emergence for these periods differed from the initial forward-looking projections, as well as the effects of legal and legislative changes.

Table III – Pure Premium and Fund Deficiency Rates

			Estimates Behind Corresponding Assessment		Estimated 6/30/2025 Analysis	
MCCA Assessment Year	Assessment	MCCA Attachment Point	Pure Premium	Fund Deficiency per Car	Pure Premium	Fund Deficiency per Car
2020/21	100.00	580,000	100.08	(217.13)	86.74	(253.95)
2021/22	86.00	600,000	85.97	(389.90)	75.41	(501.84)
2022/23	86.00	600,000	86.63	(714.90)	76.65	(286.55)
2023/24	122.00	635,000	73.13	527.63	84.94	226.51
2024/25	90.00	635,000	68.85	256.90	86.78	211.40

Table IV displays the historical investment returns realized on the MCCA assets as well as the one year projected returns produced at the analysis immediately preceding each calendar period from 2021 through 2025. Over this five year period, actual returns were lower on average than those projected (3.36% vs 6.51%). We note the significant variability in the year-to-year investment returns, consistent with the inherent variability of market returns. The five year time horizon presented here is not a suitable length of time to be able to assess the reasonableness of projected investment return assumptions.

Table IV – MCCA Investment Returns

	Historical MCCA Returns				Projected MCCA Returns			
Year Ending	CPI (U)	Total Return on		Weighted	CPI (U)	Total Return on		Weighted
12/31/	All Items	Bonds	Equity	Portfolio[1]	All Items	Bonds	Equity	Portfolio*
2021	7.04%	0.45%	20.61%	7.00%	2.44%	1.83%	9.07%	4.18%
2022	6.45%	-14.02%	-13.71%	-13.92%	6.88%	5.57%	13.95%	8.29%
2023	3.35%	6.52%	19.75%	10.16%	3.93%	4.48%	10.48%	6.13%
2024	2.89%	1.77%	12.27%	4.66%	3.29%	6.11%	9.86%	7.14%
2025	2.68%	6.97%	21.97%	11.10%	3.31%	5.74%	9.81%	6.86%

(1) Weights for 2021 are 32.5% Equity and 67.5% Bonds, while weights for 2022-2025 are 27.5% Equity and 72.5% Bonds.

MCCA ANNUAL CONSUMER STATEMENT

Sec. 3104 (25): By Sept. 1 of each year, the association shall prepare, submit to the committees of the Michigan Senate and House of Representatives with jurisdiction over insurance matters, and post on the association website an annual consumer statement, written in a manner intended for the general public. The statement must include all the following:

(a) The number of claims opened during the preceding 12 months, the amount expended on the claims and the future anticipated cost of the claims.

Calendar Year	Newly Reported Claims	Total Loss Paid on New Claims	Discounted Reserves on New Claims as of 12/31/2025	Undiscounted Reserves on New Claims as of 12/31/2025
2025	791	$2,755,390	$254,909,860	$625,359,931

(b) For each of the preceding 10 years, the total number of open claims, the amount expended on the claims and the future anticipated cost of the claims.

Accident Year	Open Claims as of 12/31/2025	Loss Paid on Open Claims as of 12/31/2025	Discounted Reserves on Open Claims as of 12/31/2025	Undiscounted Reserves on Open Claims as of 12/31/2025
2025	282	181,758	139,686,612	344,615,893
2024	458	14,515,616	257,188,645	750,991,258
2023	467	20,664,990	240,929,600	664,940,229
2022	415	43,524,771	216,157,694	594,590,122
2021	409	66,571,856	265,310,905	788,077,692
2020	472	149,588,209	314,082,600	902,455,190
2019	556	215,305,480	470,997,949	1,438,316,937
2018	562	290,024,666	554,197,924	1,920,778,662
2017	502	340,726,685	574,915,030	1,731,476,957
2016	486	365,916,689	614,002,726	1,946,486,884
Totals:	4,609	$1,507,020,721	$3,647,469,686	$11,082,729,822

(c) For each of the preceding 10 years, the total number of claims closed, and the amount expended on the claims.

Accident Year	Closed Claims as of 12/31/2025	Loss Paid on Closed Claims as of 12/31/2025
2025	10	$0
2024	61	$0
2023	100	$2,021,009
2022	204	$5,403,549
2021	366	$13,129,063
2020	670	$32,761,443
2019	1,176	$66,870,016
2018	1,433	$79,852,824
2017	1,473	$124,419,834
2016	1,447	$143,942,402
Totals:	**6,940**	**$468,400,140**

(d) For each of the preceding 10 years, the ratio of claims opened to claims closed.

Accident Year	Open Claims as of 12/31/2025	Closed Claims as of 12/31/2025	Open/Closed Ratio
2025	282	10	28.20
2024	458	61	7.51
2023	467	100	4.67
2022	415	204	2.03
2021	409	366	1.12
2020	472	670	0.70
2019	556	1,176	0.47
2018	562	1,433	0.39
2017	502	1,473	0.34
2016	486	1,447	0.34
Totals:	**4,609**	**6,940**	**0.66**

(e) For each of the preceding 10 years, the average length of open claims.

Accident Year	Open Claims as of 12/31/2025	Average Years as of 12/31/2025
2025	282	0.55
2024	458	1.49
2023	467	2.48
2022	415	3.47
2021	409	4.49
2020	472	5.49
2019	556	6.51
2018	562	7.48
2017	502	8.49
2016	486	9.48
Totals:	**4,609**	**4.993**

(f) A statement of the current financial condition of the association and the reasons for any deficit or surplus in collected assessments compared to losses

The most recent annual financial statement of the MCCA is as of June 30, 2025. At that time, total liabilities recorded were $25,000,753,364 (Annual Statement Page 3, line 28, column 1). The corresponding amount of admitted assets recorded were $23,236,293,343 (Annual Statement Page 2, line 28, column 3). The difference between these items, known as statutory surplus, is $(1,764,460,021) (Annual Statement Page 3, line 37, column 1).

Because liabilities are greater than assets, the statutory surplus is negative, meaning that the MCCA is operating with a deficit. This means that the value of the admitted assets is insufficient to fund the expected present value of the liabilities.

Table I below shows a recap of the change in the MCCA surplus (deficit) over the prior five fiscal years ending June 30, 2025.

Table I – MCCA Surplus (Deficit) Recap

		Fiscal Year Ending June 30,				
		2025	2024	2023	2022	2021
1	Prior Year Ending Surplus (Deficit)	(2,096,777,591)	(2,053,982,518)	(3,677,413,634)	5,036,140,319	2,436,497,270
2	Net Income	(308,138,642)	(451,116,087)	1,457,009,016	(2,733,406,573)	2,315,726,609
3	Net Unrealized Capital Gains and Losses	655,991,700	405,863,910	191,066,852	(2,896,840,765)	285,929,265
4	Change in Non-Admitted Assets	(2,122,102)	2,393,036	(2,365,689)	891,845	(2,420,866)
5	Aggregate write-ins for gains and losses to surplus	(13,413,386)	64,068	(22,279,063)	(3,084,198,460)	408,041
6	Change in Surplus (Deficit) (Sum(2)-(5))	332,317,570	(42,795,073)	1,623,431,116	(8,713,553,953)	2,599,643,049
7	Current Year Ending Surplus (Deficit) (1)+(6)	(1,764,460,021)	(2,096,777,591)	(2,053,982,518)	(3,677,413,634)	5,036,140,319

As shown in the above table (Line 7), the MCCA has carried (1) a deficit ranging from approximately $3,677 million for the year ended June 30, 2022, and a surplus of $5,036 million for the year ended June 30, 2021. By far, the largest contributor to the change in deficit are lines 2, 3 and 5 in the table, net income, net unrealized gains and losses, and aggregate write-ins for gains and losses to surplus (for 2022 includes $3.1 billion surplus distribution to Members, which was refunded to policyholders). Net Income can be broken down into the following components in Table II below:

Table II – Components of Net Income (Loss)

		Fiscal Year Ending June 30,				
		2025	2024	2023	2022	2021
1	Underwriting Income (Loss)	(1,312,098,134)	(1,409,702,143)	851,392,557	(3,909,275,579)	(1,313,997,349)
2	Net Investment Income Earned	753,918,973	672,223,358	650,253,280	655,422,687	1,408,729,736
3	Net Realized Capital Gains and Losses	243,624,155	286,362,668	(44,636,999)	520,446,293	2,220,269,278
4	Miscellaneous Income	6,416,364	30	178	26	911,589
5	Federal and Foreign Taxes Incurred	0	0	0	0	186,645
6	Net Income (Loss) (Sum (1) to (4) less (5))	(308,138,642)	(451,116,087)	1,457,009,016	(2,733,406,573)	2,315,726,609

Table II shows that net income is dominated by three components: Underwriting Income, Net Investment Income Earned, and Net Realized Capital Gains and Losses. Underwriting Income has been volatile due to legislative changes and court decisions impacting cost controls and Net Investment Income Earned is consistently positive, both of which are expected. Net Realized Capital Gains and Losses can be either positive or negative, depending on the vagaries of the investment market, in part on the timing of when investments are sold, and also whether a particular category of investment is carried at market value. In statutory accounting, net unrealized capital gains and losses are not counted as income but do flow directly to the capital and surplus account. If net investment income earned, net realized capital gains and losses, and net unrealized capital gains and losses are added, they equal the contribution of the investment portfolio to the change in surplus line. Over the past five years (2021-25), the investment portfolio has contributed a positive $4.141 billion to the MCCA capital and surplus account. Over the same period, underwriting income has contributed a negative $7.094 billion.

Because the MCCA has a permitted practice from DIFS to carry its liabilities on a discounted to present value basis without a risk margin, and also assesses its members using discounted to present value estimates, negative net underwriting income is expected. By discounting, essentially, all future investment earnings are capitalized and reflected in the discounted present value of liabilities. If the MCCA carried neither a deficit nor a surplus, the implication would be that the current value of assets plus all future expected investment returns on those assets would be just sufficient to fund the expected value of the liabilities as those liabilities came due for payment. If the MCCA has a deficit, calculated as the difference between admitted assets and discounted liabilities, the deficit amount can be thought of as the amount of funds required as of the statement date that if invested along with current assets would be just sufficient to fund the expected value of liabilities as they came due.

Under state law, the MCCA cannot, however, attempt to fund its deficits by an assessment in a single year. Such a policy would create high volatility in the assessment amount and would be disruptive to the marketplace. Instead, if the MCCA expects that a deficit will persist, it will assess its members a deficit recoupment provision in addition to assessment for expected losses on newly written policies. This deficit recoupment provision is normally amortized over a number of years. Michigan Public Act 21, for example, codifies this practice and specifies an amortization period of no less than 15 years.

(g) A statement of the assumptions, methodology, and data used to make revenue projections. As used in this subdivision, "revenue" means return on investments.

Investment assumptions are generated through a combination of future inflation estimates and future real-return estimates by asset class that are combined to produce future nominal investment returns by asset class. Those nominal asset class rates are weighted together using the MCCA portfolio weights by asset class to produce the overall average.

The methodology and assumptions are as follows:

1. Inflation – A composite rate based on inflation estimates from the Congressional Budget Office (CBO), the Survey of Professional Forecasters (SPF), the Cleveland Fed, and rates published by the US Treasury for Treasury Breakeven Inflation (TBI) is used for the first five years. In years six through 10, we blend this composite rate with an estimate produced by an autoregressive model based on annual CPI changes from 1980 through the most recent year-end. By the tenth year, full weight is given to the autoregressive model, which has reached its steady-state value, and that value is continued indefinitely.

2. Fixed Income – Fixed income returns are estimated by blending two general approaches: a regression-based approach and an approach derived on current market expectations. The selected returns give 100% weight to the market expectations approach for the first five years, then begin to linearly decay the weight to the market expectations approach over the next 10 years, until a 50-50 weighting with the regression-based approach is achieved in year 15. The 50-50 weighting continues out to 30 years, after which point returns are assumed constant thereafter.

    a. The market expectations-based approach estimates future returns through examination of current fixed income market prices and yields. The US Treasury publishes three projected spot rate curves that reflect these expectations and are used to produce the estimates:

        i. The Treasury Breakeven Inflation (TBI curve) provides spot-rate estimates of inflation that reconcile the prices and yields between TIPS and equivalent nominal Treasuries.

        ii. The Treasury Nominal Coupon (TNC) spot rate curve represents the nominal yields of Treasury notes and bonds.

        iii. The High-Quality Market (HQM) Corporate spot rate curve represents the nominal yields of high-quality corporate bonds, i.e., those rated A or higher by S&P and Moody's.

    b. The regression-based approach uses the following models:

        i. Treasury Bills (T-Bills): An autoregressive model (AR1) of historic real-returns from 1926 through the most recent year end.

        ii. Treasury Bonds (T-Bonds): A regression of real T-Bond returns against the real T-Bill return from 1926 to the most recent year-end is used. Separate regressions are performed for Intermediate T-Bonds and Long-term T-Bonds. Projections are produced from the T-Bill projections and the regression coefficients.

        iii. Long term Corporate Bonds - A regression of real long-term corporate bonds against the real T-Bill return from 1926 to the most recent year-end is used. Projections are produced from the T-Bill projections and the regression coefficients.

        iv. Intermediate Corporate Bonds - Based on a risk-premium adjustment to the real Intermediate T-Bond projection.

        v. Intermediate Treasury Inflation Protected Securities (TIPS) – Based on the real Intermediate T-Bond projection less an inflation risk-premium.

        vi. Bank Loans – Based on historical average spread to T-Bills of the CSFB Leveraged Loan Index and the S&P/LSTA Bank Loan Index, as well as market expectation-implied returns published by Voya Investment Management.

        vii. Trade Finance – Based on historical spread over T-Bills of the sole MCCA investment in this sector, the Federated-Hermes Project and Trade Finance Tender Fund (XPTFX).

        viii. Private Credit – Based on review of independent estimates of spread over T-Bills.

3. Equities – US Large Cap projections are based on the geometric average real return of the Large Cap Equities from 1926 through the most recent year-end, excluding the amount contributed by the Price-Earnings ratio expansion over the same period. US Mid Cap, US Small Cap, International, Emerging Markets, and Private Equity projected returns are based on a risk-premium approach to the US Large Cap projection. The risk-premiums are based on current Betas for the asset classes, the Capital Asset Pricing Model (CAPM) model, and the risk-premium of the Large Cap returns over the Long-term T-Bond returns.

(h) A statement of the assumptions, methodology, and data used to make cost projections.

1. The MCCA is responsible for the cost of lifetime medical care for people who are catastrophically injured in Michigan auto accidents. Once past the acute care phase immediately following injury, the costs of caring for a catastrophically injured claimant usually settle into regular recurring payments, which typically continue for the rest of the claimant's life. Pension plans face similar boundaries – regular payments continue until the death of the retiree. As a result of this similarity to pension plan obligations, the MCCA can be understood as a variation on a pension plan. The MCCA uses an actuarial pension model to estimate the net present value of the future expected payments, which is called the needed reserve. The needed reserve represents the funds the MCCA needs to have on hand and invested today in order to cover all future payments, even decades from now, on catastrophic injuries that have already occurred.

2. The MCCA is also similar to a pension plan in that the MCCA attempts to pre-fund the future costs of current accidents, rather than shifting costs to future generations in a pay as you go scheme, such as Social Security.

3. One difference from a pension plan is that MCCA payments are more weighted to payments far into the future than pension plan payments, because MCCA payments escalate with medical inflation, while pensions are usually fixed. In addition, current MCCA claimants are a generation younger than typical retirees (average age of 54 as compared to 74), which means many more years of MCCA payments than is typical of a pension plan.

4. When the value of the assets (investments) is less than the needed reserve, the MCCA is said to have a deficit. A deficit emerges when past assessments turn out to be lower than costs. This is analogous to an underfunded pension plan; cash is available to make payments for many years, but more funds will eventually need to be added in order to make all future payments in full.

5. Like a pension plan, mortality assumptions play a key role in calculating the MCCA needed reserve. The MCCA mortality tables are based on U.S. life tables, with adjustments developed specifically from MCCA data. MCCA mortality assumptions vary by age, gender, time since accident and injury severity characteristics. The MCCA's actuarial pension model, like all actuarial pension models, does not assume all claimants will live to a maximum age, such as 105, but instead applies a probability of death in each succeeding year. For the current claimants, the MCCA pension model produces an average life expectancy of an additional 24 years of life, or an average age at death of 78.

6. Investment return and inflation rate assumptions are other key assumptions used in determining the needed reserves. Investment returns are based on current market expectations and the historical observed real (net of inflation) rates of return by asset class. When weighted by the MCCA asset mix, this produces a long-term weighted average real rate of return of 3.9% above general inflation. When combined with a long-term average general inflation rate of 2.8%, this produces an assumed nominal annual rate of return on investments of 6.8%.

7. Inflation rate assumptions are based on long-term average inflation rates by MCCA cost component. These inflation rates are tied to the same 2.8% long-term average general inflation rate assumption used in the investment return

calculation. This produces assumed nominal annual rates of inflation ranging from 1.5% (vehicle purchases and modifications) to 6.6% (hospital costs).

8. Each year, the MCCA assessment is required to cover the net present value of the lifetime costs to the MCCA for all the new catastrophic injuries that occur in that year. The current year assessment is unrelated to funding the costs of prior years. This is similar to a pension plan that adds a new group of participants; the benefits for the new participants need to be funded – and the funding for the new participants is independent of the needed funding for the existing participants. The one exception to this independence happens when the MCCA adds a fraction of the deficit to the current year assessment. The MCCA slowly recoups deficits, much as pension plans typically close funding gaps over many years.

(i) A list of the association's assets, sorted by category or type of asset, such as stocks, bonds or mutual funds, and the expected return on each asset.

MCCA ASSET BALANCES as of 6/30/26

		Actual Allocation	Expected Return*
CASH			
Cash	233,226,546	1.0%	3.55%
BONDS			
Intermediate Fixed Income	7,040,384,932	29.6%	4.75%
Long Government/Credit	4,271,085,986	18.0%	5.23%
Inflation Protected Securities	2,555,990,906	10.7%	4.10%
High Yield Bank Loans	1,851,293,515	7.8%	6.90%
Trade Finance	517,466,519	2.2%	5.35%
Private Credit	338,009,328	1.4%	7.95%
TOTAL BONDS	16,574,231,186	69.7%	
STOCKS			
Large Cap Equity	1,065,699,801	4.5%	7.00%
Low Vol Equity	1,095,145,859	4.6%	6.50%
Mid Cap Equity	287,071,518	1.2%	7.40%
Small Cap Equity	588,935,930	2.5%	7.50%
International Developed Markets	2,272,079,881	9.6%	7.60%
Emerging Market Equity	594,016,457	2.5%	8.05%
Private Equity	1,075,548,466	4.5%	8.10%
TOTAL STOCKS	6,978,497,913	29.3%	
TOTAL	23,785,955,646	100.0%	5.77%

*Mariner Investment Advisors compound return forecast for the next 7-10 years

(j) The total amount of the association's discounted and undiscounted liabilities and a description and explanation of the liabilities, including an explanation of the association's definition of the terms discounted and undiscounted.

As of Dec. 31, 2025, the association had $74.9 billion in undiscounted loss and loss adjustment expense liabilities and $24.9 billion in discounted loss and loss adjustment expense liabilities. The discounted liabilities are the present value of the undiscounted liabilities in order to reflect the time value of money.

(k) Measures taken by the association to contain costs

The MCCA has a standing Claims Committee comprised of representatives of 15-member insurance companies representing more than 89% of the Michigan no-fault insurance market. The Claims Committee is charged with conducting semi-annual claim audits and making recommendations on claim handling practices and procedures of the MCCA and its member insurance companies. The MCCA has established procedures by which its members must promptly report each claim that, on the basis of the injuries or damages sustained, may reasonably be anticipated to involve the MCCA if the member is ultimately held legally liable for the injuries or damages. Members must also report subsequent developments likely to materially affect the interest of the MCCA in a claim. These reporting requirements may include prompt reporting of litigation and prompt reporting of certain proposed claim adjustment actions. Such actions include entering into a settlement agreement of a disputed claim, entering into a proposed attendant care rate agreement, paying a residential care facility rate, and agreeing to pay for a home or van modification or a nonemergency medical flight. The reporting requirements allow the MCCA to share its expertise regarding catastrophic claims with its members. The MCCA also conducts a seminar for its members regarding best practices in handling catastrophic claims.

(l) A statement explaining what portion of the assessment to insureds as recognized in rates under subsection (20) is attributable to claims occurring in the previous 12 months, administrative costs, and the amount, if any, to adjust for past deficits.

The assessment paid by auto insurance companies to the MCCA per insured vehicle for the period July 1, 2025, to June 30, 2026, is: (a) $84 for drivers opting unlimited PIP benefits, consisting of $65 to pay for new claims and $19 to partially address a $1.764 billion estimated deficit related to existing claims; and (b) $19 for drivers choosing lower levels of PIP coverage, or no PIP coverage.

(m) A statement explaining any qualifications identified by the independent auditors in the most recent audit report prepared under section 21.

NONE

(n) A loss payment summary for each of the preceding 10 years by category.

See Appendix A

(o) For each of the preceding 10 years, an injury type summary, categorizing the injuries suffered by claimants the payment of whose claims are being reimbursed by the association, by brain injuries, injuries resulting in quadriplegia, injuries resulting in paraplegia, burn injuries and other injuries.

See Appendix B

(p) A summary of investment returns over the preceding 10 years showing the investment balance, the investment gain and the percentage return on the investment balance.

MCCA CALENDAR YEAR ASSET BALANCE RECONCILIATION

	Beginning Market Value	Inflows	Outflows	Net Inflows/ Outflows	Interest/ Dividends	Gains/Losses	Net Investment Return	Ending Market Value	Percentage Return**
2016	17,415,018,052	2,050,320,547	(2,067,473,733)	(17,153,186)	335,569,991	747,093,315	1,082,663,306	18,505,028,173	6.22%
2017	18,505,028,173	849,741,561	(853,723,430)	(3,981,869)	365,875,902	1,493,978,124	1,859,854,026	20,390,900,329	10.05%
2018	20,390,900,329	261,042,296	(151,815,820)	109,226,477	399,012,531	(1,057,047,421)	(658,034,891)	19,897,091,915	-3.23%
2019	19,897,091,915	277,963,783	(44,918,461)	233,045,322	453,376,990	2,507,680,369	2,961,057,359	23,090,650,523	14.88%
2020	23,090,650,523	223,233,612	(341,005,106)	117,771,494	406,022,810	2,043,214,342	2,449,237,152	25,403,334,522	10.89%
2021	25,403,334,522	9,153,168	(178,034,977)	(168,881,809)	402,158,117	1,504,986,256	1,907,144,373	27,141,597,086	7.16%
2022	27,141,597,086	597,549,732	(3,893,816,630)	(3,296,266,898)	397,141,228	(3,817,967,049)	(3,420,825,821)	20,424,504,367	-13.75%
2023	20,424,504,367	341,775,598	(1,018,744,162)	(676,968,564)	643,734,115	1,335,928,684	1,979,662,799	21,727,198,602	10.21%
2024	21,727,198,602	2,868,496,106	(3,514,491,309)	(645,995,203)	513,986,783	423,261,622	937,248,405	22,018,451,804	4.46%
2025	22,018,451,804	1,167,448,072	(1,798,928,348)	(631,480,276)	551,127,744	1,513,341,784	2,064,469,528	23,451,441,056	10.57%
*2026	23,451,441,056	179,041,493	(657,495,369)	(478,453,876)	279,800,661	533,167,805	812,968,466	23,785,955,646	3.29%

*Balance as of June 30, 2026

**Due to cash flow timing, does not precisely match quarterly performance reports

(q) A summary of the mortality assumptions used in making cost projections.

The MCCA utilizes mortality tables in estimating its reserves and in projecting assessment rates. The current tables are based on a study completed in 2020 that relied on the actual mortality experience of MCCA claimants from inception through June 30, 2020. Impairment loads are calculated based on this experience and vary by injury type and severity, time elapsed since accident, age, and gender. These loads are combined with a base mortality table (the Social Security Administration's 2014 table) to produce mortality tables that reflect the expected impaired mortality experience of the MCCA population of claimants. The mortality load varies substantially by injury type and severity, but averages just slightly under 100%, meaning that on-average, MCCA claimants experience nearly double the mortality as the population as a whole.

(r) A summary of any financial practices that differ from those found in the NAIC practices and procedures manual. The MCCA has received approval from the Department of Insurance and Financial Services for the following permitted practices, that differ from those found in the NAIC practices and procedures manual.

1. The MCCA is permitted to discount its unpaid loss and loss adjustment reserves on a non-tabular basis.
2. The MCCA may deviate from SSAP #65 guidance that states that with the exception of fixed and reasonably determinable payments, property and casualty reserves shall not be discounted.
3. The MCCA is not required to include a risk margin when determining loss and loss adjustment expense reserves.

APPENDIX A

Category	Loss Paid 2025	Loss Paid 2024	Loss Paid 2023	Loss Paid 2022	Loss Paid 2021	Loss Paid 2020	Loss Paid 2019	Loss Paid 2018	Loss Paid 2017	Loss Paid 2016
Attendant Care - Agency	191,042,515	226,580,680	194,809,059	121,307,781	202,089,034	226,272,578	234,167,457	215,054,933	218,617,255	203,770,624
Attendant Care - Family	203,276,785	221,110,455	206,030,418	187,889,000	184,147,845	214,231,802	206,366,234	214,438,939	213,898,515	208,785,262
Bill Review Expense	64,498	162,986	452,011	96,106	(37,844)	83,681	138,851	142,837	516,215	237,607
Case Management	38,010,939	35,888,967	32,159,354	27,076,817	25,074,072	28,425,797	29,831,185	27,235,329	26,033,788	24,078,060
Doctors / Labs	89,447,160	93,405,316	96,760,469	80,044,980	94,028,320	102,961,094	105,629,633	93,720,969	92,338,578	82,162,913
Equipment	10,630,499	12,969,325	10,274,594	6,694,003	7,821,206	7,581,297	10,136,644	9,259,399	9,562,658	8,568,332
Home Purchase / Modifications	13,922,574	11,706,611	12,539,832	11,768,415	8,228,726	9,787,492	9,935,859	9,508,416	9,939,394	12,619,741
Hospitialization	85,082,555	104,985,500	106,212,826	75,536,396	112,745,569	127,399,703	129,572,905	108,881,977	116,227,013	107,902,209
Other	15,880,886	15,149,118	14,946,721	15,892,523	15,021,620	15,225,153	15,701,449	13,683,960	14,311,115	13,044,021
Paycode Unknown	0	0	0	0	0	0	0	280	109	0
Prescriptions / Supplies	130,311,004	133,866,006	128,621,061	117,722,906	114,973,232	126,949,377	127,083,244	122,225,369	122,015,510	116,674,854
Prosthesis	11,022,814	13,812,811	11,318,962	9,992,495	8,358,147	9,284,799	11,133,412	10,430,231	8,229,824	6,947,505
Rehabilitation Services	120,275,723	125,112,371	117,461,062	89,562,754	94,368,604	103,926,069	121,565,023	106,829,136	101,191,643	90,479,692
Replacement / Essential Services	507,075	571,230	916,641	1,098,187	1,313,983	1,536,938	1,694,374	1,595,409	1,511,947	1,278,828
Residential Care	284,174,578	325,949,833	304,083,174	136,851,781	241,988,302	283,545,821	258,876,098	254,172,422	244,803,270	232,689,629
Transportation	23,718,351	23,399,691	19,335,350	16,963,139	17,346,291	22,476,679	28,054,616	27,380,715	27,014,079	25,678,528
Vehicle Purchase / Modifications	3,317,176	3,983,263	3,025,646	3,155,544	2,689,283	3,698,258	3,450,159	2,858,979	2,324,191	2,887,148
Wage Loss / Survivor's Loss	5,039,443	2,621,393	4,384,399	5,598,650	5,786,947	5,818,667	7,060,168	6,967,077	6,165,087	5,045,513
Totals:	**$1,225,724,574**	**$1,351,275,555**	**$1,263,331,579**	**$907,251,478**	**$1,135,943,337**	**$1,289,205,204**	**$1,300,397,309**	**$1,224,386,378**	**$1,214,700,190**	**$1,142,850,467**

APPENDIX B

Injury Code	Loss Paid 2025	Loss Paid 2024	Loss Paid 2023	Loss Paid 2022	Loss Paid 2021	Loss Paid 2020	Loss Paid 2019	Loss Paid 2018	Loss Paid 2017	Loss Paid 2016
BRAIN	779,642,673	860,280,173	785,863,395	550,334,509	684,659,002	796,831,240	783,907,831	738,811,957	724,343,539	698,937,744
BURN	3,555,897	3,012,972	1,095,418	1,011,860	1,205,001	2,058,735	3,598,547	2,748,623	2,251,736	1,178,545
MISCELLANEOUS	172,687,327	184,427,895	197,554,864	174,402,841	196,013,259	226,947,549	230,859,600	210,736,130	211,150,530	185,061,516
PARAPLEGIC	98,953,727	104,110,263	98,850,753	65,005,896	90,393,731	91,850,304	87,733,895	86,772,636	90,071,009	77,546,566
QUADRIPLEGIC	170,685,039	199,352,914	179,703,882	116,197,536	163,546,006	171,404,067	194,237,435	185,155,105	186,747,154	179,935,295
UNKNOWN	199,912	91,337	263,267	298,836	126,339	113,308	60,002	161,926	136,222	190,801
Totals:	**$1,225,724,574**	**$1,351,275,555**	**$1,263,331,579**	**$907,251,478**	**$1,135,943,337**	**$1,289,205,204**	**$1,300,397,309**	**$1,224,386,378**	**$1,214,700,190**	**$1,142,850,467**

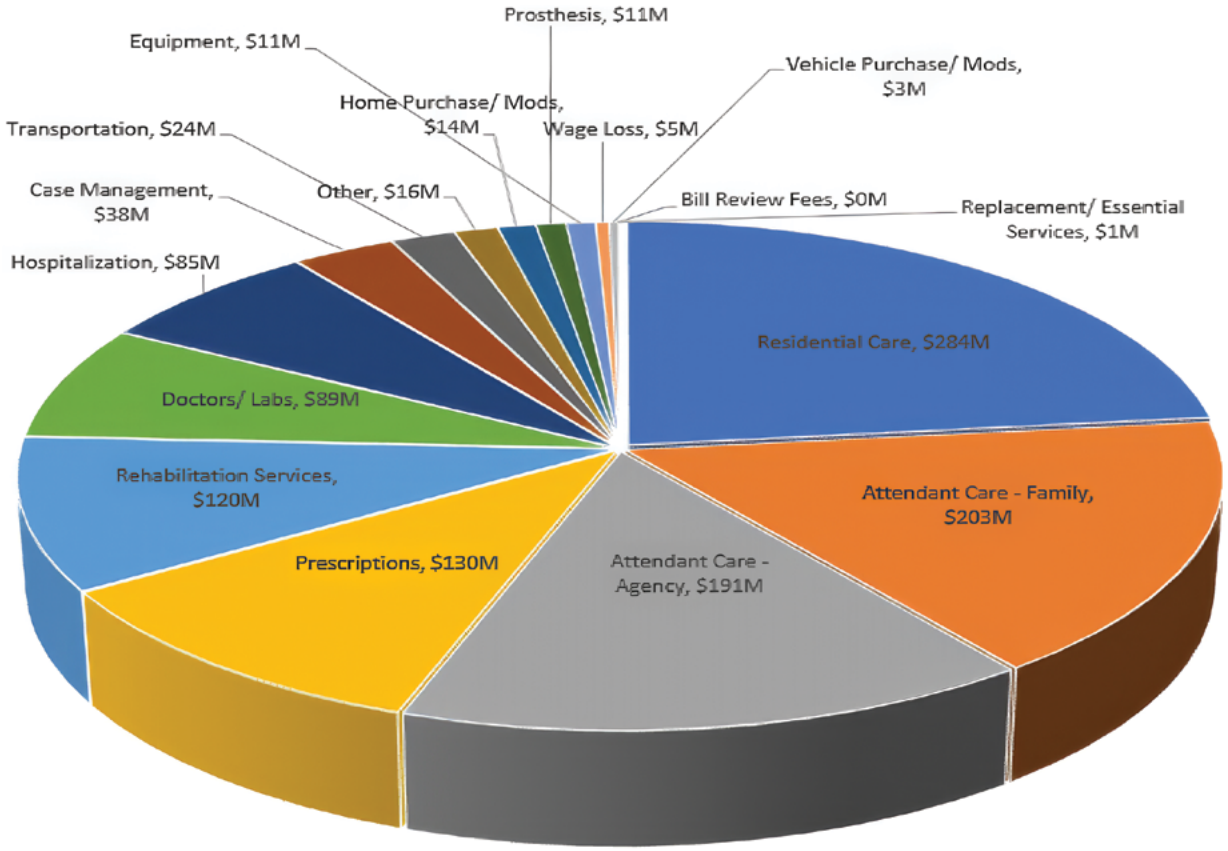
APPENDIX C

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

AMOUNTS PAID BY PAYMENT CATEGORY

As of Dec. 31, 2025

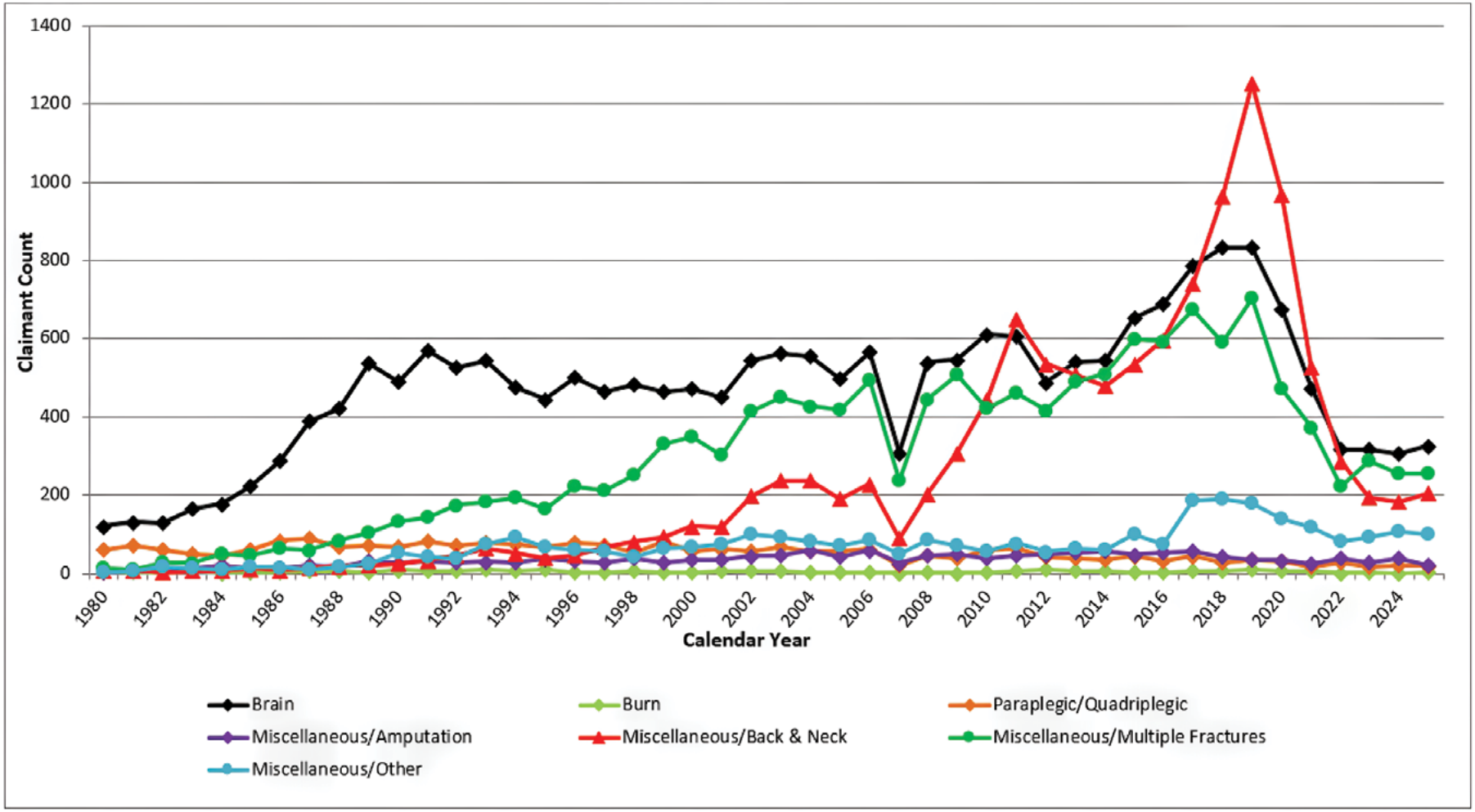
12 Months Ending Dec. 31, 2025



APPENDIX D

MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

Reported Claimants Requiring Lifetime Care by Injury and Calendar Years
As of 12/31/2025



THE MCCA PUBLIC WEBSITE

The MCCA is committed to transparency and has the following reference materials available on its website

michigancatastrophic.com:

- ✓ **Background information**
- ✓ **Financial information**
  - Annual statement
  - Independent auditor's report
  - DIFS report of examination of the MCCA
  - Assessment history
- ✓ **Consumer information**
  - Claim statistics
  - Injury type summary
  - Summary of payments by cost category
  - Frequently asked questions

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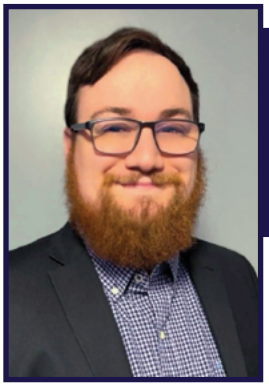

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