Michigan Supreme Court Limits the MCCA'S Obligation to Indemnify Insurers for "Unreasonable" Expenses

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Foster Swift No-Fault E-News
December 31, 2008

In a 4-3 decision issued on December 29, 2008, the Michigan Supreme Court held that the Michigan Catastrophic Claims Association ("MCCA") may refuse to indemnify no-fault insurers who make payments for expenses that the MCCA deems "unreasonable." *United States Fidelity Ins & Guaranty Co v Mich Catastrophic Claims Ass'n* (Docket No. 133466).

In two cases that were consolidated on appeal, the insurers paid attendant care benefits according to an agreed-upon hourly rate. When the insurers sought reimbursement from the MCCA for payments that totaled more than $250,000, the MCCA refused to reimburse the insurers for the full amount based on the MCCA's determination that the rates were unreasonable.

The Michigan Court of Appeals held that the MCCA was required to reimburse the insurers for 100% of the benefits paid, regardless of whether the benefits were "reasonable." The Michigan Supreme Court reversed. The Court agreed with the insurers that MCL 650.3104(2) provides for reimbursement from the MCCA when the claim is "sustained under personal protection insurance coverages," without mentioning "reasonableness." But because policies providing PIP benefits are required to cover only "reasonable charges," the Court held that the MCCA is only obligated to indemnify insurers for reasonable charges. The Court remanded the case to the trial court to determine whether the charges in the cases at bar were reasonable.

This case is important for insurers because it creates new limits on the MCCA's obligation to provide reimbursement for no-fault benefits. Essentially, the Court has imposed a reasonableness requirement on insurers who seek reimbursement, and insurers should keep this case in mind when submitting claims to the MCCA.

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