STATEMENT OF ACTUARIAL OPINION

ANNUAL STATEMENT OF
MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION
FOR THE YEAR ENDED JUNE 30, 2012

IDENTIFICATION

I, Roger M. Hayne, am associated with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and meet its qualification standards for Statements of Actuarial Opinion regarding property and casualty insurance company statutory Annual Statements. I am a member in good standing and a Fellow of the Casualty Actuarial Society. I was appointed by the Board of Directors of Michigan Catastrophic Claims Association ("the Company") on December 15, 1993 to render this opinion.

The intended purpose of this opinion is to satisfy the requirement for such an opinion under the Annual Statement instructions of the National Association of Insurance Commissioners. The loss and loss adjustment expense reserves are the responsibility of the Company's management; my responsibility is to express an opinion on those reserves based on my review.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of June 30, 2012. The items upon which I am expressing an opinion, as shown in Exhibit A, reflect the disclosures shown in Exhibit B. The Annual Statement was prepared in accordance with Statutory Accounting Principles.

The Company writes no long duration contracts, defined as contracts, excluding financial guaranty contracts, mortgage guaranty contracts, and surety contracts, that fulfill both of the following conditions: (1) the contract term is greater than or equal to thirteen months and (2) the insurer can neither cancel nor increase the premium during the contract term.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data evaluated as of June 30, 2012 and reviewed information provided to me by the Company through June 30, 2012. In this regard, I relied on James Lunsted, Controller, Michigan Catastrophic Claims Association as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Company (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. I also reconciled the paid loss and loss adjustment expense amounts and case reserve amounts as of June 30, 2012 used in my analysis against Schedule P - Part 1 of the Company's current Annual Statement. In other respects, the analysis underlying my opinion included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to the items included in Exhibit A, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

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OPINION

In my opinion, the sum of the amounts carried on account of Items 1. and 2., the sum of the amounts carried on account of Items 3. and 4., and the amount carried on account of Item 5., all as shown in Exhibit A:

A. Meet the requirements of the insurance laws of the State of Michigan;

B. Are consistent with reserves computed in accordance with Standards of Practice issued by the Actuarial Standards Board (including the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves); and

C. Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENTS

Risk of Material Adverse Deviation

There are a variety of risk factors that expose the Company's reserves to significant variability. I have identified the major risk factors as uncertainty regarding economic conditions for 100 or more years into the future, potential changes in the social, legal and judicial climate in which the company operates and changes in the care and treatment of catastrophically injured claimants. The potential impact of these risk factors is described in more detail in the following paragraphs and in the report supporting this opinion. The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as being a significant influence on the Company's reserves.

The Company is liable to reimburse member insurers for all covered expenses incurred by qualifying claimants through their respective lifetimes without any monetary limit. As such, the Company's current liabilities could extend to payments more than one hundred years into the future. This extremely long potential payment tail, coupled with uncertainties in estimating payments that are far into the future, means that any estimate of the Company's liabilities is subject to substantial uncertainty.

Since the Company's reserves are carried on a discounted basis, as I understand is permitted for the Company by the Michigan Insurance Bureau, future economic conditions that affect the relationship between the rate of cost increase experienced on the Company liabilities and the return the Company can achieve on its assets can materially affect the adequacy of Company reserves. Future treatment of the Company claimants can affect both the costs of that treatment as well as the life expectancy of the Company claimants. This in turn can affect the Company's liabilities. Since the Company's obligations are defined by its enabling legislation, legislative and judicial actions, as in the case of USF&G v. MCCA and Michael Migdal, can also materially impact these liabilities.

The interest rates used to discount these liability estimates were provided by the Company and I understand are based on their expected future portfolio returns as well as on expected future economic conditions that may affect costs related to these liabilities. The selected economic assumptions both regard to future rates of increase and future investment returns do not conflict significantly with what, in my opinion, would be reasonable for the purpose of this assignment. I understand these liability estimates do not include any additional provision for adverse fluctuation or risk margin. As a result, such discounted reserves are likely an inadequate estimate of economic value of the Company's liabilities.

Future rates of return and future rates of increase in costs are not guaranteed and may exceed or fall below the rates the Company assumed. Also, the actual timing of loss payments is subject to variability. Differences between actual and expected rates of return and timing of payments from those underlying these estimates may have a material effect on the amount of the discount apart from the variability inherent in the nominal liability estimates.

I believe that the risk factors above, coupled with the variability that is inherent in any estimate of unpaid loss and loss adjustment expense obligations, could result in material adverse deviation from the carried net reserve amounts. By this, I mean that the probability of such a deviation occurring is not so low as to be remote. In making this determination, I have considered a material adverse deviation to be one in which the actual net unpaid losses and loss adjustment expenses exceed the total of Items 1. and 2. on Exhibit A by an amount greater than $1,558,678,800.

This materiality standard, shown as Item 5 in Exhibit B, is equal to 10% of the Company's provision for unpaid losses and loss adjustment expenses, the sum of items 1 and 2 of Exhibit A.. The Company has represented that the usual risk-based capital calculation is not applicable. As such I cannot comment on whether a movement in reserves of this magnitude will affect the Company's risk-based capital position. In selecting this materiality standard I considered several factors, such as the Company's reserve leverage ratio, the Company's history of reserve development, and the policy limits and coverages written by the Company. My selection of the materiality standard was based on the fact that this opinion is prepared for the regulatory review of the Company. Other measures of materiality might be used for reserves that are being evaluated in a different context.

Uncertainty

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss expenses, it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

Reinsurance

The Company has represented to me that it has no reinsurance protections. I also note the difference between the total of lines 1. and 2. and the total of lines 3. and 4. in Exhibit A is because the former total is discounted for interest and the latter is undiscounted.

IRIS Ratios

The booked reserves do create exceptional values in the IRIS tests One-Year Reserve Development to Surplus, Two-Year Reserve Development to Surplus, and Estimated Current Reserve Deficiency to Surplus. The fact that the Company had a statutory deficit, downward movement in liability estimates for loss and loss adjustment expense liabilities resulted in exceptional values in these tests. In addition, I understand the Company's goal is to maintain neither a statutory surplus nor a statutory deficit based on assets and discounted estimates of liabilities. As such statutory surplus is intentionally quite a small number as compared to the undiscounted value of the Company's potential liabilities. Thus even if surplus were slightly positive, since the IRIS tests cited make use of undiscounted estimates, it would be quite surprising if even relatively small random fluctuations did not cause exceptional values in these tests.

Methods and Assumptions

I continue to refine the methodology I use in evaluating loss and loss adjustment expense liabilities for the Company. Such refinements have not resulted in changes in reserve estimates that are material relative to the Company's surplus. I do note that the Company changed assumptions regarding both the rate of future cost increases and the future return on invested assets in the past year. That change in assumptions resulted in an increase in estimates of discounted liabilities for losses and loss adjustment expenses of approximately 3% of those prior estimates.

Other Disclosures

I recognize that the current book value of assets as presented in the June 30, 2012 Annual Statement of the Company is less than the total reserves in items 1 and 2 listed in Exhibit A. I note, however, that the legislation enabling the Company permits future assessments charged to member companies to include provision to reflect deficiencies in past assessments.

Discounting

I evaluated the loss and loss adjustment expense reserves on a discounted basis with regard to the time value of money. The Company has represented that it reduces its reserves to reflect discounting. I understand that the interest rates used reflect the total return of a portfolio of assets matching the Company's investment policy as well as the Company's expectation of the rates of increase in its costs. I further understand that since the Company is not subject to income taxes, those rates are identical on both on a pre-tax and post-tax basis. The Company has permission to discount these liabilities from its regulating Commissioner. As indicated above the selected interest rates do not conflict significantly with what, in my opinion, would be reasonable for the purpose of this assignment.

The amount of discount as of June 30, 2012 is $54,002,381,000 on a net basis, or approximately 346.5% of the carried net reserves.

To discount its liabilities, I understand the Company used interest rates that it expects to match the expected returns from its investment portfolio that contains both equities and fixed return assets, over the time that future payments will be made. In addition I understand the Company also takes into consideration the expected rate of increase in payments it expects to make in the future. The selected discount rates begin at an assumed 5.5% for the next year and eventually increase to an annual rate of 7.5% after July 2026. This is compared to assumed rates of cost increases in the general economy that begin at 2.5% for the next year gradually increasing to an annual rate of 3.5% beginning July 2026.

Risk Margin

The Company has represented that the reserves do not include an explicit risk margin.

Salvage and Subrogation

The Company has represented that its total carried reserves are net of anticipated salvage and subrogation recoveries.

Underwriting Pools and Associations

The Company has represented that it does not participate in pools and associations.

Asbestos and Environmental Exposure

I have reviewed the Company's exposure to asbestos and environmental claims. In my opinion, there is a remote chance of material liability, since claim activity levels are minimal and the Company writes only reinsurance on automobile no-fault coverage.

Extended Loss and Expense Reserves

The Company has represented that it does not provide extended loss and expense coverage within professional liability claims-made contracts and therefore carries no extended loss and expense reserves.

Contractual Liability for Service Contracts

The Company has represented that it does not provide contractual liability coverage for service contracts (vehicles, appliances, etc.).

Loss Adjustment Expenses

The loss adjustment expense reserves carried by the Company include provisions for all loss adjustment expenses, such as coverage dispute costs, defense and investigation costs, and claims administration expenses. The Company has represented that the reserve for unpaid loss adjustment expenses was established based on the estimated amount to adjust all open and unreported claims, regardless of pre-payments made to third party claims administrators.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, will be provided to the Company to be retained for a period of seven years in the administrative offices of the Company and made available for regulatory examination.

This Statement of Actuarial Opinion is intended solely for the use of, and is only to be relied upon by, the Company and the various state departments with which it files its Annual Statement.

Roger M. Hayne, FCAS, MAAA

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October 10, 2012

roger.hayne@milliman.com

STATEMENT OF ACTUARIAL OPINION

ANNUAL STATEMENT OF
MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT A: SCOPE

	Loss Reserves:	Amount
1.	Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col. 1, Line 1)	$15,418,169,000
2.	Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col. 1, Line 3)	$ 168,619,000
3.	Reserve for Unpaid Losses – Direct and Assumed (should equal Schedule P, Part 1, Totals from Cols. 13 and 15, Line12 * 1000)	$68,937,707,000
4.	Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (should equal Schedule P, Part 1, Totals from Cols. 17, 19 and 21, Line 12 * 1000)	$ 651,462,000
5.	The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	$ 0
6.	Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	$ 0
	Premium Reserves:	
7.	Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	$ 0
8.	Reserve for Net Unearned Premiums for Long Duration Contracts	$ 0
9.	Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	$ 0

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FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT B: DISCLOSURES

1.	Name of the Appointed Actuary	Hayne, Roger M.
2.	The Appointed Actuary's Relationship to the Company	
	Enter E or C based upon the following:	
	E if an Employee of the Company or Group; or	
	C if a Consultant	C
3.	The Appointed Actuary has the following designation:	
	F if an FCAS;	
	A if an ACAS;	
	M if not a member of the CAS, but a Member of the American Academy of Actuaries approved by the Casualty Practice Council, as documented with the attached approval letter; or	
	O for Other	F
4.	Type of Opinion, as identified in the OPINION paragraph.	
	Enter R, I, E, Q, or N based upon the following:	
	R if Reasonable;	
	I if Inadequate or Deficient Provision;	
	E if Excessive or Redundant Provision;	
	Q if Qualified (use Q when part of the opinion is Qualified); or	
	N if No Opinion	R
5.	Materiality Standard expressed in US dollars (used to answer Question #6)	$ 1,558,678,800
6.	Are there significant risks that could result in Material Adverse Deviation?	Yes [X] No [ ] N/A [ ]
7.	Statutory Surplus (Liabilities, Col. 1, Line 37)	$ (2,047,889,119)
8.	Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (should equal Part 1 Summary, Col 23, Line 12*1000)	$ 0

EXHIBIT B: DISCLOSURES (CONTINUED)

9.	Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P		
	9.1 Nontabular Discount [Notes, Line 32B23, (amounts 1, 2, 3 & 4)], Electronic Filing Cols 1, 2, 3 & 4	$	54,002,381,000
	9.2 Tabular Discount [Notes, Line 32A23, (amounts 1 & 2)], Electronic Filing Cols 1 & 2.	$	0
10.	The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	$	0
11.	The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.		
	11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 33A03D, ending net asbestos reserves for current year) Electronic Filing Col. 6	$	0
	11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 33D03D, ending net environmental reserves for current year) Electronic Filing Col. 6	$	0
12.	The total claims made extended loss and expense reserve (Greater than or equal to Schedule P Interrogatories).		
	12.1 Amount reported as loss reserves	$	0
	12.2 Amount reported as unearned premium reserves	$	0
13.	Other items on which the Appointed Actuary is providing Relevant Comment (list separately)	$	0