

**THE INSURANCE CODE OF 1956 (EXCERPT)**

**Act 218 of 1956**

CHAPTER 21

**500.2101 Meanings of words and phrases.**

Sec. 2101. For purposes of this chapter, the words and phrases defined in sections 2102 to 2104 have the meanings ascribed to them in those sections.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980.

**Compiler's note:** Act 145 of 1979 did not provide a subject-matter heading for Chapter 21.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2102 Definitions; A to D.**

Sec. 2102. (1) "Affiliate of", or an insurer "affiliated with" an insurer, means an insurer that directly, or indirectly through 1 or more intermediaries, controls, or is controlled by, or is under common control with the insurer specified.

(2) "Automobile insurance" means insurance for private passenger nonfleet automobiles which provides any of the following:

(a) Security required pursuant to section 3101.

(b) Personal protection, property protection, and residual liability insurance for amounts in excess of the amounts required under chapter 31.

(c) Insurance coverages customarily known as comprehensive and collision.

(d) Other insurance coverages for a private passenger nonfleet automobile as prescribed by rule promulgated by the commissioner pursuant to Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.315 of the Michigan Compiled Laws. A rule proposed for promulgation by the commissioner pursuant to this section shall be transmitted in advance to each member of the standing committee in the house and in the senate which has jurisdiction over insurance.

(3) "Automobile insurance package policy" means a policy which includes more than 1 of the automobile insurance coverages described in section 2102(2)(a), (b), (c), or (d), in any combination.

(4) "Declination" means any of the following:

(a) Refusal by an agent to submit an application on behalf of an applicant to any of the insurers represented by the agent.

(b) Refusal by an insurer to issue insurance to a person upon receipt of an application for insurance.

(c) Offering insurance at higher rates with a different insurer than that requested by a person.

(d) Offering coverage with less favorable terms or conditions than those requested by a person.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2103 Definitions; E to I.**

Sec. 2103. (1) "Eligible person", for automobile insurance, means a person who is an owner or registrant of an automobile registered or to be registered in this state or who holds a valid Michigan license to operate a motor vehicle, but does not include any of the following:

(a) A person who is not required to maintain security pursuant to section 3101, unless the person intends to reside in this state for 30 days or more and makes a written statement of that intention on a form approved by the commissioner.

(b) A person whose license to operate a vehicle is under suspension or revocation.

(c) A person who has been convicted within the immediately preceding 5-year period of fraud or intent to defraud involving an insurance claim or an application for insurance; or an individual who has been successfully denied, within the immediately preceding 5-year period, payment by an insurer of a claim in excess of \$1,000.00 under an automobile insurance policy, if there is evidence of fraud or intent to defraud involving an insurance claim or application.

(d) A person who, during the immediately preceding 3-year period, has been convicted under, or who has been subject to an order of disposition of the family division of circuit court for a violation of, any of the following:

(i) Section 324 or 325 of the Michigan penal code, 1931 PA 328, MCL 750.324 and 750.325; section 1 of former 1931 PA 214 or section 626c of the Michigan vehicle code, 1949 PA 300, MCL 257.626c; or under any other law of this state the violation of which constitutes a felony resulting from the operation of a motor vehicle.

(ii) Section 625 of the Michigan vehicle code, 1949 PA 300, MCL 257.625.

(iii) Section 617, 617a, 618, or 619 of the Michigan vehicle code, 1949 PA 300, MCL 257.617, 257.617a, 257.618, and 257.619.

(iv) Section 626 of the Michigan vehicle code, 1949 PA 300, MCL 257.626; or for a similar violation under the laws of any other state or a municipality within or without this state.

(e) A person whose vehicle insured or to be insured under the policy fails to meet the motor vehicle safety requirements of sections 683 to 711 of the Michigan vehicle code, 1949 PA 300, MCL 257.683 to 257.711.

(f) A person whose policy of automobile insurance has been canceled because of nonpayment of premium or financed premium within the immediately preceding 2-year period, unless the premium due on a policy for which application has been made is paid in full before issuance or renewal of the policy.

(g) A person who fails to obtain or maintain membership in a club, group, or organization, if membership is a uniform requirement of the insurer as a condition of providing insurance, and if the dues, charges, or other conditions for membership are applied uniformly throughout this state, are not expressed as a percentage of premium, and do not vary with respect to the rating classification of the member except for the purpose of offering a membership fee to family units. Membership fees may vary in accordance with the amount or type of coverage if the purchase of additional coverage, either as to type or amount, is not a condition for reduction of dues or fees.

(h) A person whose driving record for the 3-year period immediately preceding application for or renewal of a policy, has, pursuant to section 2119a, an accumulation of more than 6 insurance eligibility points.

(2) "Eligible person", for home insurance, means a person who is the owner-occupant or tenant of a dwelling of any of the following types: a house, a condominium unit, a cooperative unit, a room, or an apartment; or a person who is the owner-occupant of a multiple unit dwelling of not more than 4 residential units. Eligible person does not include any of the following:

(a) A person who has been convicted, in the immediately preceding 5-year period, of 1 or more of the following:

(i) Arson, or conspiracy to commit arson.

(ii) A crime under sections 72 to 77, 112, 211a, 377a, 377b, or 380 of the Michigan penal code, 1931 PA 328, MCL 750.72 to 750.77, 750.112, 750.211a, 750.377a, 750.377b, and 750.380.

(iii) A crime under section 92, 151, 157b, or 218 of the Michigan penal code, 1931 PA 328, MCL 750.92, 750.151, 750.157b, and 750.218, based upon a crime described in subparagraph (ii) committed by or on behalf of the person.

(b) A person who has been successfully denied, within the immediately preceding 5-year period, payment by an insurer of a claim under a home insurance policy based on evidence of arson, conspiracy to commit arson, fraud, or conspiracy to commit fraud, committed by or on behalf of the person.

(c) A person who insures or seeks to insure a dwelling that is being used for an illegal or demonstrably hazardous purpose.

(d) A person who refuses to purchase an amount of insurance equal to at least 80% of the replacement cost of the property insured or to be insured under a replacement cost policy.

(e) A person who refuses to purchase an amount of insurance equal to at least 100% of the market value of the property insured or to be insured under a repair cost policy.

(f) A person who refuses to purchase an amount of insurance equal to at least 100% of the actual cash value of the property insured or to be insured under a tenant or renter's home insurance policy.

(g) A person whose policy of home insurance has been canceled because of nonpayment of premium within the immediately preceding 2-year period, unless the premium due on the policy is paid in full before issuance or renewal of the policy.

(h) A person who insures or seeks to insure a dwelling, if the insured value is not any of the following:

(i) For a repair cost policy, at least \$15,000.00.

(ii) For a replacement policy, at least \$35,000.00 or another amount which the commissioner may establish biennially on and after January 1, 1983, pursuant to rules promulgated by the commissioner under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, based upon changes in applicable construction cost indices.

(i) A person who insures or seeks to insure a dwelling that has physical conditions that clearly present an extreme likelihood of a significant loss under a home insurance policy.

(j) A person whose real property taxes with respect to the dwelling insured or to be insured have been and

are delinquent for 2 or more years at the time of renewal of, or application for, home insurance.

(k) A person who has failed to procure or maintain membership in a club, group, or organization, if membership is a uniform requirement of the insurer, and if the dues, charges, or other conditions for membership are applied uniformly throughout this state, are not expressed as a percentage of premium, and do not vary with respect to the rating classification of the member except for the purpose of offering a membership fee to family units. Membership fees may vary in accordance with the amount or type of coverage if the purchase of additional coverage, either as to type or amount, is not a condition for reduction of dues or fees.

(3) "Home insurance" means any of the following, but does not include insurance intended to insure commercial, industrial, professional, or business property, obligations, or liabilities:

(a) Fire insurance for an insured's dwelling of a type described in subsection (2).

(b) If contained in or indorsed to a fire insurance policy providing insurance for the insured's residence, other insurance intended primarily to insure nonbusiness property, obligations, and liabilities.

(c) Other insurance coverages for an insured's residence as prescribed by rule promulgated by the commissioner pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. A rule proposed for promulgation by the commissioner pursuant to this section shall be transmitted in advance to each member of the standing committee in the house and in the senate that has jurisdiction over insurance.

(4) "Insurance eligibility points" means all of the following:

(a) Points calculated, according to the following schedule, for convictions, determinations of responsibility for civil infractions, or findings of responsibility in probate court:

(i) For a violation of any lawful speed limit by more than 15 miles per hour, or careless driving, 4 points.

(ii) For a violation of any lawful speed limit by more than 10 miles per hour, but less than 16 miles per hour, 3 points.

(iii) For a violation of any lawful speed limit by 10 miles per hour or less, 2 points.

(iv) For a violation of any speed limit by 15 miles per hour or less on a roadway that had a lawfully posted maximum speed of 70 miles per hour as of January 1, 1974, 2 points.

(v) For all other moving violations pertaining to the operation of motor vehicles, 2 points.

(b) Points calculated, according to the following schedule, for determinations that the person was substantially at-fault, as defined in section 2104(4):

(i) For the first substantially at-fault accident, 3 points.

(ii) For the second and each subsequent substantially at-fault accident, 4 points.

(5) "Insurer" means an insurer authorized to transact in this state the kind or combination of kinds of insurance constituting automobile insurance or home insurance, as defined in this chapter.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;—Am. 1990, Act 305, Imd. Eff. Dec. 14, 1990;—Am. 2001, Act 147, Eff. Feb. 1, 2002;—Am. 2002, Act 492, Eff. Mar. 31, 2003.

**Compiler's note:** Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

## 500.2104 Definitions; P to U.

Sec. 2104. (1) "Private passenger nonfleet automobile" means a motorized land vehicle designed for transporting passengers or goods, subject to specific contemporary definitions for insurance purposes pursuant to section 3303.

(2) "Repair cost policy" means a home insurance policy for which the amount of coverage under the policy is based substantially on the market value of the property, and which provides for payment for repair, rebuilding, or replacement of losses or damages to real property with materials of like kind and quality, without depreciation, pursuant to section 2826, or with conventional materials and construction methods, pursuant to the standards of section 2827.

(3) "Replacement cost policy" means a home insurance policy for which the amount of coverage under the policy is based substantially on the replacement cost of the property, which provides for settlement of losses to real property pursuant to the standards prescribed in section 2826.

(4) "Substantially at-fault" means a person's action or inaction was more than 50% of the cause of an accident.

(5) "Termination" means a refusal to continue to insure, for reasons other than nonpayment of premium, and includes both of the following:

(a) The transfer of coverage for an insured between affiliated insurers, when the transfer results in higher

rates or less coverage, unless the transfer was requested by the insured.

(b) The offering of coverage with less favorable terms or conditions than those previously provided, unless so requested by the insured, or unless the terms or conditions of coverage previously provided are no longer available from the insurer anywhere in this state.

(6) "Underwriting rules" means the written statements, guidelines, or criteria of an insurer, phrased in terms understandable to a person of ordinary intelligence, which describe the standards under which the insurer issues, refuses to issue, renews, refuses to renew, or limits coverage for automobile insurance or home insurance to persons within this state.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2105 Automobile insurance or home insurance to conform with chapter; exceptions.**

Sec. 2105. (1) No policy of automobile insurance or home insurance shall be offered, bound, made, issued, delivered or renewed in this state on and after January 1, 1981, except in conformity with this chapter. This chapter shall not apply to policies of automobile insurance or home insurance offered, bound, made, issued, delivered or renewed in this state before January 1, 1981.

(2) This chapter shall not apply to insurance written on a group, franchise, blanket policy, or similar basis which offers home insurance or automobile insurance to all members of the group, franchise plan, or blanket coverage who are eligible persons.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2106 Applicability of chapters 24 and 26; use of rates; inconsistent provisions.**

Sec. 2106. Except as specifically provided in this chapter, the provisions of chapter 24 and chapter 26 shall not apply to automobile insurance and home insurance. An insurer may use rates for automobile insurance or home insurance as soon as those rates are filed. To the extent that other provisions of this code are inconsistent with the provisions of this chapter, this chapter shall govern with respect to automobile insurance and home insurance.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2107 Filings; review; disputes; approval; order of disapproval; revised filing.**

Sec. 2107. (1) On or before September 1, 1980, each insurer subject to this chapter shall make filings in accordance with this chapter for automobile insurance, home insurance, or both, to be effective not later than January 1, 1981 nor earlier than November 1, 1980.

(2) With regard to a filing submitted under subsection (1), the commissioner shall conduct a review of the filing on an informal basis, and a dispute with regard to that filing shall not be considered a contested case under Act No. 306 of the Public Acts of 1969, as amended. A filing not disapproved within 60 days after its submission shall be considered approved.

(3) A filing approved or considered approved under subsection (2) shall be exempt from any further proceedings whatsoever under this chapter until July 1, 1981.

(4) If a filing is disapproved under subsection (2), the insurer, within 30 days of the order of disapproval, shall make a revised filing with the commissioner. The revised filing shall take effect on January 1, 1981 and shall be subject to review under this chapter on or after January 1, 1981 in the same manner as subsequent filings made under this chapter.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2108 Filing of manuals and plans; statement of character and extent of coverage;**

**maintaining rates in effect for eligible persons; insurer as member of or subscriber to rating organization; deviations; certification, contents, and public inspection of filing; contract or policy to be in accordance with filings.**

Sec. 2108. (1) On the effective date thereof, each insurer shall file with the commissioner every manual of classification, every manual of rules and rates, every rating plan, and every modification of a manual of classification, manual of rules and rates, or a rating plan which it proposes to use for automobile insurance and home insurance. Each filing shall state the character and extent of the coverage contemplated. Each insurer subject to this chapter who maintains rates in any part of this state shall at all times maintain rates in effect for all eligible persons meeting the underwriting criteria of the insurer.

(2) An insurer may satisfy its obligation to make filings under subsection (1) by becoming a member of, or a subscriber to, a rating organization licensed under chapter 24 or chapter 26 which makes those filings, and by filing with the commissioner a copy of its authorization of the rating organization to make those filings on its behalf. Nothing contained in this chapter shall be construed as requiring any insurer to become a member of or a subscriber to any rating organization. Insurers may file and use deviations from filings made on their behalf, which deviations shall be subject to the provisions of this chapter.

(3) Each filing shall be accompanied by a certification by or on behalf of the insurer that, to the best of its information and belief, the filing conforms to the requirements of this chapter.

(4) Each filing shall include information that supports the filing with respect to the requirements of section 2109. The information may include 1 or more of the following:

(a) The experience or judgment of the insurer or rating organization making the filing.

(b) The interpretation of the insurer or rating organization of any statistical data it relies upon.

(c) The experience of other insurers or rating organizations.

(d) Any other relevant information.

(5) A filing and any accompanying information shall be open to public inspection upon filing.

(6) An insurer shall not make, issue, or renew a contract or policy except in accordance with filings which are in effect for the insurer pursuant to this chapter.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2109 Rates for automobile insurance and home insurance; requirements; determining existence of reasonable degree of competition.**

Sec. 2109. (1) All rates for automobile insurance and home insurance shall be made in accordance with the following provisions:

(a) Rates shall not be excessive, inadequate, or unfairly discriminatory. A rate shall not be held to be excessive unless the rate is unreasonably high for the insurance coverage provided and a reasonable degree of competition does not exist for the insurance to which the rate is applicable.

(b) A rate shall not be held to be inadequate unless the rate is unreasonably low for the insurance coverage provided and the continued use of the rate endangers the solvency of the insurer; or unless the rate is unreasonably low for the insurance provided and the use of the rate has or will have the effect of destroying competition among insurers, creating a monopoly, or causing a kind of insurance to be unavailable to a significant number of applicants who are in good faith entitled to procure that insurance through ordinary methods.

(c) A rate for a coverage is unfairly discriminatory in relation to another rate for the same coverage if the differential between the rates is not reasonably justified by differences in losses, expenses, or both, or by differences in the uncertainty of loss, for the individuals or risks to which the rates apply. A reasonable justification shall be supported by a reasonable classification system; by sound actuarial principles when applicable; and by actual and credible loss and expense statistics or, in the case of new coverages and classifications, by reasonably anticipated loss and expense experience. A rate is not unfairly discriminatory because it reflects differences in expenses for individuals or risks with similar anticipated losses, or because it reflects differences in losses for individuals or risks with similar expenses.

(2) A determination concerning the existence of a reasonable degree of competition with respect to subsection (1)(a) shall take into account a reasonable spectrum of relevant economic tests, including the number of insurers actively engaged in writing the insurance in question, the present availability of such insurance compared to its availability in comparable past periods, the underwriting return of that insurance over a period of time sufficient to assure reliability in relation to the risk associated with that insurance, and

the difficulty encountered by new insurers in entering the market in order to compete for the writing of that insurance.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2110 Development and evaluation of rates; considerations; systems of expense provisions; grouping risks by classifications.**

Sec. 2110. (1) In developing and evaluating rates pursuant to the standards prescribed in section 2109, due consideration shall be given to past and prospective loss experience within and outside this state, to catastrophe hazards, if any; to a reasonable margin for underwriting profit and contingencies; to dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members, or subscribers; to past and prospective expenses, both countrywide and those specially applicable to this state exclusive of assessments under this code; to assessments under this code; to underwriting practice and judgment; and to all other relevant factors within and outside this state.

(2) The systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the requirements of the operating methods of the insurer or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof for which subdivision or combination separate expense provisions are applicable.

(3) Risks may be grouped by classifications for the establishment of rates and minimum premiums. The classifications may measure differences in losses, expenses, or both.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Compiler's note:** Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2110a Premium discount plan.**

Sec. 2110a. If uniformly applied to all its insureds, an insurer may establish and maintain a premium discount plan utilizing factors in addition to those permitted by section 2111 for insurance if the plan is consistent with the purposes of this act and reflects reasonably anticipated reductions in losses or expenses. This section does not affect benefits or obligations required under chapter 31. Nothing in this section authorizes an insurer to offer or prohibits an insurer from offering premium discount plans concerning any of the following:

- (a) Health care services, health care providers, or health care facilities.
- (b) Automobile repair providers.
- (c) Materials used in the repair of an automobile.

**History:** Add. 1996, Act 514, Imd. Eff. Jan. 13, 1997.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2110b Use of automobile repair or automobile glass repair or replacement service; unreasonable restriction prohibited; disclosure; notice to consumers; development of plan.**

Sec. 2110b. (1) An automobile insurance policy and an automobile insurer and its employees, agents, and adjusters shall not unreasonably restrict an insured from using a particular person, place, shop, or entity for the providing of any automobile repair or automobile glass repair or replacement service or product covered by the policy.

(2) An automobile insurer shall disclose, prior to or at the time a claim is filed with the insurer, whether the insurer has an agreement with any repair or replacement facility to provide a repair or replacement service or product to an insured and shall inform an insured that he or she is under no obligation to use a particular repair or replacement facility.

(3) The office of financial and insurance services shall develop a plan whereby the office informs consumers of their rights regarding insurance coverage of automobile repairs, that the insurer is not required

to pay more than a reasonable amount for repairs and parts, and of the insured's ability to report violations of their rights to the office of financial and insurance services through the office's toll-free telephone number or website. The plan shall be developed and submitted to the senate and house of representatives standing committees on insurance issues not later than 6 months after the effective date of this section.

**History:** Add. 2004, Act 190, Imd. Eff. July 8, 2004.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2111 Classifications and territorial base rates for automobile insurance or home insurance; conformity with applicable requirements.**

Sec. 2111. (1) Notwithstanding any provision of this act and this chapter to the contrary, classifications and territorial base rates used by any insurer in this state with respect to automobile insurance or home insurance shall conform to the applicable requirements of this section.

(2) Classifications established pursuant to this section for automobile insurance shall be based only upon 1 or more of the following factors, which shall be applied by an insurer on a uniform basis throughout the state:

(a) With respect to all automobile insurance coverages:

(i) Either the age of the driver; the length of driving experience; or the number of years licensed to operate a motor vehicle.

(ii) Driver primacy, based upon the proportionate use of each vehicle insured under the policy by individual drivers insured or to be insured under the policy.

(iii) Average miles driven weekly, annually, or both.

(iv) Type of use, such as business, farm, or pleasure use.

(v) Vehicle characteristics, features, and options, such as engine displacement, ability of vehicle and its equipment to protect passengers from injury and other similar items, including vehicle make and model.

(vi) Daily or weekly commuting mileage.

(vii) Number of cars insured by the insurer or number of licensed operators in the household. However, number of licensed operators shall not be used as an indirect measure of marital status.

(viii) Amount of insurance.

(b) In addition to the factors prescribed in subdivision (a), with respect to personal protection insurance coverage:

(i) Earned income.

(ii) Number of dependents of income earners insured under the policy.

(iii) Coordination of benefits.

(iv) Use of a safety belt.

(c) In addition to the factors prescribed in subdivision (a), with respect to collision and comprehensive coverages:

(i) The anticipated cost of vehicle repairs or replacement, which may be measured by age, price, cost new, or value of the insured automobile, and other factors directly relating to that anticipated cost.

(ii) Vehicle make and model.

(iii) Vehicle design characteristics related to vehicle damageability.

(iv) Vehicle characteristics relating to automobile theft prevention devices.

(d) With respect to all automobile insurance coverage other than comprehensive, successful completion by the individual driver or drivers insured under the policy of an accident prevention education course that meets the following criteria:

(i) The course shall include a minimum of 8 hours of classroom instruction.

(ii) The course shall include, but not be limited to, a review of all of the following:

(A) The effects of aging on driving behavior.

(B) The shapes, colors, and types of road signs.

(C) The effects of alcohol and medication on driving.

(D) The laws relating to the proper use of a motor vehicle.

(E) Accident prevention measures.

(F) The benefits of safety belts and child restraints.

(G) Major driving hazards.

(H) Interaction with other highway users such as motorcyclists, bicyclists, and pedestrians.

(3) Each insurer shall establish a secondary or merit rating plan for automobile insurance, other than comprehensive coverage. A secondary or merit rating plan required under this subsection shall provide for

premium surcharges for any or all coverages for automobile insurance, other than comprehensive coverage, based upon any or all of the following, when that information becomes available to the insurer:

(a) Substantially at-fault accidents.

(b) Convictions for, determinations of responsibility for civil infractions for, or findings of responsibility in probate court for civil infractions for, violations under chapter VI of the Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750. However, beginning 90 days after the effective date of this sentence, an insured shall not be merit rated for a civil infraction under chapter VI of the Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750, for a period of time longer than that which the secretary of state's office carries points for that infraction on the insured's motor vehicle record.

(4) An insurer shall not establish or maintain rates or rating classifications for automobile insurance based upon sex or marital status.

(5) Notwithstanding other provisions of this chapter, automobile insurance risks may be grouped by territory.

(6) This section shall not be construed as limiting insurers or rating organizations from establishing and maintaining statistical reporting territories. This section shall not be construed to prohibit an insurer from establishing or maintaining, for automobile insurance, a premium discount plan for senior citizens in this state who are 65 years of age or older, if the plan is uniformly applied by the insurer throughout this state. If an insurer has not established and maintained a premium discount plan for senior citizens, the insurer shall offer reduced premium rates to senior citizens in this state who are 65 years of age or older and who drive less than 3,000 miles per year, regardless of statistical data.

(7) Classifications established pursuant to this section for home insurance other than inland marine insurance provided by policy floaters or endorsements shall be based only upon 1 or more of the following factors:

(a) Amount and types of coverage.

(b) Security and safety devices, including locks, smoke detectors, and similar, related devices.

(c) Repairable structural defects reasonably related to risk.

(d) Fire protection class.

(e) Construction of structure, based on structure size, building material components, and number of units.

(f) Loss experience of the insured, based upon prior claims attributable to factors under the control of the insured that have been paid by an insurer. An insured's failure, after written notice from the insurer, to correct a physical condition that presents a risk of repeated loss shall be considered a factor under the control of the insured for purposes of this subdivision.

(g) Use of smoking materials within the structure.

(h) Distance of the structure from a fire hydrant.

(i) Availability of law enforcement or crime prevention services.

(8) Notwithstanding other provisions of this chapter, home insurance risks may be grouped by territory.

(9) An insurer may utilize factors in addition to those specified in this section, if the commissioner finds, after a hearing held pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, that the factors would encourage innovation, would encourage insureds to minimize the risks of loss from hazards insured against, and would be consistent with the purposes of this chapter.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;—Am. 1986, Act 10, Imd. Eff. Feb. 28, 1986;—Am. 1987, Act 150, Imd. Eff. Oct. 26, 1987;—Am. 1990, Act 88, Eff. Mar. 28, 1991;—Am. 1991, Act 24, Imd. Eff. May 20, 1991;—Am. 1991, Act 191, Eff. Jan. 1, 1992;—Am. 1996, Act 98, Imd. Eff. Feb. 28, 1996;—Am. 2002, Act 492, Eff. Mar. 31, 2003.

**Compiler's note:** Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994, general election.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2111a Completion of traffic accident prevention course; premium discount to insureds 50 years of age and older; provisions.**

Sec. 2111a. (1) Notwithstanding section 2111, an automobile insurer may offer a premium discount to insureds 50 years of age and older who successfully complete a traffic accident prevention course that an automobile insurer determines meets all of the criteria listed in subsection (3).

(2) An automobile insurer may provide the discount under subsection (1) for 3 years after successful completion of an initial or refresher traffic accident prevention course.

(3) A traffic accident prevention course shall provide for all of the following:

(a) For an initial traffic accident prevention course, includes not less than 8 hours of classroom instruction

taught by an instructor certified by the entity offering the course. For a refresher traffic accident prevention course, includes not less than 4 hours of classroom instruction taught by an instructor certified by the entity offering the course.

(b) Includes, but is not limited to, instruction in all of the following areas:

(i) The effects of aging on driving behavior.

(ii) The shapes, colors, and types of road signs.

(iii) The effects of alcohol and other drugs, including medications, on older drivers.

(iv) Laws relating to the proper use of a motor vehicle and safe driving behavior.

(v) Traffic crash avoidance and prevention measures.

(vi) The benefits and proper use of motor vehicle occupant protection systems.

(vii) Major driving hazards and risk factors associated with traffic crash prevention.

(viii) Interaction with other highway users such as emergency vehicles, trucks, motorcyclists, bicyclists, and pedestrians.

(c) Provides, upon successful completion of the course, a certificate of completion that may be used in applying for an automobile insurance premium discount under subsection (1).

**History:** Add. 2006, Act 610, Imd. Eff. Jan. 3, 2007.

**Compiler's note:** Former MCL 500.2111a, which pertained to automobile insurance package policies within urban area territories, was repealed by Act 191 of 1991, Eff. Apr. 1, 1992.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2111b, 500.2111c Repealed. 1991, Act 191, Eff. Apr. 1, 1992.**

**Compiler's note:** The repealed sections pertained to prohibited territorial base rate and reports.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2111d Home insurance; premium discount plan for senior citizens.**

Sec. 2111d. Notwithstanding section 2111, an insurer may establish or maintain for home insurance a premium discount plan for senior citizens in this state who are at least 55 years of age or older, if the plan is uniformly applied by the insurer throughout this state.

**History:** Add. 1990, Act 131, Imd. Eff. June 26, 1990.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2111e Rates increase prohibited; applicability of section.**

Sec. 2111e. Notwithstanding any other provision of this act, an automobile insurer shall not raise rates for automobile insurance before April 1, 1992. This section shall not apply to rate changes based upon assessments levied against insurers pursuant to section 3104 or 3330.

**History:** Add. 1991, Act 191, Eff. Jan. 1, 1992.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2112 Written notice to policyholder; time; contents.**

Sec. 2112. At least annually, in conjunction with a renewal notice, a bill, or other notice of payment due issued to a policyholder in conjunction with automobile and home insurance contracts, an insurer shall send to each policyholder a written notice of all of the following:

(a) A description of the specific rating classifications by which the rates and premiums for the policy have been determined. The notice shall be of sufficient detail and clarity so that the policyholder can reasonably verify the applicability and accuracy of the rating classifications.

(b) A general explanation of the extent to which rates or premiums vary among insureds on the basis of the rating classifications used by the insurer.

(c) Sources and reasonable procedures by which the individual can obtain from the insurer additional information sufficient for the individual to calculate and confirm the accuracy of his or her specific premium.

(d) Relevant information regarding the rights of an insured, under sections 2113 and 2114, to appeal the application of the insurer's rating plan in determining his or her premium, to obtain documentation from the insurer regarding the determination of the rate, to appeal the application of the insurer's underwriting rules to the person, to request an informal conference with the insurer, and to file with the commissioner a complaint as an aggrieved person.

(e) A description of all of the insurer's underwriting rules based upon insurance eligibility points and a description of all of the underwriting rules of the insurer's affiliates based upon insurance eligibility points.

(f) A suggestion that the insured contact his or her agent to determine if he or she is eligible for insurance from an affiliate of the insurer or under a different rating plan of the insurer which would provide to the insured insurance at a more favorable premium.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2113 Private informal managerial-level conference with insurer; internal procedures; review and determination by commissioner; procedure for determination; hearing matter as contested case.**

Sec. 2113. (1) A person who has reason to believe that an insurer has improperly denied him or her automobile insurance or home insurance or has charged an incorrect premium for that insurance shall be entitled to a private informal managerial-level conference with the insurer and to a review before the commissioner, if the conference fails to resolve the dispute.

(2) An insurer shall establish reasonable internal procedures to provide a person with a private informal managerial-level conference regarding the matters described in subsection (1). These procedures shall include all of the following:

(a) A method of providing the person, upon request and payment of a reasonable copying charge, with information pertinent to the denial of insurance or to the premium charged.

(b) A method for resolving the dispute promptly and informally, while protecting the interests of both the person and the insurer.

(3) If the insurer fails to provide a conference and proposed resolution within 30 days after a request by a person, or if the person disagrees with the proposed resolution of the insurer after completion of the conference, the person shall be entitled to a determination of the matter by the commissioner.

(4) The commissioner shall by rule establish a procedure for determination under this section, which shall be reasonably calculated to resolve these matters informally and as rapidly as possible, while protecting the interests of both the person and the insurer.

(5) If either the insurer or the person disagrees with a determination of the commissioner under this section, the commissioner, if requested to do so by either party, shall proceed to hear the matter as a contested case under Act No. 306 of the Public Acts of 1969, as amended.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2114 Person or organization aggrieved by filing; application for hearing; specification of grounds; notice of hearing; order of commissioner.**

Sec. 2114. (1) A person or organization aggrieved with respect to any filing which is in effect and which affects the person or organization may make written application to the commissioner for a hearing on the filing. However, the insurer or rating organization which made the filing shall not be authorized to proceed under this subsection. The application shall specify the grounds to be relied upon by the applicant. If the commissioner finds that the application is made in good faith, that the applicant would be so aggrieved if the grounds specified are established, or that the grounds specified otherwise justify holding a hearing, the commissioner, not more than 30 days after receipt of the application, shall hold a hearing in accordance with Act No. 306 of the Public Acts of 1969, as amended, upon not less than 10 days' written notice to the applicant, the insurer, and the rating organization which made the filing.

(2) If after hearing initiated under subsection (1) or upon the commissioner's own motion pursuant to Act No. 306 of the Public Acts of 1969, as amended, the commissioner finds that a filing does not meet the requirements of sections 2109 and 2111, the commissioner shall issue an order stating the specific reasons for

that finding. The order shall state when, within a reasonable time after issuance of the order, the filing shall be considered no longer effective. A copy of the order shall be sent to the applicant, if any, and to each insurer and rating organization subject to the order. The order shall not affect a contract or policy made or issued before the date the filing becomes ineffective, as indicated in the commissioner's order.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2115 Finding by commissioner that reasonable degree of competition does not exist on statewide basis; order requiring compliance with chapter 24 or 26; hearing; notice; new order.**

Sec. 2115. (1) If as part of a decision in a proceeding under section 2114, or in a separate proceeding on the commissioner's own motion, held pursuant to Act No. 306 of the Public Acts of 1969, as amended, the commissioner finds that a reasonable degree of competition does not exist on a statewide basis with respect to automobile insurance or home insurance, the commissioner shall by order require each insurer which transacts that type of insurance in this state to comply with the provisions of chapter 24 or 26, as the case may be, with respect to that insurance which was the subject of the commissioner's finding. The order shall take effect not less than 90 nor more than 150 days after the order is issued. On or after the effective date of an order issued under this subsection, none of the provisions of this chapter shall be applicable to the insurance which was the subject of the order.

(2) After an order issued pursuant to subsection (1) has been in effect for 1 year, if the commissioner has reason to believe that there would be a reasonable degree of price competition for the type of insurance affected by the order, or if, upon the petition of an insurer or a resident of this state, there is a showing that there is reason to believe that there would be a reasonable degree of price competition for that type of insurance, the commissioner shall hold a hearing pursuant to Act No. 306 of the Public Acts of 1969, as amended, to determine if a reasonable degree of price competition would exist if the order were no longer in effect. The hearing shall be held upon not less than 20 days' written notice to each insurer subject to the order and upon not less than 20 days' notice in not less than 3 newspapers of general circulation within this state.

(3) If the commissioner finds after the hearing that a reasonable degree of price competition would exist, the commissioner shall by order state when, not less than 90 nor more than 150 days after issuance of a new order, the preceding order will no longer be effective. On and after the effective date of an order issued under this subsection, the provisions of this chapter shall be applicable to the type of insurance which was the subject of the order.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2116 Condition of licensure as insurance agent; penalizing insurance agent.**

Sec. 2116. (1) A duly licensed insurance agent licensed to represent 1 or more insurers shall, as a condition of licensure, do all of the following:

(a) Provide each eligible person seeking automobile insurance or home insurance the lowest available premium quotation for the forms or types of insurance coverages which are offered by the insurers represented by the agent and which are sought by the eligible person.

(b) Inform the eligible person of the number of insurers that he or she represents. If the agent represents additional insurers from which the eligible person may obtain insurance, the agent shall provide additional premium quotations as requested by the eligible person.

(c) Not attempt to channel an eligible person away from an insurer or insurance coverage with the purpose or effect of avoiding an agent's obligation to submit an application or an insurer's obligation to accept an eligible person.

(d) Upon request, submit an application of the eligible person for automobile insurance or home insurance to the insurer selected by the eligible person.

(e) For automobile insurance only, at least annually supply, with the renewal of a policy, to each insured, unless such information has been provided by the insurer, all of the following:

(i) An explanation of the insurance eligibility point system.

(ii) A statement that if the insured is an eligible person he or she may qualify for insurance from more than

1 insurer, and possibly at a lower rate.

(iii) A statement that the agent will, upon request, furnish to the insured a set of quotations from insurers represented by the agent from whom the insured may obtain insurance, as required in this subsection.

(2) With respect to automobile insurance or home insurance, an insurer shall not penalize an individual agent by paying less than normal commissions or normal compensation or salary because of the expected or actual experience produced by the agent's business or because of the geographic location of business written by the agent.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2116a Automobile insurance; person on active duty in United States armed forces; lapse in coverage; prohibited conduct by insurer; conditions.**

Sec. 2116a. An automobile insurer shall not refuse to insure, refuse to continue to insure, limit coverage available to, charge a reinstatement fee for, or increase the premiums for automobile insurance solely because a person failed to maintain insurance required by section 3101 for a vehicle owned by the person during the 6-month period immediately preceding application if the person certifies on a form provided by the insurer that the lapse in coverage was because the person was on active duty in the armed forces of the United States for at least 30 consecutive days and that the vehicle was not driven or moved during the 6-month period immediately preceding application or during the period of time the insurance was not maintained, whichever period is shorter. This section applies only to an eligible person.

**History:** Add. 2007, Act 35, Imd. Eff. July 11, 2007.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2117 Home insurance; condition of maintaining insurer's certificate of authority; basis of underwriting rules; provisions applicable to repair cost policy; rates; aggregation of claims; adjustment of minimum dollar amounts.**

Sec. 2117. (1) As a condition of maintaining its certificate of authority, an insurer shall not refuse to insure, refuse to continue to insure, or limit the coverage available to an eligible person for home insurance, except in accordance with underwriting rules established pursuant to this section and section 2119. An insurer shall not establish underwriting rules for home insurance for contracts providing identical coverages that differ from those of any affiliate of the insurer.

(2) The underwriting rules that an insurer may establish for home insurance shall be based only on the following:

(a) Criteria identical to the standards set forth in section 2103(2).

(b) The physical condition of the property insured or to be insured, provided the underwriting rules are objective, are directly related to the perils insured against, and, without regard to the age of the structure, are based upon the specific provisions of a national, state, or local housing and safety code, a manufacturer's specification, or standards of similar specificity. If an applicant or insured obtains a certificate of compliance or habitation issued by an appropriate governmental unit or agency, certifying that a building is in substantial compliance with local housing and safety codes, the certificate creates a rebuttable presumption that the dwelling meets the insurer's underwriting rules relating to physical condition.

(c) For the renewal of a home insurance policy, the claim history of the person insured or to be insured during the 3-year period immediately preceding renewal of the policy, if that history is based on 1 or both of the following:

(i) Claim experience arising out of an insured's negligence.

(ii) Failure by the insured, after written notice from the insurer, to correct a physical condition that is directly related to a paid claim or that presents a clear risk of a significant loss under the property or liability portions of a homeowners policy.

(d) The relationship between market value and replacement cost of a dwelling insured or to be insured for a replacement cost policy, if a repair cost policy is offered by that insurer pursuant to subsection (3).

(e) For nonrenewal of home insurance policies, the claim history under the policy, excluding liability claims, as follows:

(i) If there has been 1 or more of the following:

(A) Three paid claims within the immediately preceding 3-year period totaling \$3,000.00 or more, exclusive of weather-related claims.

(B) Three paid claims within the immediately preceding 3-year period totaling \$4,000.00 or more, including weather-related claims.

(ii) A history of 3 or more paid claims within an immediately preceding 3-year period if the insurer meets all of the following:

(A) Has an underwriting rule under subparagraph (i) in effect.

(B) The underwriting rule under this subparagraph is for a paid claim history that totals not less than the amount in subparagraph (i)(A) exclusive of weather-related claims and totals not less than the amount in subparagraph (i)(B) including weather-related claims.

(C) The underwriting rule under this subparagraph applies to an insured who has had a home insurance policy with the insurer for a continuous minimum period of time as determined by the insurer that may be any period of time between 5 and 10 years.

(f) The number of residences within the dwelling are inconsistent with the policy forms approved by the commissioner for the insurer.

(g) The unoccupancy of a dwelling for more than 60 days, if there is evidence of an intent to vacate or keep the premises vacant or unoccupied, as to the applicant or insured.

(h) The existence of an adjacent physical hazard, if the hazard presents a significant risk of loss directly related to the perils insured or to be insured against for which a rate surcharge is not applicable. For purposes of this subdivision only, residential property or traffic patterns shall not be considered to cause a significant risk of loss. Nonrenewals based upon an adjacent physical hazard shall be due to a change in the hazard from that which existed at the original date of issuance of the policy.

(i) The failure of the insured or applicant to purchase an amount of insurance in excess of 80% of the replacement cost of the property to be insured under a replacement cost policy, if both of the following conditions are met:

(i) The purchase of an amount of insurance in excess of 80% of the replacement cost is a condition for sale of the policy.

(ii) The insurer offers in this state at least 1 form of a replacement cost policy for which the insurer requires only a minimum amount of insurance equal to 80% of the replacement cost of the dwelling as a condition of purchase.

(j) One or more incidents involving a threat, harassment, or physical assault by the insured or applicant for insurance on an insurer employee, agent, or agent employee while acting within the scope of his or her employment so long as a report of the incident was filed with an appropriate law enforcement agency.

(3) If an insurer establishes an underwriting rule based upon the relationship between the market value and replacement cost pursuant to subsection (2)(d), all the following shall apply as to the repair cost policy:

(a) The insurer shall offer for sale a repair cost policy with deductibles, terms and conditions, perils insured against, and types and amounts of coverage, which are substantially equivalent to the deductibles, terms and conditions, perils insured against, and types and amounts of coverage provided by the replacement cost policy of the insurer at least equivalent to the HO-2 form replacement cost policy filed and in effect in this state for the principal rating organization as of October 1, 1979.

(b) The insurer shall not utilize an underwriting rule based upon the relationship between the market value and replacement cost for the repair cost policy.

(4) The rates of an insurer for a repair cost policy shall be established so that the premium for a repair cost policy shall not exceed 105% of the premium for an amount of insurance equal to 80% of the replacement cost of the dwelling under the equivalent replacement cost policy described in subsection (3)(a). Premiums for dwellings with identical replacement costs shall vary on a schedule determined by the insurer in accordance with the market value of the dwellings.

(5) Off-premises claims may be aggregated for the purposes of subsection (2)(f), irrespective of the location of the insured dwelling. All claims other than off-premises losses utilized in a determination for purposes of subsection (2)(f) shall be aggregated only as to an insured dwelling. The minimum dollar amounts prescribed in subsection (2)(f)(i) shall be adjusted on January 1, 2006, and on January 1 every sixth year thereafter, to reflect the aggregate annual average percentage change in the consumer price index since the previous adjustment, rounded to the nearest hundred dollars. As used in this subsection, "consumer price index" means the consumer price index for all urban consumers in the U.S. city average, as most recently reported by the United States department of labor, bureau of labor statistics, and after certification by the commissioner in an administrative bulletin.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;—Am. 2001, Act 25, Eff. Jan. 1, 2002;

—Am. 2002, Act 492, Eff. Mar. 31, 2003.

**Compiler's note:** In subsection (5), references to “subsection (2)(f)” and “subsection (2)(f)(i)” evidently should be references to “subsection (2)(e)” and “subsection (2)(e)(i),” respectively.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

### **500.2118 Automobile insurance; condition of maintaining insurer's certificate of authority; basis of underwriting rules.**

Sec. 2118. (1) As a condition of maintaining its certificate of authority, an insurer shall not refuse to insure, refuse to continue to insure, or limit coverage available to an eligible person for automobile insurance, except in accordance with underwriting rules established pursuant to this section and sections 2119 and 2120.

(2) The underwriting rules that an insurer may establish for automobile insurance shall be based only on the following:

(a) Criteria identical to the standards set forth in section 2103(1).

(b) The insurance eligibility point accumulation in excess of the amounts established by section 2103(1) of a member of the household of the eligible person insured or to be insured, if the member of the household usually accounts for 10% or more of the use of a vehicle insured or to be insured. For purposes of this subdivision, a person who is the principal driver for 1 automobile insurance policy shall be rebuttably presumed not to usually account for more than 10% of the use of other vehicles of the household not insured under the policy of that person.

(c) With respect to a vehicle insured or to be insured, substantial modifications from the vehicle's original manufactured state for purposes of increasing the speed or acceleration capabilities of the vehicle.

(d) Except as otherwise provided in section 2116a, failure by the person to provide proof that insurance required by section 3101 was maintained in force with respect to any vehicle that was both owned by the person and driven or moved by the person or by a member of the household of the person during the 6-month period immediately preceding application. Such proof shall take the form of a certification by the person on a form provided by the insurer that the vehicle was not driven or moved without maintaining the insurance required by section 3101 during the 6-month period immediately preceding application.

(e) Type of vehicle insured or to be insured, based on 1 of the following, without regard to the age of the vehicle:

(i) The vehicle is of limited production or of custom manufacture.

(ii) The insurer does not have a rate lawfully in effect for the type of vehicle.

(iii) The vehicle represents exposure to extraordinary expense for repair or replacement under comprehensive or collision coverage.

(f) Use of a vehicle insured or to be insured for transportation of passengers for hire, for rental purposes, or for commercial purposes. Rules under this subdivision shall not be based on the use of a vehicle for volunteer or charitable purposes or for which reimbursement for normal operating expenses is received.

(g) Payment of a minimum deposit at the time of application or renewal, not to exceed the smallest deposit required under an extended payment or premium finance plan customarily used by the insurer.

(h) For purposes of requiring comprehensive deductibles of not more than \$150.00, or of refusing to insure if the person refuses to accept a required deductible, the claim experience of the person with respect to comprehensive coverage.

(i) Total abstinence from the consumption of alcoholic beverages except if such beverages are consumed as part of a religious ceremony. However, an insurer shall not utilize an underwriting rule based on this subdivision unless the insurer has been authorized to transact automobile insurance in this state prior to January 1, 1981, and has consistently utilized such an underwriting rule as part of the insurer's automobile insurance underwriting since being authorized to transact automobile insurance in this state.

(j) One or more incidents involving a threat, harassment, or physical assault by the insured or applicant for insurance on an insurer employee, agent, or agent employee while acting within the scope of his or her employment so long as a report of the incident was filed with an appropriate law enforcement agency.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;—Am. 1984, Act 7, Imd. Eff. Feb. 1, 1984;—Am. 1984, Act 350, Eff. Mar. 29, 1985;—Am. 1988, Act 43, Eff. Mar. 30, 1989;—Am. 2002, Act 492, Eff. Mar. 31, 2003;—Am. 2007, Act 35, Imd. Eff. July 11, 2007.

**Compiler's note:** Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994 general election.

**Popular name:** Act 218

**Popular name:** Essential Insurance

Rendered Tuesday, November 10, 2009

Page 14

Michigan Compiled Laws Complete Through PA 139 of 2009

© Legislative Council, State of Michigan

*Courtesy of [www.legislature.mi.gov](http://www.legislature.mi.gov)*

Popular name: No-Fault Insurance

**500.2119 Underwriting rules to be in writing; inconsistent transactions prohibited; uniform application of underwriting rules required; adoption of underwriting rules by affiliated insurer or by insurer with more than 1 rating plan; underwriting rules for new applicants and for renewals; filing and public inspection of underwriting rules; order prohibiting use of inconsistent underwriting rule.**

Sec. 2119. (1) Each insurer subject to this chapter shall put in writing all underwriting rules used by the insurer. An insurer shall not transact automobile or home insurance inconsistently with its underwriting rules.

(2) An insurer shall apply its underwriting rules uniformly and without exception throughout this state, so that every applicant or insured conforming with the underwriting rules will be insured or renewed, and so that every applicant or insured not conforming with the underwriting rules will be refused insurance or nonrenewed, when the information becomes available to the insurer.

(3) Affiliated insurers shall not adopt underwriting rules for automobile insurance contracts providing identical coverages which would permit a person to be insured, for automobile insurance, with more than 1 of the affiliated insurers, unless the affiliated insurers use identical rates and rating plans and have adopted identical underwriting rules in compliance with this section.

(4) An insurer with more than 1 rating plan for automobile insurance contracts providing identical coverages shall not adopt underwriting rules which would permit a person to be insured, for automobile insurance, under more than 1 of the rating plans.

(5) An insurer may establish underwriting rules for new applicants which are different than for renewals of existing insureds only if the applicants or existing insureds are not eligible persons. Underwriting rules pertaining to renewals of existing insureds who are not eligible persons may be based on a contractual obligation of the insurer not to cancel or nonrenew.

(6) For informational purposes, an insurer shall file with the commissioner its underwriting rules prior to their use in this state. All filed underwriting rules shall be available for public inspection. If the commissioner finds that an underwriting rule is inconsistent with the provisions of this chapter, the commissioner, after a hearing held pursuant to Act No. 306 of the Public Acts of 1969, as amended, shall by order prohibit further use of that underwriting rule.

(7) This section shall not prohibit an insurer from insuring persons who are not eligible persons pursuant to underwriting rules established under this section and sections 2117, 2118, and 2120.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2119a Automobile insurance; calculating insurance eligibility points.**

Sec. 2119a. In calculating insurance eligibility points for purposes of determining eligibility for automobile insurance and for purposes of applying underwriting rules, only the highest applicable insurance eligibility point value shall be accumulated for any single occurrence involving more than 1 violation, or for any single occurrence involving 1 or more violations together with 1 substantially at-fault accident determination.

**History:** Add. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2120 Automobile insurance; establishment of underwriting rules by affiliated insurers; applicability of subsection (1); compliance; separate rating plans; applicability of subsection (2); underwriting rules defining applicable rating plan; basis of underwriting rules.**

Sec. 2120. (1) Affiliated insurers may establish underwriting rules so that each affiliate will provide automobile insurance only to certain eligible persons. This subsection shall apply only if an eligible person can obtain automobile insurance from 1 of the affiliates. The underwriting rules shall be in compliance with this section and sections 2118 and 2119.

(2) An insurer may establish separate rating plans so that certain eligible persons are provided automobile insurance under 1 rating plan and other eligible persons are provided automobile insurance under another rating plan. This subsection shall apply only if all eligible persons can obtain automobile insurance under a

rating plan of the insurer. Underwriting rules consistent with this section and sections 2118 and 2119 shall be established to define the rating plan applicable to each eligible person.

(3) Underwriting rules under this section shall be based only on the following:

(a) With respect to a vehicle insured or to be insured, substantial modifications from the vehicle's original manufactured state for purposes of increasing the speed or acceleration capabilities of the vehicle.

(b) Except as otherwise provided in section 2116a, failure of the person to provide proof that insurance required by section 3101 was maintained in force with respect to any vehicle owned and operated by the person or by a member of the household of the person during the 6-month period immediately preceding application or renewal of the policy. Such proof shall take the form of a certification by the person that the required insurance was maintained in force for the 6-month period with respect to such vehicle.

(c) For purposes of insuring persons who have refused a deductible lawfully required under section 2118(2)(h), the claim experience of the person with respect to comprehensive coverage.

(d) Refusal of the person to pay a minimum deposit required under section 2118(2)(g).

(e) A person's insurance eligibility point accumulation under section 2103(1)(h), or the total insurance eligibility point accumulation of all persons who account for 10% or more of the use of 1 or more vehicles insured or to be insured under the policy.

(f) The type of vehicle insured or to be insured as provided in section 2118(2)(e).

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;—Am. 1984, Act 350, Eff. Mar. 29, 1985;—Am. 2007, Act 35, Imd. Eff. July 11, 2007.

**Compiler's note:** Act 143 of 1993, which amended this section, was submitted to the people by referendum petition (as Proposal C) and rejected by a majority of the votes cast at the November 8, 1994 general election.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2121 Home insurance; criteria for selecting dwellings for inspection; inspection program; filing inspection criteria; disapproval of inspection criteria; liability.**

Sec. 2121. (1) If an insurer uses an inspection of a dwelling to determine whether the insured or applicant is an eligible person for home insurance, criteria for selecting dwellings for inspection shall not be based upon any of the following:

(a) Location, whether by political subdivision, census tract, zip code, neighborhood, or area which may be described as a block, set of blocks, or by street coordinates.

(b) The age of the dwelling or the age of its plumbing, heating, electrical, or structural components, or of any other components which form a part of the dwelling.

(c) The market value of a dwelling, unless the value is used as a minimum value above which all dwellings will be inspected.

(d) The amount of insurance, unless the amount is used as a minimum above which all dwellings will be inspected.

(e) Race, color, creed, marital status, sex, national origin, residence, age, disability, or lawful occupation.

(2) If an insurer establishes an inspection program that provides for inspection of a portion of its existing business on a periodic basis, the inspection program shall not be based upon any of the criteria in subsection (1)(a), (c), or (e).

(3) Criteria for selecting dwellings for inspection shall be filed with the commissioner for informational purposes only. The commissioner, after a hearing held pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, shall disapprove the further use of inspection criteria, if the commissioner finds that the criteria are inconsistent with the provisions of this chapter.

(4) There shall be no civil liability, other than contractual liability where applicable, on the part of, and a cause of action of any nature shall not arise against, the commissioner, an insurer, an inspection bureau, or an authorized representative, agent, employee, affiliate of the commissioner, an insurer, or an inspection bureau or any licensed insurance agent, for acts or omissions related solely to the physical condition of the property in an inspection conducted for insurance purposes pursuant to this chapter.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981;—Am. 1998, Act 26, Imd. Eff. Mar. 12, 1998;—Am. 2002, Act 492, Eff. Mar. 31, 2003.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2122 Declination of insurance; explanation of reasons; refusal of application form as declination.**

Sec. 2122. (1) An insurer or agent, upon making a declination of insurance, shall inform the applicant of each specific reason for the declination. If the application or request for coverage was made in writing, the insurer or agent shall provide the explanation of reasons in writing. If the application or request for coverage was made orally, the insurer or agent may provide the applicant with an oral explanation instead of a written explanation, and shall offer to provide a written explanation if the applicant requests a written explanation within 90 days.

(2) A refusal, by an insurer or agent, to provide upon request an application form or other means of making an application or request for coverage shall be considered a declination subject to this section.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2123 Termination of insurance; delivery or mailing of notice; contents of notice; effective date of termination; conformity with underwriting rules; violation of chapter 32 not authorized.**

Sec. 2123. (1) Except as provided in subsection (2) or (3), a termination of insurance shall not be effective unless the insurer, at least 30 days prior to the date of termination, delivers or mails to the named insured at the person's last known address a written notice of the termination. The notice shall state the effective date of termination and each specific reason for the termination.

(2) A notice of termination mailed or delivered within the first 55 days after the initial issuance of a policy may be made effective not less than 20 days after the date of mailing or delivery of the notice.

(3) A notice of termination for nonpayment of premium shall be effective as provided in the policy.

(4) A termination of insurance shall not be effective unless the termination is due to reasons which conform to the underwriting rules of the insurer for that insurance.

(5) This section shall not authorize an insurer to terminate an automobile insurance policy in violation of chapter 32.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2124 Liability for information or statement.**

Sec. 2124. (1) There shall be no civil liability on the part of, and a cause of action of any nature shall not arise against, the commissioner, an insurer, an employee of an insurer, an authorized representative, agent, or employee of the commissioner, or any licensed insurance agent furnishing to an insurer information required pursuant to sections 2122 and 2123 relating to reasons for cancellation, nonrenewal, or declination, for any statement made by them concerning an insured or applicant for insurance.

(2) Subsection (1) shall not apply if a statement made is shown to have been made with gross negligence or in bad faith with malice in fact, and if the statement was made under any of the following circumstances:

(a) In a written notice of cancellation, nonrenewal, or declination, or in any other written or oral communication specifying the reason or reasons for cancellation, nonrenewal, or declination.

(b) In a communication providing information pertaining to a cancellation, nonrenewal, or declination.

(c) As a part of statements made or evidence submitted in a court or administrative proceeding, hearing, or informal inquiry in which the cancellation, nonrenewal, or declination to which the statement relates is an issue.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

**500.2125 Suspension of insurer's obligation under MCL 500.2117 or 500.2118; hearing; duration of suspension.**

Sec. 2125. (1) After providing an opportunity for a hearing under Act No. 306 of the Public Acts of 1969, as amended, the commissioner shall suspend an insurer's obligations under section 2117, 2118, or both, if any

of the following occurs:

(a) A condition exists for which the commissioner may suspend, revoke, or limit the authority of the insurer pursuant to section 436, and the commissioner determines that suspension of all or a part of the insurer's obligations would be in the best interests of the public, the insurer, and the policyholders of the insurer.

(b) The insurer requests suspension and the commissioner finds that requiring the insurer to comply with section 2117, 2118, or both would cause the insurer undue financial or administrative hardship.

(2) If an insurer requests suspension and avers that there is an immediate need to cease its compliance with section 2117, 2118, or both, because of undue financial or administrative hardship under subsection (1)(b), the insurer's obligation to comply with section 2117, 2118, or both shall be suspended 10 business days after the insurer has filed the request and supporting documentation with the commissioner, unless within that time, the commissioner holds a hearing and finds that undue hardship under subsection (1)(b) will not be caused by continued compliance.

(3) The suspension provided in subsection (1) shall continue until the commissioner, upon the commissioner's own motion or upon request, after providing opportunity for a hearing under Act No. 306 of the Public Acts of 1969, as amended, orders its revocation.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2126 Suspension of acceptance of applications; filing and contents of notice; disapproval.**

Sec. 2126. An insurer may at any time suspend its acceptance of all applications from new automobile or home insurance risks by filing a notice with the commissioner. The notice shall specify the period of the suspension and the method by which the insurer proposes to effect the suspension. A suspension is subject to the disapproval of the commissioner if, after a hearing held pursuant to Act No. 306 of the Public Acts of 1969, as amended, the commissioner finds that the suspension does not have a legitimate business purpose which is consistent with the purposes of this chapter or that the suspension would adversely affect the maintenance of a competitive market.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2127 Collecting and reporting data; rule; use of sampling techniques.**

Sec. 2127. The commissioner may by rule prospectively require insurers, rating organizations, and advisory organizations to collect and report data only to the extent necessary to monitor and evaluate the automobile and home insurance markets in this state. The commissioner shall authorize the use of sampling techniques in each instance where sampling is practicable and consistent with the purposes for which the data are to be collected and reported.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2128 Repealed. 1986, Act 10, Imd. Eff. Feb. 28, 1986.**

**Compiler's note:** The repealed section pertained to development of sales offices to assure access to competitive insurance markets.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2129 Exemption from chapter; request; form; continuation of exemption; filing annual reporting form; order discontinuing exemption; requalification for exemption prohibited; ineligible insurers.**

Sec. 2129. (1) Each insurer whose surplus as concerns policyholders as of December 31, 1979 as shown on the annual financial statement filed with the commissioner was \$4,000,000.00 or less shall be exempt from

the provisions of this chapter, if the insurer files with the commissioner a written request for such an exemption on or before January 1, 1981 on a form provided by the commissioner.

(2) The exemption granted under this section shall continue indefinitely with respect to an insurer initially qualifying, so long as that insurer experiences no disproportionate growth in premium volume in automobile insurance or home insurance, or changes in the insurer's pattern, location, or contours of that insurance business which indicate that the insurer is utilizing its exemption to take unfair competitive advantage of competing insurers who do not enjoy the benefits of the exemption.

(3) The commissioner shall provide each insurer with a reporting form which shall be filed annually with the commissioner by which the commissioner can monitor each insurer's continued compliance with the standards of business conduct required for the continuation of the exemption.

(4) If the commissioner finds after a hearing held pursuant to Act No. 306 of the Public Acts of 1969, as amended, that an insurer no longer qualifies for the exemption granted under this section, the commissioner shall issue an order to that effect. Beginning 6 months after the date of an order issued under this subsection, the insurer shall be fully subject to all the provisions of this chapter and shall not be permitted to requalify for an exemption under this section.

(5) An exemption under this section shall not be granted to any insurer that directly, or indirectly through 1 or more intermediaries, controls, or is controlled by, or is under common control with the insurer specified whose surplus as concerns policyholders is in excess of the amount stated in subsection (1).

(6) An insurer admitted to do business in this state after January 1, 1981 shall not be eligible to qualify for the exemption granted under this section.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2130 Rules requiring exchange of insurance claim information; liability.**

Sec. 2130. (1) The commissioner shall promulgate rules requiring insurers to exchange automobile and home insurance claim information necessary to effectuate compliance with this chapter.

(2) There shall be no civil liability on the part of, and a cause of action of any nature shall not arise against, the commissioner, an insurer, or an authorized representative, agent, employee, or affiliate of the commissioner or an insurer, for acts or omissions, other than acts made with gross negligence or in bad faith with malice in fact, related to the exchange of claim information.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1981;—Am. 1980, Act 461, Imd. Eff. Jan. 15, 1981.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2131 Effective date of MCL 500.2101 to 500.2105, 500.2107, and 500.2131; effective date of chapter generally.**

Sec. 2131. Sections 2101 to 2105, 2107, and this section shall take effect January 1, 1980. The balance of this chapter shall take effect January 1, 1981.

**History:** Add. 1979, Act 145, Eff. Jan. 1, 1980.

**Popular name:** Act 218

**Popular name:** Essential Insurance

**Popular name:** No-Fault Insurance

#### **500.2134-500.2138 Repealed. 1991, Act 191, Eff. Apr. 1, 1992.**

**Compiler's note:** The repealed sections pertained to requirements for an insurer transacting automobile insurance in state, verification of existence of automobile, and filing report of theft as condition to claim payment.

**Popular name:** Act 218