

Legislative Analysis



AUTOMOBILE INSURANCE: PROHIBIT TERRITORIAL RATING

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House Bill 4074

Sponsor: Rep. Bert Johnson

Committee: Insurance

Complete to 3-12-07

A SUMMARY OF HOUSE BILL 4074 AS INTRODUCED 1-22-07

The bill would amend the Insurance Code to prohibit automobile insurance companies from grouping customers ("risks") by territory.

[Currently, Section 2111 of the Insurance Code says that "automobile insurance risks may be grouped by territory." The bill would instead make the section say, "automobile insurance risks shall not be grouped by territory."

Section 2111 of the Insurance Code specifies how auto insurers are allowed classify customers in setting rates. Typically one of the factors that determines how much drivers pay for auto insurance is their place of residence or where they garage their cars. Auto insurers divide the state into geographical territories and charge premiums based in part on the anticipated losses and costs in each territory. The current provision on territories was added to the Insurance Code by Public Act 98 of 1996. For several years prior to that, the number of territories had been limited to 20 and there were restrictions on the difference between the highest and lowest territory and on the difference between adjacent territories.]

MCL 500.2111

FISCAL IMPACT:

There is no fiscal impact on the State of Michigan or its local units of government.

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