



HOUSE BILL No. 5177

September 28, 1995, Introduced by Reps. Law, Ryan, Perricone, Whyman, Weeks, Bullard, Dolan, Olshove, Bankes, Palamara, Voorhees, London, Hill and Llewellyn and referred to the Committee on Insurance.

A bill to amend section 2111 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended by Act No. 191 of the Public Acts of 1991, being section 500.2111 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 2111 of Act No. 218 of the Public Acts
2 of 1956, as amended by Act No. 191 of the Public Acts of 1991,
3 being section 500.2111 of the Michigan Compiled Laws, is amended
4 to read as follows:

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

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

5 (a) With respect to all automobile insurance coverages:

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

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

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

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

14 (v) Vehicle characteristics, features, and options, such as
15 engine displacement, ability of vehicle and its equipment to pro-
16 tect passengers from injury and other similar items, including
17 vehicle make and model.

18 (vi) Daily or weekly commuting mileage.

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

23 (viii) Amount of insurance.

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

26 (i) Earned income.

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

3 (iii) Coordination of benefits.

4 (iv) Use of a safety belt.

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

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

11 (ii) Vehicle make and model.

12 (iii) Vehicle design characteristics related to vehicle
13 damageability.

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

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

20 (i) The course shall include a minimum of 8 hours of class-
21 room instruction.

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

24 (A) The effects of aging on driving behavior.

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

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

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

2 (E) Accident prevention measures.

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

4 (G) Major driving hazards.

5 (H) Interaction with other highway users such as motorcy-
6 clists, bicyclists, and pedestrians.

7 ~~(3) Each insurer shall establish and maintain premium dis-~~
8 ~~count plans pursuant to the following:~~

9 ~~(a) Until April 1, 1992, an automobile theft prevention pre-~~
10 ~~mium discount plan. A premium discount plan required under this~~
11 ~~subdivision shall provide for a premium discount for automobile~~
12 ~~comprehensive coverage based upon the installation of an approved~~
13 ~~automobile theft prevention device. As used in this subdivision,~~
14 ~~"approved automobile theft prevention device" means a device that~~
15 ~~is designed to prevent the theft of an insured's automobile and~~
16 ~~that is approved by the board of directors of the automobile~~
17 ~~theft prevention authority.~~

18 ~~(b) Until April 1, 1992, an automobile safety belt premium~~
19 ~~discount plan. A premium discount plan required under this sub-~~
20 ~~division shall provide for a premium discount for automobile per-~~
21 ~~sonal protection insurance of not less than 20%. A premium dis-~~
22 ~~count plan established under this subdivision may require the~~
23 ~~insured individual to certify in writing that he or she will wear~~
24 ~~a safety belt while operating the insured motor vehicle in com-~~
25 ~~pliance with section 710e of the Michigan vehicle code, Act~~
26 ~~No. 300 of the Public Acts of 1949, being section 257.710e of the~~
27 ~~Michigan Compiled Laws, as a condition to receiving the premium~~

1 ~~discount. If an insured receives a premium discount after~~
2 ~~providing such certification and is injured while operating a~~
3 ~~motor vehicle without wearing a safety belt at the time of the~~
4 ~~injury, an insurer may subsequently deny to the insured the right~~
5 ~~to participate in any premium discount plan established by the~~
6 ~~insurer pursuant to this subdivision for a period of 12 months.~~
7 ~~An insurer that reduces its personal protection insurance rates~~
8 ~~after December 1, 1985 by not less than 20% and does not increase~~
9 ~~those rates for a period of 12 months shall be considered to be~~
10 ~~in compliance with this subdivision.~~

11 (3) ~~(4)~~ Each insurer shall establish a secondary or merit
12 rating plan for automobile insurance, other than comprehensive
13 coverage. A secondary or merit rating plan required under this
14 subsection shall provide for premium surcharges for any or all
15 coverages for automobile insurance, other than comprehensive cov-
16 erage, based upon any or all of the following, when that informa-
17 tion becomes available to the insurer:

18 (a) Substantially at-fault accidents.

19 (b) Convictions for, determinations of responsibility for
20 civil infractions for, or findings of responsibility in probate
21 court for civil infractions for, violations under chapter VI of
22 ~~the Michigan vehicle code,~~ Act No. 300 of the Public Acts of
23 1949, ~~as amended,~~ being sections 257.601 to 257.750 of the
24 Michigan Compiled Laws.

25 (4) ~~(5)~~ An insurer shall not establish or maintain rates
26 or rating classifications for automobile insurance based upon sex
27 or marital status.

1 (5) ~~-(6)-~~ Notwithstanding other provisions of this chapter,
2 automobile insurance risks ~~shall~~ MAY be grouped by territory.
3 ~~, and territorial base rates for coverages shall be established~~
4 ~~as provided in section 2111a and as follows:~~

5 ~~(a) An insurer shall not be limited as to the number of ter-~~
6 ~~ritories employed in its rating plan.~~

7 ~~(b) Except during the period of time from February 28, 1986~~
8 ~~to April 1, 1992, an insurer shall not employ more than 20 dif-~~
9 ~~ferent territorial base rates for an automobile insurance~~
10 ~~coverage.~~

11 ~~(c) A territorial base rate may be made applicable in 1 or~~
12 ~~more territories contained in the rating plan of the insurer.~~

13 ~~(d) Except during the period of time from February 28, 1986~~
14 ~~to April 1, 1992, an insurer shall not employ a territorial base~~
15 ~~rate for an automobile insurance package policy that is less than~~
16 ~~45% of the highest territorial base rate for the same policy, all~~
17 ~~other rating classifications being the same.~~

18 ~~(e) Except during the period of time from February 28, 1986~~
19 ~~to April 1, 1992, an insurer shall not employ a territorial base~~
20 ~~rate in a territory for an automobile insurance package policy~~
21 ~~that is less than 90% of the territorial base rate employed in~~
22 ~~any adjacent territory for the same policy, all other rating~~
23 ~~classifications being the same.~~

24 ~~(7) Except during the period of time from February 28, 1986~~
25 ~~to April 1, 1992, an insurer may elect at any time to exempt~~
26 ~~itself from the requirements of subsection (6) by filing for an~~
27 ~~exemption with the commissioner. An insurer electing this~~

~~1 exemption shall initially file a rating plan in which no
2 territorial base rate for an automobile insurance package policy
3 is less than 45% of the highest territorial base rate for the
4 same policy, all other rating classifications being the same.
5 Five years from the date of the initial filing the insurer shall
6 be prohibited from using a rating plan in which any territorial
7 base rate for an automobile insurance package policy will be less
8 than 67% of the highest territorial base rate for that same
9 policy, all other rating classifications being the same. An
10 insurer's election of an exemption under this subsection is per-
11 manent, final, and not subject to change.~~

~~12 (8) Except during the period of time from February 28, 1986
13 to April 1, 1992, if an insurer can demonstrate to the commis-
14 sioner, after an opportunity for an evidentiary hearing held pur-
15 suant to the administrative procedures act of 1969, Act No. 306
16 of the Public Acts of 1969, as amended, being sections 24.201 to
17 24.328 of the Michigan Compiled Laws, that clear and significant
18 financial impairment exists in the geographic territory or terri-
19 tories in question because of the need for an additional territo-
20 rial base rate, or for a greater variance in the adjacent geo-
21 graphic territory differential contained in subsection (6)(e),
22 the additional territorial base rate, a greater variance, or
23 both, shall be permitted for use by the insurer or a licensed
24 rating organization on behalf of that insurer, at such time as
25 the need exists. Evidence shall not include financial impairment
26 resulting from exemptions granted to other insurers.~~

1 ~~(9) Except during the period of time from February 28, 1986~~
2 ~~to April 1, 1992, if the commissioner finds, solely on the~~
3 ~~evidence presented, that a greater variance in the adjacent geo-~~
4 ~~graphic territory differential than that authorized under subsec-~~
5 ~~tion (6)(e) is justified, the increase in variance shall not~~
6 ~~exceed 100% of that authorized under that subsection. Except~~
7 ~~during the period of time from February 28, 1986 to April 1,~~
8 ~~1992, if an increase in variance in the adjacent geographic ter-~~
9 ~~ritory differential greater than 100% of that authorized under~~
10 ~~subsection (6)(e) is justified, the commissioner shall require~~
11 ~~the creation of an additional territorial base rate.~~

12 ~~(10) Except during the period of time from February 28, 1986~~
13 ~~to April 1, 1992, an exemption granted under subsections (8) and~~
14 ~~(9) shall be applicable only to the geographic territory or ter-~~
15 ~~ritories in question, and only to the insurer requesting the~~
16 ~~exemption.~~

17 ~~(11) Except during the period of time from February 28, 1986~~
18 ~~to April 1, 1992, an insurer shall not have more than 5 exemp-~~
19 ~~tions in force at any 1 time. For purposes of determining the~~
20 ~~number of existing exemptions, each additional territorial base~~
21 ~~rate or each increase in variance in the adjacent geographic ter-~~
22 ~~ritory differential granted, shall be considered to be a separate~~
23 ~~exemption.~~

24 (6) ~~(12)~~ This section shall not be construed as limiting
25 insurers or rating organizations from establishing and maintain-
26 ing statistical reporting territories. This section shall not be
27 construed to prohibit an insurer from establishing or

1 maintaining, for automobile insurance, a premium discount plan
2 for senior citizens in this state who are 65 years of age or
3 older, if the plan is uniformly applied by the insurer throughout
4 this state. If an insurer has not established and maintained
5 ~~such~~ a premium discount plan for senior citizens, the insurer
6 shall offer reduced premium rates to senior citizens in this
7 state who are 65 years of age or older and who drive less than
8 3,000 miles per year, regardless of statistical data.

9 (7) ~~(13)~~ Classifications established pursuant to this sec-
10 tion for home insurance other than inland marine insurance pro-
11 vided by policy floaters or endorsements shall be based only upon
12 1 or more of the following factors:

13 (a) Amount and types of coverage.

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

16 (c) Repairable structural defects reasonably related to
17 risk.

18 (d) Fire protection class.

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

21 (f) Loss experience of the insured, based upon prior claims
22 attributable to factors under the control of the insured that
23 have been paid by an insurer.

24 (g) Use of smoking materials within the structure.

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

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

1 (8) ~~(+4)~~ Notwithstanding other provisions of this chapter,
2 home insurance risks shall be grouped by territory, and territo-
3 rial base rates for coverages shall be established as follows:

4 (a) An insurer shall not be limited as to the number of ter-
5 ritories employed in its rating plan. However, an insurer shall
6 not employ more than 3 different territorial base rates for a
7 home insurance coverage. A territorial base rate may be made
8 applicable in 1 or more territories contained in the rating plan
9 of the insurer.

10 (b) An insurer shall not employ a territorial base rate for
11 home insurance for owner-occupied dwelling policies that is less
12 than 70% of the highest territorial base rate for the same
13 policy, all other rating classifications being the same.

14 (c) An insurer shall not employ a territorial base rate for
15 home insurance for renter or tenant policies that is less than
16 65% of the highest territorial base rate for the same policy, all
17 other rating classifications being the same.

18 (9) ~~(+5)~~ An insurer may utilize factors in addition to
19 those specified in this section, if the commissioner finds, after
20 a hearing held pursuant to the administrative procedures act of
21 1969, Act No. 306 of the Public Acts of 1969, ~~as amended,~~
22 being sections 24.201 to 24.328 of the Michigan Compiled Laws,
23 that the factors would encourage innovation, would encourage
24 insureds to minimize the risks of loss from hazards insured
25 against, and would be consistent with the purposes of this
26 chapter.