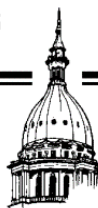




Senate Fiscal Agency
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BILL



ANALYSIS

Telephone: (517) 373-5383
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Senate Bill 1305 (as enacted)
Sponsor: Senator Joe Hune
Senate Committee: Insurance
House Committee: Insurance

PUBLIC ACT 441 of 2012

Date Completed: 5-31-13

CONTENT

The bill amended the Insurance Code to do the following:

- **Allow an automobile or home insurer to use factors other than those prescribed in the Code to set premiums, if certain conditions are met.**
- **Delete a provision that required a hearing before an insurer could use additional factors.**
- **Eliminate a provision that prohibited an insurer from establishing underwriting rules for home insurance for identical coverage that differed from those of the insurer's affiliates.**
- **Delete a provision prohibiting a home insurer from using a dwelling's location, age, market value, or amount of insurance as the basis for selecting a dwelling for inspection to determine eligibility of an insured or applicant.**
- **Eliminate a provision prohibiting affiliated insurers from adopting underwriting rules for automobile insurance contracts providing identical coverage that would permit a person to be insured with more than one of the affiliated insurers.**

insurance. Classifications for auto insurance and home insurance may be based only on factors prescribed in the Code. The bill permits an insurer to use other factors, if the plan is consistent with the Code's purposes and reflects reasonably anticipated reductions or increases in an individual insured's losses or expenses.

Previously, an insurer could use additional factors if the Commissioner of the Office of Financial and Insurance Regulation found after a hearing that they would encourage innovation, would encourage insureds to minimize the risks of loss from hazards insured against, and would be consistent with the purposes of Chapter 21. The bill deleted this provision.

Previously, an insurer could use other factors, subject to the same conditions, in establishing and maintaining a premium discount plan, if the plan was consistent with the purposes of the Code and reflected reasonably anticipated reductions in losses or expenses. Under the bill, this is not limited to such a plan. The bill also refers to anticipated increases in losses or expenses, in addition to reductions.

Home Insurance

The bill took effect on December 27, 2012.

**Automobile & Home Insurance:
Classifications**

Chapter 21 of the Code allows an insurer to use classifications and territorial base rates with respect to automobile and home

Under the Code, as a condition of maintaining its certificate of authority, an insurer may 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 established underwriting standards.

Previously, an insurer could not establish underwriting rules for home insurance for contracts providing identical coverage that differed from those of the insurer's affiliates. The bill deleted this prohibition.

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 may not be based on race, color, creed, marital status, sex, national origin, residence, age disability, or lawful occupation. The bill retained this prohibition, but eliminated a prohibition against using any of the following:

- Location, whether by political subdivision, census tract, zip code, neighborhood, or area that may be described as a block, set of blocks, or by street coordinates.
- The age of the dwelling or of its plumbing, heating, electrical, or structural components, or of any other components that form a part of the dwelling.
- The dwelling's market value or the amount of insurance, unless the value or amount is used as a minimum above which all dwellings will be inspected.

Automobile Insurance

The Code previously prohibited affiliated insurers from adopting underwriting rules for automobile insurance contracts providing identical coverage that would permit a person to be insured with more than one of the affiliated insurers, unless the insurers used identical rates and rating plans and had adopted identical underwriting rules. The bill deleted this provision.

MCL 500.2110a et al.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.