

SENATE BILL No. 514

June 22, 2011, Introduced by Senators SMITH and HUNE and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 3104, 3107, 3114, and 3115 (MCL 500.3104,
500.3107, 500.3114, and 500.3115), section 3104 as amended by 2002
PA 662, section 3107 as amended by 1991 PA 191, and section 3114 as
amended by 2002 PA 38, and by adding chapter 32A.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3104. (1) An unincorporated, nonprofit association to be
2 known as the catastrophic claims association, hereinafter referred
3 to as the association, is created. Each insurer engaged in writing
4 insurance coverages that provide the security required by section
5 3101(1) within this state, as a condition of its authority to
6 transact insurance in this state, shall be a member of the
7 association and ~~shall be~~ **IS** bound by the plan of operation of the

1 association. Each insurer engaged in writing insurance coverages
2 that provide the security required by section 3103(1) within this
3 state, as a condition of its authority to transact insurance in
4 this state, shall be considered a member of the association, but
5 only for purposes of premiums under subsection (7)(d). Except as
6 expressly provided in this section, the association is not subject
7 to any laws of this state with respect to insurers, but in all
8 other respects the association is subject to the laws of this state
9 to the extent that the association would be if it were an insurer
10 organized and subsisting under chapter 50.

11 (2) The association shall provide and each member shall accept
12 indemnification for 100% of the amount of ultimate loss sustained
13 under personal protection insurance coverages in excess of the
14 following amounts in each loss occurrence:

15 (a) For a motor vehicle accident policy issued or renewed
16 before July 1, 2002, \$250,000.00.

17 (b) For a motor vehicle accident policy issued or renewed
18 during the period July 1, 2002 to June 30, 2003, \$300,000.00.

19 (c) For a motor vehicle accident policy issued or renewed
20 during the period July 1, 2003 to June 30, 2004, \$325,000.00.

21 (d) For a motor vehicle accident policy issued or renewed
22 during the period July 1, 2004 to June 30, 2005, \$350,000.00.

23 (e) For a motor vehicle accident policy issued or renewed
24 during the period July 1, 2005 to June 30, 2006, \$375,000.00.

25 (f) For a motor vehicle accident policy issued or renewed
26 during the period July 1, 2006 to June 30, 2007, \$400,000.00.

27 (g) For a motor vehicle accident policy issued or renewed

1 during the period July 1, 2007 to June 30, 2008, \$420,000.00.

2 (h) For a motor vehicle accident policy issued or renewed
3 during the period July 1, 2008 to June 30, 2009, \$440,000.00.

4 (i) For a motor vehicle accident policy issued or renewed
5 during the period July 1, 2009 to June 30, 2010, \$460,000.00.

6 (j) For a motor vehicle accident policy issued or renewed
7 during the period July 1, 2010 to June 30, 2011, \$480,000.00.

8 (k) For a motor vehicle accident policy issued or renewed
9 during the period July 1, 2011 to June 30, 2013, \$500,000.00.

10 Beginning July 1, 2013, this \$500,000.00 amount shall be increased
11 biennially on July 1 of each odd-numbered year, for policies issued
12 or renewed before July 1 of the following odd-numbered year, by the
13 lesser of 6% or the consumer price index, and rounded to the
14 nearest \$5,000.00. This biennial adjustment shall be calculated by
15 the association by January 1 of the year of its July 1 effective
16 date.

17 (3) An insurer may withdraw from the association only upon
18 ceasing to write insurance that provides the security required by
19 section 3101(1) in this state.

20 (4) An insurer whose membership in the association has been
21 terminated by withdrawal shall continue to be bound by the plan of
22 operation, and upon withdrawal, all unpaid premiums that have been
23 charged to the withdrawing member are payable as of the effective
24 date of the withdrawal.

25 (5) An unsatisfied net liability to the association of an
26 insolvent member shall be assumed by and apportioned among the
27 remaining members of the association as provided in the plan of

1 operation. The association has all rights allowed by law on behalf
2 of the remaining members against the estate or funds of the
3 insolvent member for sums due the association.

4 (6) If a member has been merged or consolidated into another
5 insurer or another insurer has reinsured a member's entire business
6 that provides the security required by section 3101(1) in this
7 state, the member and successors in interest of the member remain
8 liable for the member's obligations.

9 (7) The association shall do all of the following on behalf of
10 the members of the association:

11 (a) Assume 100% of all liability as provided in subsection
12 (2).

13 (b) Establish procedures by which members shall promptly
14 report to the association each claim that, on the basis of the
15 injuries or damages sustained, may reasonably be anticipated to
16 involve the association if the member is ultimately held legally
17 liable for the injuries or damages. Solely for the purpose of
18 reporting claims, the member shall in all instances consider itself
19 legally liable for the injuries or damages. The member shall also
20 advise the association of subsequent developments likely to
21 materially affect the interest of the association in the claim.

22 (c) Maintain relevant loss and expense data relative to all
23 liabilities of the association and require each member to furnish
24 statistics, in connection with liabilities of the association, at
25 the times and in the form and detail as may be required by the plan
26 of operation.

27 (d) In a manner provided for in the plan of operation,

1 calculate and charge to members of the association a total premium
2 sufficient to cover the expected losses and expenses of the
3 association that the association will likely incur during the
4 period for which the premium is applicable. The premium shall
5 include an amount to cover incurred but not reported losses for the
6 period and may be adjusted for any excess or deficient premiums
7 from previous periods. Excesses or deficiencies from previous
8 periods may be fully adjusted in a single period or may be adjusted
9 over several periods in a manner provided for in the plan of
10 operation. Each member shall be charged an amount equal to that
11 member's total written car years of insurance providing the
12 security required by section 3101(1) or 3103(1), or both, written
13 in this state during the period to which the premium applies,
14 multiplied by the average premium per car. The average premium per
15 car shall be the total premium calculated divided by the total
16 written car years of insurance providing the security required by
17 section 3101(1) or 3103(1) written in this state of all members
18 during the period to which the premium applies. A member shall be
19 charged a premium for a historic vehicle that is insured with the
20 member of 20% of the premium charged for a car insured with the
21 member. **A MEMBER SHALL NOT BE CHARGED A PREMIUM FOR A CAR INSURED**
22 **WITH A MEMBER UNDER THE LOW-COST INSURANCE PILOT PROGRAM UNDER**
23 **CHAPTER 32A.** As used in this subdivision:

24 (i) "Car" includes a motorcycle but does not include a historic
25 vehicle.

26 (ii) "Historic vehicle" means a vehicle that is a registered
27 historic vehicle under section 803a or 803p of the Michigan vehicle

1 code, 1949 PA 300, MCL 257.803a and 257.803p.

2 (e) Require and accept the payment of premiums from members of
3 the association as provided for in the plan of operation. The
4 association shall do either of the following:

5 (i) Require payment of the premium in full within 45 days after
6 the premium charge.

7 (ii) Require payment of the premiums to be made periodically to
8 cover the actual cash obligations of the association.

9 (f) Receive and distribute all sums required by the operation
10 of the association.

11 (g) Establish procedures for reviewing claims procedures and
12 practices of members of the association. If the claims procedures
13 or practices of a member are considered inadequate to properly
14 service the liabilities of the association, the association may
15 undertake or may contract with another person, including another
16 member, to adjust or assist in the adjustment of claims for the
17 member on claims that create a potential liability to the
18 association and may charge the cost of the adjustment to the
19 member.

20 (8) In addition to other powers granted to it by this section,
21 the association may do all of the following:

22 (a) Sue and be sued in the name of the association. A judgment
23 against the association shall not create any direct liability
24 against the individual members of the association. The association
25 may provide for the indemnification of its members, members of the
26 board of directors of the association, and officers, employees, and
27 other persons lawfully acting on behalf of the association.

1 (b) Reinsure all or any portion of its potential liability
2 with reinsurers licensed to transact insurance in this state or
3 approved by the commissioner.

4 (c) Provide for appropriate housing, equipment, and personnel
5 as may be necessary to assure the efficient operation of the
6 association.

7 (d) Pursuant to the plan of operation, adopt reasonable rules
8 for the administration of the association, enforce those rules, and
9 delegate authority, as the board considers necessary to assure the
10 proper administration and operation of the association consistent
11 with the plan of operation.

12 (e) Contract for goods and services, including independent
13 claims management, actuarial, investment, and legal services, from
14 others within or without this state to assure the efficient
15 operation of the association.

16 (f) Hear and determine complaints of a company or other
17 interested party concerning the operation of the association.

18 (g) Perform other acts not specifically enumerated in this
19 section that are necessary or proper to accomplish the purposes of
20 the association and that are not inconsistent with this section or
21 the plan of operation.

22 (9) A board of directors is created, hereinafter referred to
23 as the board, which ~~shall be~~ **IS** responsible for the operation of
24 the association consistent with the plan of operation and this
25 section.

26 (10) The plan of operation shall provide for all of the
27 following:

1 (a) The establishment of necessary facilities.

2 (b) The management and operation of the association.

3 (c) Procedures to be utilized in charging premiums, including
4 adjustments from excess or deficient premiums from prior periods.

5 (d) Procedures governing the actual payment of premiums to the
6 association.

7 (e) Reimbursement of each member of the board by the
8 association for actual and necessary expenses incurred on
9 association business.

10 (f) The investment policy of the association.

11 (g) Any other matters required by or necessary to effectively
12 implement this section.

13 (11) Each board shall include members that would contribute a
14 total of not less than 40% of the total premium calculated pursuant
15 to subsection (7)(d). Each director shall be entitled to 1 vote.
16 The initial term of office of a director shall be 2 years.

17 (12) As part of the plan of operation, the board shall adopt
18 rules providing for the composition and term of successor boards to
19 the initial board, consistent with the membership composition
20 requirements in subsections (11) and (13). Terms of the directors
21 shall be staggered so that the terms of all the directors do not
22 expire at the same time and so that a director does not serve a
23 term of more than 4 years.

24 (13) The board shall consist of 5 directors, and the
25 commissioner shall be an ex officio member of the board without
26 vote.

27 (14) Each director shall be appointed by the commissioner and

1 shall serve until that member's successor is selected and
2 qualified. The chairperson of the board shall be elected by the
3 board. A vacancy on the board shall be filled by the commissioner
4 consistent with the plan of operation.

5 (15) After the board is appointed, the board shall meet as
6 often as the chairperson, the commissioner, or the plan of
7 operation shall require, or at the request of any 3 members of the
8 board. The chairperson shall retain the right to vote on all
9 issues. Four members of the board constitute a quorum.

10 (16) An annual report of the operations of the association in
11 a form and detail as may be determined by the board shall be
12 furnished to each member.

13 (17) Not more than 60 days after the initial organizational
14 meeting of the board, the board shall submit to the commissioner
15 for approval a proposed plan of operation consistent with the
16 objectives and provisions of this section, which shall provide for
17 the economical, fair, and nondiscriminatory administration of the
18 association and for the prompt and efficient provision of
19 indemnity. If a plan is not submitted within this 60-day period,
20 then the commissioner, after consultation with the board, shall
21 formulate and place into effect a plan consistent with this
22 section.

23 (18) The plan of operation, unless approved sooner in writing,
24 shall be considered to meet the requirements of this section if it
25 is not disapproved by written order of the commissioner within 30
26 days after the date of its submission. Before disapproval of all or
27 any part of the proposed plan of operation, the commissioner shall

1 notify the board in what respect the plan of operation fails to
2 meet the requirements and objectives of this section. If the board
3 fails to submit a revised plan of operation that meets the
4 requirements and objectives of this section within the 30-day
5 period, the commissioner shall enter an order accordingly and shall
6 immediately formulate and place into effect a plan consistent with
7 the requirements and objectives of this section.

8 (19) The proposed plan of operation or amendments to the plan
9 of operation are subject to majority approval by the board,
10 ratified by a majority of the membership having a vote, with voting
11 rights being apportioned according to the premiums charged in
12 subsection (7)(d) and are subject to approval by the commissioner.

13 (20) Upon approval by the commissioner and ratification by the
14 members of the plan submitted, or upon the promulgation of a plan
15 by the commissioner, each insurer authorized to write insurance
16 providing the security required by section 3101(1) in this state,
17 as provided in this section, is bound by and shall formally
18 subscribe to and participate in the plan approved as a condition of
19 maintaining its authority to transact insurance in this state.

20 (21) The association is subject to all the reporting, loss
21 reserve, and investment requirements of the commissioner to the
22 same extent as would a member of the association.

23 (22) Premiums charged members by the association shall be
24 recognized in the rate-making procedures for insurance rates in the
25 same manner that expenses and premium taxes are recognized.

26 (23) The commissioner or an authorized representative of the
27 commissioner may visit the association at any time and examine any

1 and all the association's affairs.

2 (24) The association does not have liability for losses
3 occurring before July 1, 1978.

4 (25) As used in this section:

5 (a) "Consumer price index" means the percentage of change in
6 the consumer price index for all urban consumers in the United
7 States city average for all items for the 24 months prior to
8 October 1 of the year prior to the July 1 effective date of the
9 biennial adjustment under subsection (2)(k) as reported by the
10 United States department of labor, bureau of labor statistics, and
11 as certified by the commissioner.

12 (b) "Motor vehicle accident policy" means a policy providing
13 the coverages required under section 3101(1).

14 (c) "Ultimate loss" means the actual loss amounts that a
15 member is obligated to pay and that are paid or payable by the
16 member, and do not include claim expenses. An ultimate loss is
17 incurred by the association on the date that the loss occurs.

18 Sec. 3107. (1) ~~Except as provided in subsection (2), personal~~
19 **PERSONAL** protection insurance benefits are payable for the
20 following:

21 (a) ~~Allowable~~ **EXCEPT AS PROVIDED IN SUBSECTION (2), ALLOWABLE**
22 expenses consisting of all reasonable charges incurred for
23 reasonably necessary products, services, and accommodations for an
24 injured person's care, recovery, or rehabilitation. Allowable
25 expenses within personal protection insurance coverage shall not
26 include charges for a hospital room in excess of a reasonable and
27 customary charge for semiprivate accommodations except if the

1 injured person requires special or intensive care, or for funeral
2 and burial expenses in the amount set forth in the policy which
3 shall not be less than \$1,750.00 or more than \$5,000.00.

4 (b) ~~Work~~ **EXCEPT AS PROVIDED IN SUBSECTION (3), WORK** loss
5 consisting of loss of income from work an injured person would have
6 performed during the first 3 years after the date of the accident
7 if he or she had not been injured. Work loss does not include any
8 loss after the date on which the injured person dies. Because the
9 benefits received from personal protection insurance for loss of
10 income are not taxable income, the benefits payable for such loss
11 of income shall be reduced 15% unless the claimant presents to the
12 insurer in support of his or her claim reasonable proof of a lower
13 value of the income tax advantage in his or her case, in which case
14 the lower value shall apply. ~~Beginning March 30, 1973~~ **FOR THE**
15 **PERIOD BEGINNING OCTOBER 1, 2010 THROUGH SEPTEMBER 30, 2011,** the
16 benefits payable for work loss sustained in a single 30-day period
17 and the income earned by an injured person for work during the same
18 period together shall not exceed ~~\$1,000.00~~ **\$4,929.00**, which maximum
19 shall apply pro rata to any lesser period of work loss. Beginning
20 October 1, ~~1974~~ **2011**, the maximum shall be adjusted annually to
21 reflect changes in the cost of living under rules prescribed by the
22 commissioner but any change in the maximum shall apply only to
23 benefits arising out of accidents occurring subsequent to the date
24 of change in the maximum.

25 (c) Expenses not exceeding \$20.00 per day, reasonably incurred
26 in obtaining ordinary and necessary services in lieu of those that,
27 if he or she had not been injured, an injured person would have

1 performed during the first 3 years after the date of the accident,
2 not for income but for the benefit of himself or herself or of his
3 or her dependent.

4 (2) AN INSURED COVERED UNDER A LOW-COST AUTOMOBILE INSURANCE
5 POLICY UNDER THE PILOT PROGRAM UNDER CHAPTER 32A SHALL ELECT
6 COVERAGE FOR ALLOWABLE EXPENSES CONSISTING OF ALL REASONABLE
7 CHARGES INCURRED UP TO A MAXIMUM OF \$50,000.00 OR \$100,000.00 AS
8 SELECTED BY THE INSURED FOR REASONABLY NECESSARY PRODUCTS,
9 SERVICES, AND ACCOMMODATIONS FOR AN INJURED PERSON'S CARE,
10 RECOVERY, OR REHABILITATION. ALL OF THE FOLLOWING APPLY TO A LOW-
11 COST AUTOMOBILE INSURANCE POLICY UNDER THE PILOT PROGRAM UNDER
12 CHAPTER 32A:

13 (A) COVERAGE LIMITS ARE PROVIDED ON A PER LOSS OCCURRENCE
14 BASIS.

15 (B) COVERAGE APPLIES TO BENEFITS PAYABLE AS FOLLOWS:

16 (i) TO THE INSURED NAMED IN THE POLICY, THE INSURED'S SPOUSE,
17 AND ANY RELATIVE OF EITHER DOMICILED IN THE SAME HOUSEHOLD.

18 (ii) A PERSON NOT DESCRIBED IN SUBPARAGRAPH (i) WHO IS AN
19 OCCUPANT OF THE AUTOMOBILE. SECTION 3114(4) APPLIES TO COVERAGE
20 UNDER THIS SUBPARAGRAPH TO AN OCCUPANT OF THE AUTOMOBILE.

21 (C) REGARDLESS OF THE NUMBER OF MOTOR VEHICLES INSURED OR
22 INSURERS PROVIDING SECURITY, OR THE PROVISIONS OF ANY OTHER LAW
23 PROVIDING FOR DIRECT BENEFITS WITHOUT REGARD TO FAULT FOR MOTOR OR
24 ANY OTHER VEHICLE ACCIDENTS, A PERSON SHALL NOT RECOVER DUPLICATE
25 BENEFITS FOR THE SAME EXPENSE OR LOSS INCURRED.

26 (3) ~~(2)~~—A person who is 60 years of age or older and in the
27 event of an accidental bodily injury would not be eligible to

1 receive work loss benefits under subsection (1)(b) may waive
2 coverage for work loss benefits by signing a waiver on a form
3 provided by the insurer. An insurer shall offer a reduced premium
4 rate to a person who waives coverage under this subsection for work
5 loss benefits. Waiver of coverage for work loss benefits applies
6 only to work loss benefits payable to the person or persons who
7 have signed the waiver form.

8 Sec. 3114. (1) Except as provided in subsections (2), (3), and
9 (5), a personal protection insurance policy described in section
10 3101(1) applies to accidental bodily injury to the person named in
11 the policy, the person's spouse, and a relative of either domiciled
12 in the same household, if the injury arises from a motor vehicle
13 accident. A personal injury insurance policy described in section
14 3103(2) applies to accidental bodily injury to the person named in
15 the policy, the person's spouse, and a relative of either domiciled
16 in the same household, if the injury arises from a motorcycle
17 accident. When personal protection insurance benefits **DESCRIBED IN**
18 **SECTION 3107(1)**, or personal injury benefits described in section
19 3103(2), are payable to or for the benefit of an injured person
20 under his or her own policy and would also be payable under the
21 policy of his or her spouse, relative, or relative's spouse, the
22 injured person's insurer shall pay all of the benefits and is not
23 entitled to recoupment from the other insurer. **THE LIMIT OF**
24 **LIABILITY FOR 2 OR MORE MOTOR VEHICLES UNDER 1 POLICY OR FOR 2 OR**
25 **MORE POLICIES SHALL NOT BE ADDED TOGETHER, COMBINED, OR STACKED TO**
26 **DETERMINE THE LIMIT OF INSURANCE COVERAGE AVAILABLE FOR EACH**
27 **INJURED PERSON COVERED UNDER THE POLICY.**

1 (2) A person suffering accidental bodily injury while an
2 operator or a passenger of a motor vehicle operated in the business
3 of transporting passengers shall receive the personal protection
4 insurance benefits to which the person is entitled from the insurer
5 of the motor vehicle. This subsection does not apply to a passenger
6 in the following, unless that passenger is not entitled to personal
7 protection insurance benefits under any other policy:

8 (a) A school bus, as defined by the department of education,
9 providing transportation not prohibited by law.

10 (b) A bus operated by a common carrier of passengers certified
11 by the department of transportation.

12 (c) A bus operating under a government sponsored
13 transportation program.

14 (d) A bus operated by or providing service to a nonprofit
15 organization.

16 (e) A taxicab insured as prescribed in section 3101 or 3102.

17 (f) A bus operated by a canoe or other watercraft, bicycle, or
18 horse livery used only to transport passengers to or from a
19 destination point.

20 (3) An employee, his or her spouse, or a relative of either
21 domiciled in the same household, who suffers accidental bodily
22 injury while an occupant of a motor vehicle owned or registered by
23 the employer, shall receive personal protection insurance benefits
24 to which the employee is entitled from the insurer of the furnished
25 vehicle.

26 (4) Except as provided in subsections (1) to (3), a person
27 suffering accidental bodily injury arising from a motor vehicle

1 accident while an occupant of a motor vehicle shall claim personal
2 protection insurance benefits from insurers in the following order
3 of priority:

4 (a) The insurer of the owner or registrant of the vehicle
5 occupied.

6 (b) The insurer of the operator of the vehicle occupied.

7 (5) A person suffering accidental bodily injury arising from a
8 motor vehicle accident which shows evidence of the involvement of a
9 motor vehicle while an operator or passenger of a motorcycle shall
10 claim personal protection insurance benefits from insurers in the
11 following order of priority:

12 (a) The insurer of the owner or registrant of the motor
13 vehicle involved in the accident.

14 (b) The insurer of the operator of the motor vehicle involved
15 in the accident.

16 (c) The motor vehicle insurer of the operator of the
17 motorcycle involved in the accident.

18 (d) The motor vehicle insurer of the owner or registrant of
19 the motorcycle involved in the accident.

20 (6) If 2 or more insurers are in the same order of priority to
21 provide personal protection insurance benefits, ~~under subsection~~
22 ~~(5),~~ an insurer paying benefits due is entitled to partial
23 recoupment from the other insurers in the same order of priority,
24 together with a reasonable amount of partial recoupment of the
25 expense of processing the claim, in order to accomplish equitable
26 distribution of the loss among all of the insurers.

27 Sec. 3115. (1) Except as provided in ~~subsection (1) of section~~

1 ~~3114~~3114(1), a person suffering accidental bodily injury while not
2 an occupant of a motor vehicle shall claim personal protection
3 insurance benefits from insurers in the following order of
4 priority:

5 (a) Insurers of owners or registrants of motor vehicles
6 involved in the accident.

7 (b) Insurers of operators of motor vehicles involved in the
8 accident.

9 (2) When 2 or more insurers are in the same order of priority
10 to provide personal protection insurance benefits an insurer paying
11 benefits due is entitled to partial recoupment from the other
12 insurers in the same order of priority, together with a reasonable
13 amount of partial recoupment of the expense of processing the
14 claim, in order to accomplish equitable distribution of the loss
15 among such insurers.

16 (3) A limit upon the amount of personal protection insurance
17 benefits available because of accidental bodily injury to 1 person
18 arising from 1 motor vehicle accident shall be determined without
19 regard to the number of policies applicable to the accident.

20 (4) THE LIMIT OF LIABILITY FOR 2 OR MORE MOTOR VEHICLES UNDER
21 1 POLICY OR FOR 2 OR MORE POLICIES SHALL NOT BE ADDED TOGETHER,
22 COMBINED, OR STACKED TO DETERMINE THE LIMIT OF INSURANCE COVERAGE
23 AVAILABLE FOR EACH INJURED PERSON COVERED UNDER THE POLICY.

24 CHAPTER 32A

25 LOW-COST AUTOMOBILE INSURANCE PILOT PROGRAM

26 SEC. 3275. AS USED IN THIS CHAPTER:

27 (A) "AUTOMOBILE INSURANCE" MEANS THAT TERM AS DEFINED IN

1 SECTION 3303.

2 (B) "PILOT PROGRAM" MEANS THE LOW-COST AUTOMOBILE INSURANCE
3 PILOT PROGRAM ESTABLISHED UNDER THIS CHAPTER.

4 (C) "QUALIFIED APPLICANT" MEANS AN INDIVIDUAL WHO MEETS ALL OF
5 THE FOLLOWING REQUIREMENTS:

6 (i) RESIDES IN A HOUSEHOLD WITH A GROSS ANNUAL HOUSEHOLD INCOME
7 THAT DOES NOT EXCEED 300% OF THE FEDERAL POVERTY LEVEL.

8 (ii) IS 21 YEARS OF AGE OR OLDER AND HAS BEEN CONTINUOUSLY
9 LICENSED TO DRIVE AN AUTOMOBILE FOR A PERIOD OF 3 YEARS. IT IS NOT
10 NECESSARY THAT THE 3-YEAR PERIOD IMMEDIATELY PRECEDE THE
11 APPLICATION FOR A POLICY UNDER THIS CHAPTER, UNLESS THE APPLICANT
12 WAS NOT LICENSED FOR A PERIOD BECAUSE OF THE REVOCATION OF THE
13 LICENSE.

14 (iii) HAS NOT HAD IN THE PRECEDING 3 YEARS MORE THAN 1 OF
15 EITHER, BUT NOT BOTH, OF THE FOLLOWING:

16 (A) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH HE OR SHE WAS
17 SUBSTANTIALLY AT-FAULT.

18 (B) AN INSURANCE ELIGIBILITY POINT FOR A MOVING VIOLATION, AS
19 DESCRIBED IN SECTION 2103.

20 (iv) HAS NOT HAD, IN THE PRECEDING 3 YEARS, A SUBSTANTIALLY AT-
21 FAULT ACCIDENT INVOLVING BODILY INJURY OR DEATH.

22 (v) HAS NOT HAD A CONVICTION FOR DRIVING UNDER THE INFLUENCE.

23 (vi) HAS NOT HAD A CONVICTION FOR A MOVING VIOLATION IN A WORK
24 ZONE.

25 (vii) HAS NOT HAD ON HIS OR HER MOTOR VEHICLE RECORD A FELONY
26 OR MISDEMEANOR CONVICTION RELATING TO THE OPERATION OF A MOTOR
27 VEHICLE.

1 (viii) IS NOT A COLLEGE STUDENT CLAIMED AS A DEPENDENT OF
2 ANOTHER PERSON FOR FEDERAL OR STATE INCOME TAX PURPOSES.

3 SEC. 3276. (1) THE COMMISSIONER SHALL ESTABLISH A LOW-COST
4 AUTOMOBILE INSURANCE PILOT PROGRAM IN 1 COUNTY IN THE STATE THAT
5 HAS A CITY LOCATED IN THE COUNTY WITH A POPULATION OF 600,000 OR
6 MORE.

7 (2) ALL OF THE PROVISIONS OF THIS ACT THAT APPLY TO PRIVATE
8 PASSENGER NONFLEET AUTOMOBILE INSURANCE APPLY TO THIS CHAPTER
9 UNLESS EXPRESSLY PROVIDED OTHERWISE OR UNLESS THERE IS A CONFLICT
10 WITH A PROVISION IN THIS CHAPTER.

11 (3) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE
12 COMMISSIONER MAY EMPLOY LEGAL, ACTUARIAL, ACCOUNTING, OR OTHER
13 COUNSEL AS HE OR SHE CONSIDERS NECESSARY TO ASSIST IN HIS OR HER
14 RESPONSIBILITIES UNDER THIS CHAPTER.

15 (4) THE COMMISSIONER SHALL PROMOTE AND PUBLICIZE THE EXISTENCE
16 OF THE PILOT PROGRAM IN THE REGIONS WHERE THE PILOT PROGRAM IS
17 OFFERED.

18 SEC. 3277. A LOW-COST AUTOMOBILE INSURANCE POLICY UNDER THE
19 PILOT PROGRAM SHALL HAVE ALL OF THE FOLLOWING ATTRIBUTES:

20 (A) PROVIDE RESIDUAL LIABILITY COVERAGE AS REQUIRED UNDER
21 SECTION 3131.

22 (B) HAVE AN INITIAL TERM OF 6 MONTHS, RENEWABLE FOR SUBSEQUENT
23 6-MONTH TERMS.

24 (C) COVER THE INDIVIDUAL NAMED IN THE POLICY AND ANY OTHER
25 INDIVIDUAL USING THE COVERED AUTOMOBILE IF THE USE IS WITH THE
26 NAMED INSURED'S PERMISSION, EXPRESS OR IMPLIED, AND WITHIN THE
27 SCOPE OF THAT PERMISSION. HOWEVER, THE POLICY SHALL NOT PROVIDE

1 AUTOMOBILE LIABILITY COVERAGE WHEN THE AUTOMOBILE IS OPERATED BY A
2 MEMBER OF THE NAMED INSURED'S HOUSEHOLD WHO DOES NOT SATISFY THE
3 REQUIREMENTS IN SECTION 3275(C) .

4 (D) PROVIDE COVERAGE DESCRIBED IN THIS SECTION FOR THE
5 OPERATION OF AN AUTOMOBILE WITH A VALUE THAT DOES NOT EXCEED
6 \$20,000.00. THE VALUE OF THE AUTOMOBILE IS THE VALUE GIVEN TO THE
7 AUTOMOBILE BY THE SECRETARY OF STATE IN ASSESSING VEHICLE
8 REGISTRATION FEES.

9 (E) PROVIDE PERSONAL PROTECTION INSURANCE COVERAGE FOR
10 ALLOWABLE EXPENSES AS REQUIRED UNDER SECTION 3107(2) .

11 (F) PROVIDE PERSONAL PROTECTION INSURANCE COVERAGE FOR WORK
12 LOSS AS REQUIRED UNDER SECTION 3107(1) (B) .

13 SEC. 3278. (1) AN INSURED UNDER A LOW-COST AUTOMOBILE
14 INSURANCE POLICY UNDER THE PILOT PROGRAM MAY BE OFFERED A PREMIUM
15 INSTALLMENT OPTION UNDER WHICH THE INSURED MAY PAY A SPECIFIED
16 PORTION OR PORTIONS OF THE PREMIUM FOR THE LOW-COST AUTOMOBILE
17 INSURANCE POLICY ON A PERIODIC BASIS. A PREMIUM FOR A LOW-COST
18 AUTOMOBILE INSURANCE POLICY SHALL NOT BE FINANCED IN ANY OTHER
19 MANNER.

20 (2) COMMENCING ON APRIL 1, 2012, AND ANNUALLY THEREAFTER, THE
21 AUTOMOBILE INSURERS WHO ARE PARTICIPATING IN THE PILOT PROGRAM
22 SHALL SUBMIT THE LOSS AND EXPENSE DATA FROM LOW-COST AUTOMOBILE
23 INSURANCE POLICIES AND A PROPOSED RATE FOR THE LOW-COST AUTOMOBILE
24 INSURANCE POLICY FOR THE PILOT PROGRAM, TO THE COMMISSIONER.

25 SEC. 3279. A QUALIFIED APPLICANT SHALL CERTIFY THAT
26 REPRESENTATIONS MADE IN THE APPLICATION AND IN DOCUMENTS SUBMITTED
27 TO DEMONSTRATE ELIGIBILITY FOR THE LOW-COST AUTOMOBILE INSURANCE

1 POLICY ARE TRUE AND CORRECT AND CONTAIN NO MATERIAL
2 MISREPRESENTATIONS OR OMISSIONS OF FACT TO THE BEST KNOWLEDGE AND
3 BELIEF OF THE APPLICANT.

4 SEC. 3280. (1) AN AUTOMOBILE INSURER SHALL PROVIDE TO A
5 QUALIFIED APPLICANT FOR A LOW-COST AUTOMOBILE INSURANCE POLICY
6 UNDER THIS CHAPTER A NOTICE RELATING TO COVERAGE UNDER THE POLICY.
7 THE NOTICE SHALL BE PROVIDED IN A SEPARATE DOCUMENT AT THE TIME OF
8 APPLICATION AND INCLUDE THE FOLLOWING STATEMENT IN 14-POINT
9 BOLDFACED TYPE OR FONT:

10 "WARNING

11 INSURANCE COVERAGE PROVIDED IN THE POLICY YOU ARE BUYING
12 CONTAINS MEDICAL PERSONAL PROTECTION COVERAGES WITH REDUCED
13 MAXIMUMS.

14 THE MAXIMUMS APPLY TO ANY ONE OCCURRENCE REGARDLESS OF HOW
15 MANY PEOPLE MAY BE INJURED.

16 ALSO, ALL LIABILITY COVERAGE IS VOID - NO ONE IS INSURED AND
17 OWNERS OF THE INSURED AUTOMOBILE AND OTHERS LEGALLY RESPONSIBLE FOR
18 THE ACTS OF THE DRIVER OF THE INSURED AUTOMOBILE REMAIN FULLY
19 PERSONALLY LIABLE IF THE INSURED AUTOMOBILE IS OPERATED BY ANY
20 OTHER DRIVER IN YOUR HOUSEHOLD WHO:

21 (A) IS UNDER 21 YEARS OF AGE.

22 (B) HAS LESS THAN 3 YEARS OF CONTINUOUSLY LICENSED DRIVING
23 EXPERIENCE.

24 (C) HAS HAD IN THE PREVIOUS 3 YEARS MORE THAN ONE OF EITHER,
25 OR BOTH, OF THE FOLLOWING:

26 (I) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH THE DRIVER WAS
27 SUBSTANTIALLY AT-FAULT.

1 (II) AN INSURANCE ELIGIBILITY POINT FOR A MOVING VIOLATION.

2 (D) HAS HAD IN THE PREVIOUS 3 YEARS A SUBSTANTIALLY AT-FAULT
3 ACCIDENT INVOLVING BODILY INJURY OR DEATH.

4 (E) HAS HAD A CONVICTION FOR DRIVING UNDER THE INFLUENCE.

5 (F) HAS HAD A CONVICTION FOR A MOVING VIOLATION IN A WORK
6 ZONE.

7 (G) HAS HAD A FELONY OR MISDEMEANOR CONVICTION FROM A
8 VIOLATION OF THE VEHICLE CODE ON HIS OR HER MOTOR VEHICLE RECORD.".

9 (2) THE SIGNATURE OF THE APPLICANT AND INSURED ON THE
10 DISCLOSURE FORM PROVIDED UNDER SUBSECTION (1) CREATES A CONCLUSIVE
11 PRESUMPTION THAT THE INSURER HAS COMPLIED WITH THE DISCLOSURE
12 REQUIREMENTS OF THIS SECTION.

13 SEC. 3281. THE SALE OF A LOW-COST AUTOMOBILE INSURANCE POLICY
14 UNDER THIS CHAPTER SHALL NOT BE CONDITIONED ON THE PURCHASE OF ANY
15 OTHER PRODUCT OR SERVICE.

16 SEC. 3282. (1) A LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED
17 UNDER THE PILOT PROGRAM MAY BE CANCELED ONLY FOR NONPAYMENT OF
18 PREMIUM.

19 (2) A LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED UNDER THE
20 PILOT PROGRAM MAY BE RESCINDED ONLY FOR FRAUD OR MATERIAL
21 MISREPRESENTATION AFFECTING THE POLICY OR THE INSURED.

22 (3) A LOW-COST AUTOMOBILE INSURANCE POLICY IS SUBJECT TO
23 NONRENEWAL ONLY FOR THE FOLLOWING REASONS:

24 (A) A SUBSTANTIAL INCREASE IN THE HAZARD INSURED AGAINST.

25 (B) THE INSURED IS NO LONGER A QUALIFIED APPLICANT.

26 SEC. 3283. (1) AN INSURER THAT ISSUES A LOW-COST AUTOMOBILE
27 INSURANCE POLICY UNDER THE PILOT PROGRAM MAY OFFER THE INSURED ANY

1 OTHER ADDITIONAL TYPE OF AUTOMOBILE INSURANCE COVERAGE SUCH AS
2 UNINSURED MOTORISTS COVERAGE OR COLLISION COVERAGE THAT IS NOT
3 AVAILABLE UNDER THE LOW-COST AUTOMOBILE INSURANCE POLICY.

4 (2) AN INSURED UNDER A LOW-COST AUTOMOBILE INSURANCE POLICY
5 UNDER THE PILOT PROGRAM SHALL NOT PURCHASE OR MAINTAIN ANY
6 AUTOMOBILE PERSONAL PROTECTION INSURANCE COVERAGE OTHER THAN UNDER
7 A LOW-COST AUTOMOBILE INSURANCE POLICY FOR ANY ADDITIONAL VEHICLES
8 IN THE INSURED'S HOUSEHOLD.

9 SEC. 3284. (1) THE PILOT PROGRAM MAY COMMENCE OPERATIONS ON
10 JANUARY 1, 2012, AND SHALL BE FULLY OPERATIONAL BY AUGUST 1, 2012.

11 (2) THE COMMISSIONER MAY ISSUE AN ORDER OR PROMULGATE RULES
12 UNDER THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL
13 24.201 TO 24.328, TO IMPLEMENT THE PROVISIONS OF THIS CHAPTER.

14 SEC. 3285. A LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED UNDER
15 THE PILOT PROGRAM SHALL SATISFY ALL FINANCIAL RESPONSIBILITY
16 REQUIREMENTS IMPOSED UNDER THIS ACT.

17 SEC. 3286. BEGINNING AUGUST 1, 2014, THE COMMISSIONER SHALL
18 REPORT ANNUALLY TO THE LEGISLATURE ON THE STATUS OF THE PILOT
19 PROGRAM.

20 SEC. 3287. THIS CHAPTER DOES NOT APPLY ON AND AFTER AUGUST 1,
21 2017.