

HOUSE BILL No. 4159

February 14, 1989, Introduced by Reps. Brown, Middaugh, Johnson, Wartner, Weeks, Varga, Palamara, Clack, Dutko, Rocca, Stallworth, Runco and Van Singel 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. 150 of the Public Acts of 1987, 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. 150 of the Public Acts of 1987,
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 code
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 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 which 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) Before February 1, 1987, each insurer shall establish
8 and maintain premium discount plans pursuant to the following:

9 (a) ~~An~~ UNTIL JULY 1, 1991, AN automobile theft prevention
10 premium discount plan. A premium discount plan required under
11 this subdivision shall provide for a premium discount for automo-
12 bile comprehensive coverage based upon the installation of an
13 approved automobile theft prevention device. As used in this
14 subdivision, "approved automobile theft prevention device" means
15 a device which is designed to prevent the theft of an insured's
16 automobile and which is approved by the board of directors of the
17 automobile theft prevention authority.

18 (b) ~~An~~ UNTIL JULY 1, 1991, AN automobile safety belt pre-
19 mium discount plan. A premium discount plan required under this
20 subdivision shall provide for a premium discount for automobile
21 personal protection insurance of not less than 20%. A premium
22 discount plan established ~~pursuant to~~ UNDER this subdivision
23 may require the insured individual to certify in writing that he
24 or she will wear a safety belt while operating the insured motor
25 vehicle in compliance with section 710e of the Michigan vehicle
26 code, Act No. 300 of the Public Acts of 1949, being section
27 257.710e of the Michigan Compiled Laws, as a condition to

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

11 ~~(c) This subsection shall not apply on and after July 1,~~
12 ~~1991.~~

13 (4) Each insurer shall establish a secondary or merit rating
14 plan for automobile insurance, OTHER THAN COMPREHENSIVE
15 COVERAGE. A secondary or merit rating plan required under this
16 subsection shall provide for premium surcharges for any or all
17 coverages for automobile insurance, OTHER THAN COMPREHENSIVE
18 COVERAGE, based upon any or all of the following, when that
19 information becomes available to the insurer:

20 (a) Substantially at-fault accidents.

21 (b) Convictions for, determinations of responsibility for
22 civil infractions for, or findings of responsibility in probate
23 court for civil infractions for, violations under chapter VI of
24 the Michigan vehicle code, Act No. 300 of the Public Acts of
25 1949, as amended, being sections 257.601 to 257.750 of the
26 Michigan Compiled Laws.

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

4 (6) Notwithstanding other provisions of this chapter, auto-
5 mobile insurance risks shall be grouped by territory, and terri-
6 torial base rates for coverages shall be established as provided
7 in section 2111a and as follows:

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

10 (b) ~~An~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
11 1986 TO JUNE 30, 1991, AN insurer shall not employ more than 20
12 different territorial base rates for an automobile insurance
13 coverage. ~~This subdivision shall not apply from February 28,~~
14 ~~1986 to June 30, 1991.~~

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

17 (d) ~~An~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
18 1986 TO JUNE 30, 1991, AN insurer shall not employ a territorial
19 base rate for an automobile insurance package policy that is less
20 than 45% of the highest territorial base rate for the same
21 policy, all other rating classifications being the same. ~~This~~
22 ~~subdivision shall not apply from February 28, 1986 to June 30,~~
23 ~~1991.~~

24 (e) ~~An~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
25 1986 TO JUNE 30, 1991, AN insurer shall not employ a territorial
26 base rate in a territory for an automobile insurance package
27 policy that is less than 90% of the territorial base rate

1 employed in any adjacent territory for the same policy, all other
2 rating classifications being the same. ~~This subdivision shall~~
3 ~~not apply from February 28, 1986 to June 30, 1991.~~

4 (7) ~~An~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
5 1986 TO JUNE 30, 1991, AN insurer may elect at any time to exempt
6 itself from the requirements of subsection (6) by filing for an
7 exemption with the commissioner. An insurer electing this exemp-
8 tion shall initially file a rating plan in which no territorial
9 base rate for an automobile insurance package policy is less than
10 45% of the highest territorial base rate for the same policy, all
11 other rating classifications being the same. Five years from the
12 date of the initial filing the insurer shall be prohibited from
13 using a rating plan in which any territorial base rate for an
14 automobile insurance package policy will be less than 67% of the
15 highest territorial base rate for that same policy, all other
16 rating classifications being the same. An insurer's election of
17 an exemption under this subsection is permanent, final, and not
18 subject to change. ~~This subsection shall not apply from~~
19 ~~February 28, 1986 to June 30, 1991.~~

20 (8) ~~Beginning 1 year after the effective date of this sec-~~
21 ~~tion, if~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28, 1986
22 TO JUNE 30, 1991, IF an insurer can demonstrate to the commis-
23 sioner, after an opportunity for an evidentiary hearing held pur-
24 suant to the administrative procedures act of 1969, Act No. 306
25 of the Public Acts of 1969, as amended, being sections 24.201 to
26 24.328 of the Michigan Compiled Laws, that clear and significant
27 financial impairment exists in the geographic territory or

1 territories in question because of the need for an additional
2 territorial base rate, or for a greater variance in the adjacent
3 geographic territory differential contained in subsection (6)(e),
4 the additional territorial base rate, a greater variance, or
5 both, shall be permitted for use by the insurer or a licensed
6 rating organization on behalf of that insurer, at such time as
7 the need exists. Evidence shall not include financial impairment
8 resulting from exemptions granted to other insurers. ~~This sub-~~
9 ~~section shall not apply from February 28, 1986 to June 30, 1991.~~

10 (9) ~~If~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
11 1986 TO JUNE 30, 1991, IF the commissioner finds, solely on the
12 evidence presented, that a greater variance in the adjacent geo-
13 graphic territory differential than that authorized under subsec-
14 tion (6)(e) is justified, the increase in variance shall not
15 exceed 100% of that authorized under that subsection. ~~If~~
16 EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28, 1986 TO
17 JUNE 30, 1991, IF an increase in variance in the adjacent geo-
18 graphic territory differential greater than 100% of that autho-
19 rized under subsection (6)(e) is justified, the commissioner
20 shall require the creation of an additional territorial base
21 rate. ~~This subsection shall not apply from February 28, 1986 to~~
22 ~~June 30, 1991.~~

23 (10) ~~An~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
24 1986 TO JUNE 30, 1991, AN exemption granted under subsections (8)
25 and (9) shall be applicable only to the geographic territory or
26 territories in question, and only to the insurer requesting the

1 exemption. ~~This subsection shall not apply from February 28,~~
2 ~~1986 to June 30, 1991.~~

3 (11) ~~An~~ EXCEPT DURING THE PERIOD OF TIME FROM FEBRUARY 28,
4 1986 TO JUNE 30, 1991, AN insurer shall not have more than 5
5 exemptions in force at any 1 time. For purposes of determining
6 the number of existing exemptions, each additional territorial
7 base rate or each increase in variance in the adjacent geographic
8 territory differential granted, shall be considered to be a sepa-
9 rate exemption. ~~This subsection shall not apply from February~~
10 ~~28, 1986 to June 30, 1991.~~

11 (12) This section shall not be construed as limiting insur-
12 ers or rating organizations from establishing and maintaining
13 statistical reporting territories. This section shall not be
14 construed to prohibit an insurer from establishing or maintain-
15 ing, for automobile insurance, a premium discount plan for senior
16 citizens in this state who are 65 years of age or older, if the
17 plan is uniformly applied by the insurer throughout this state.
18 If an insurer has not established and maintained such a premium
19 discount plan for senior citizens, the insurer shall offer
20 reduced premium rates to senior citizens in this state who are 65
21 years of age or older and who drive less than 3,000 miles per
22 year, regardless of statistical data.

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

1 (a) Amount and types of coverage.

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

4 (c) Repairable structural defects reasonably related to
5 risk.

6 (d) Fire protection class.

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

9 (f) Loss experience of the insured, based upon prior claims
10 attributable to factors under the control of the insured which
11 have been paid by an insurer.

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

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

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

16 (14) Notwithstanding other provisions of this chapter, home
17 insurance risks shall be grouped by territory, and territorial
18 base rates for coverages shall be established as follows:

19 (a) An insurer shall not be limited as to the number of ter-
20 ritories employed in its rating plan. However, an insurer shall
21 not employ more than 3 different territorial base rates for a
22 home insurance coverage. A territorial base rate may be made
23 applicable in 1 or more territories contained in the rating plan
24 of the insurer.

25 (b) An insurer shall not employ a territorial base rate for
26 home insurance for owner-occupied dwelling policies that is less

1 than 70% of the highest territorial base rate for the same
2 policy, all other rating classifications being the same.

3 (c) An insurer shall not employ a territorial base rate for
4 home insurance for renter or tenant policies that is less than
5 65% of the highest territorial base rate for the same policy, all
6 other rating classifications being the same.

7 (15) An insurer shall not utilize factors other than those
8 prescribed in this section in establishing classifications for
9 automobile insurance and home insurance until January 1, 1982.
10 However, on and after January 1, 1982, an insurer may utilize
11 factors in addition to those specified in this section, if the
12 commissioner finds, after a hearing held pursuant to the adminis-
13 trative procedures act of 1969, Act No. 306 of the Public Acts of
14 1969, as amended, being sections 24.201 to 24.328 of the Michigan
15 Compiled Laws, that the factors would encourage innovation, would
16 encourage insureds to minimize the risks of loss from hazards
17 insured against, and would be consistent with the purposes of
18 this chapter.