

HOUSE BILL No. 5331

December 6, 1989, Introduced by Reps. Murphy, Hunter, Hood, Kilpatrick, Saunders, Bennane, Stallworth, Terrell, DeMars, Bryant, Jondahl, Harrison, Watkins, Wallace, Joe Young, Sr., Joe Young, Jr., Clack, Leland, Perry Bullard and Hertel 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~~ AN 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~~ EACH insurer shall
8 establish and maintain premium discount plans pursuant to the
9 following:

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

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

1 257.710e of the Michigan Compiled Laws, as a condition to
2 receiving the premium discount. If an insured receives a premium
3 discount after providing such certification and is injured while
4 operating a motor vehicle without wearing a safety belt at the
5 time of the injury, an insurer may subsequently deny to ~~such~~
6 THE insured the right to participate in any premium discount plan
7 established by the insurer pursuant to this subdivision for a
8 period of 12 months. An insurer which reduces its personal pro-
9 tection insurance rates after December 1, 1985 by not less than
10 20% and does not increase ~~such~~ THOSE rates for a period of 12
11 months shall be considered to be in compliance with this
12 subdivision.

13 ~~(c) This subsection shall not apply on and after July 1,~~
14 ~~1991.~~

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

21 (a) Substantially at-fault accidents.

22 (b) Convictions for, determinations of responsibility for
23 civil infractions for, or findings of responsibility in probate
24 court for civil infractions for, violations under chapter VI of
25 the Michigan vehicle code, Act No. 300 of the Public Acts of
26 1949, as amended, being sections 257.601 to 257.750 of the
27 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 FOR THE PERIOD FROM FEBRUARY 28, 1986 TO
11 JUNE 30, 1991, AN insurer shall not employ more than 20 different
12 territorial base rates for an automobile insurance coverage.

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

23 (e) ~~An~~ EXCEPT FOR THE PERIOD FROM FEBRUARY 28, 1986 TO
24 JUNE 30, 1991, AN insurer shall not employ a territorial base
25 rate in a territory for an automobile insurance package policy
26 that is less than 90% of the territorial base rate employed in
27 any adjacent territory for the same policy, all other rating

1 classifications being the same. ~~This subdivision shall not~~
2 ~~apply from February 28, 1986 to June 30, 1991.~~

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

19 (8) ~~Beginning 1 year after the effective date of this~~
20 ~~section~~ BY JANUARY 1, 1981, EXCEPT FOR THE PERIOD FROM
21 FEBRUARY 28, 1986 TO JUNE 30, 1991, if an insurer can demonstrate
22 to the commissioner, after an opportunity for an evidentiary
23 hearing held pursuant to the administrative procedures act of
24 1969, Act No. 306 of the Public Acts of 1969, as amended, being
25 sections 24.201 to 24.328 of the Michigan Compiled Laws, that
26 clear and significant financial impairment exists in the
27 geographic territory or territories in question because of the

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

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

21 (10) ~~An~~ EXCEPT FOR THE PERIOD FROM FEBRUARY 28, 1986 TO
22 JUNE 30, 1991, AN exemption granted under subsections (8) and (9)
23 shall be applicable only to the geographic territory or territo-
24 ries in question, and only to the insurer requesting the
25 exemption. ~~This subsection shall not apply from February 28,~~
26 ~~1986 to June 30, 1991.~~

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

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

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

25 (a) Amount and types of coverage.

26 (b) Security and safety devices, including locks, smoke
27 detectors, and similar, related devices.

1 (c) Repairable structural defects reasonably related to
2 risk.

3 (d) Fire protection class, IF THE RELATIVITY APPLIED TO THE
4 FIRE PROTECTION CLASS DIRECTLY CORRESPONDS WITH THE LEVEL OF FIRE
5 PROTECTION, SUCH THAT THE LOWER THE FIRE PROTECTION CLASS THE
6 LOWER THE RELATIVITY.

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~~ 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.