

HOUSE BILL No. 5842

May 29, 1990, Introduced by Reps. Clack, Bartnik, Rocca, Pitoniak, Stallworth, Bennett, Varga and Brown and referred to the Committee on Insurance.

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

"The insurance code of 1956,"

as added by Act No. 10 of the Public Acts of 1986, being section 500.2111a of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 2111a of Act No. 218 of the Public Acts
2 of 1956, as added by Act No. 10 of the Public Acts of 1986, being
3 section 500.2111a of the Michigan Compiled Laws, is amended to
4 read as follows:

5 Sec. 2111a. (1) Except as otherwise provided in this sec-
6 tion, before April 1, 1986, an insurer shall not charge a terri-
7 torial base rate for an automobile insurance package policy in a
8 territory within an urban area ~~which~~ THAT exceeds the
9 territorial base rate ~~which~~ THAT would have been charged by the

1 Michigan automobile insurance placement facility in that
2 territory using the weighted average of the base rates charged in
3 each facility territory by the 5 largest insurer groups, deter-
4 mined by voluntary net direct automobile insurance car years
5 written in the state for the calendar year ending December 31,
6 1984 as reported to the statistical agent, and based upon the
7 data used by the facility to determine the facility rates ~~which~~
8 THAT were effective January 1, 1986. However, this subsection
9 does not require an insurer to reduce its territorial base rates
10 within an urban area ~~which~~ THAT are in effect on ~~the effective~~
11 ~~date of this section~~ FEBRUARY 28, 1986.

12 (2) On and after April 1, 1986, except as otherwise provided
13 in subsection (3), an insurer shall not increase in any 12-month
14 period the rates for automobile insurance package policies in
15 territories within an urban area by an amount ~~which~~ THAT is
16 greater than 4% plus the consumer price index. The insurer may
17 redefine rating territories for automobile insurance package pol-
18 icies in an urban area; however, such redefinition, at the time
19 of the redefinition, shall not result in a weighted average rate
20 in the urban area which is greater than the weighted average rate
21 in the urban area without redefinition of the territories. The
22 insurer shall not use more than 6 territories within an urban
23 area. The sum of the percentage increases for an insurer in a
24 12-month period as permitted under this subsection shall be less
25 than or equal to 4% plus the consumer price index, and each per-
26 centage increase shall be computed in accordance with the
27 following:

1 The difference between the total written premium at the
2 proposed rates minus the total written premium at cur-
3 rent rates, divided by total written premium at current
4 rates, and multiplied by 100.

5 (3) On and after February 1, 1988, an insurer may elect to
6 be subject to the limitations provided in this subsection instead
7 of the limitations provided in subsection (2). An insurer elect-
8 ing to be subject to this subsection shall not increase the rates
9 for automobile insurance package policies in territories within
10 an urban area by a percentage ~~which~~ THAT is greater than the
11 insurer's nonurban average percentage increase, which nonurban
12 average percentage increase shall be reduced by the sum of the
13 percentage increases made by the insurer under subsection (2)
14 during the 12 months immediately preceding the date of the filing
15 of the proposed increase pursuant to this subsection. The
16 insurer may redefine rating territories for automobile insurance
17 package policies in an urban area; however, such redefinition, at
18 the time of the redefinition, shall not result in a weighted
19 average rate in the urban area ~~which~~ THAT is greater than the
20 weighted average rate in the urban area without redefinition of
21 the territories. The insurer shall not use more than 6 territo-
22 ries within an urban area. An insurer ~~which~~ THAT elects to be
23 subject to the limitation under this subsection shall remain
24 subject to this subsection.

25 (4) Any rate filing for automobile insurance package
26 policies made after December 15, 1985 shall not be modified,

1 changed, or altered for a period of 6 months after the effective
2 date of such filing UNLESS THE RATE FILING IS FOR A REDUCTION IN
3 RATES FOR A TERRITORY, CLASS, OR COVERAGE. This subsection shall
4 not prohibit an insurer from making rate filings at any time that
5 only provide changes to rates based upon assessments levied
6 against insurers pursuant to section 3104 or 3330. Such rate
7 filings shall not be considered rate filings for purposes of this
8 subsection.

9 (5) As used in this section:

10 (a) "Consumer price index" means the annual average percent-
11 tage increase in the Detroit consumer price index for all items
12 for the prior 12-month period as reported by the United States
13 department of labor and as certified by the commissioner.

14 (b) "Nonurban average percentage increase" means the percent-
15 tage increase of an insurer's weighted average rate outside of an
16 urban area, if any, which is obtained by dividing the weighted
17 average of the proposed rates of the insurer outside an urban
18 area by the highest weighted average rate of the insurer outside
19 an urban area on file with the commissioner during the 6 months
20 immediately preceding the date of the filing of the proposed
21 increase, subtracting 1 from this quotient, and multiplying the
22 difference by 100. The weights used in obtaining the weighted
23 averages in this subdivision shall be the written car years of
24 the insurer in each rating territory. If a negative percentage
25 is calculated under this subdivision, there shall be no nonurban
26 average percentage increase under this subdivision.

1 (c) "Urban area" means the area within the boundaries of a
2 city in this state which has a population of 1,000,000 or more as
3 determined by the latest of each succeeding federal decennial
4 census and includes any city located wholly within the boundaries
5 of a city in this state which has a population of 1,000,000 or
6 more as determined by the latest of each succeeding federal
7 decennial census.

8 (6) This section is repealed effective July 1, 1991.