

# HOUSE BILL No. 4874

June 5, 1997, Introduced by Reps. Llewellyn and Fitzgerald and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 2119 and 2120 (MCL 500.2119 and 500.2120),  
section 2119 as amended by 1980 PA 461 and section 2120 as  
amended by 1984 PA 350.

## **THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 2119. (1) Each insurer subject to this chapter shall  
2 put in writing all underwriting rules used by the insurer. An  
3 insurer shall not transact automobile or home insurance inconsis-  
4 tently with its underwriting rules.

5       (2) An insurer shall apply its underwriting rules uniformly  
6 and without exception throughout this state, so that every appli-  
7 cant or insured conforming with the underwriting rules will be  
8 insured or renewed, and so that every applicant or insured not  
9 conforming with the underwriting rules will be refused insurance

1 or nonrenewed, when the information becomes available to the  
2 insurer.

3 ~~-(3) Affiliated insurers shall not adopt underwriting rules~~  
4 ~~for automobile insurance contracts providing identical coverages~~  
5 ~~which would permit a person to be insured, for automobile insur-~~  
6 ~~ance, with more than 1 of the affiliated insurers, unless the~~  
7 ~~affiliated insurers use identical rates and rating plans and have~~  
8 ~~adopted identical underwriting rules in compliance with this~~  
9 ~~section.~~

10 (3) ~~-(4)~~ An insurer with more than 1 rating plan for auto-  
11 mobile insurance contracts providing identical coverages shall  
12 not adopt underwriting rules ~~which~~ THAT would permit a person  
13 to be insured, for automobile insurance, under more than 1 of the  
14 rating plans.

15 (4) ~~-(5)~~ An insurer may establish underwriting rules for  
16 new applicants ~~which~~ THAT are different than for renewals of  
17 existing insureds only if the applicants or existing insureds are  
18 not eligible persons. Underwriting rules pertaining to renewals  
19 of existing insureds who are not eligible persons may be based on  
20 a contractual obligation of the insurer not to cancel or  
21 nonrenew.

22 (5) ~~-(6)~~ For informational purposes, an insurer shall file  
23 with the commissioner its underwriting rules prior to their use  
24 in this state. All filed underwriting rules shall be available  
25 for public inspection. If the commissioner finds that an under-  
26 writing rule is inconsistent with the provisions of this chapter,  
27 the commissioner, after a hearing held pursuant to ~~Act No. 306~~

~~1 of the Public Acts of 1969, as amended~~ THE ADMINISTRATIVE  
2 PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.201 TO 24.328, shall  
3 by order prohibit further use of that underwriting rule.

4 (6) ~~(7)~~ This section ~~shall~~ DOES not prohibit an insurer  
5 from insuring persons who are not eligible persons pursuant to  
6 underwriting rules established under this section and sections  
7 2117, 2118, and 2120.

8 Sec. 2120. (1) Affiliated insurers ~~may establish under-~~  
9 ~~writing rules so that each affiliate will provide automobile~~  
10 ~~insurance only to certain eligible persons. This subsection~~  
11 ~~shall apply only if an eligible person can obtain automobile~~  
12 ~~insurance from 1 of the affiliates. The~~ SHALL HAVE underwriting  
13 rules ~~shall be~~ THAT ARE in compliance with this section, sec-  
14 tion 2118, and section 2119.

15 (2) An insurer may establish separate rating plans so that  
16 certain eligible persons are provided automobile insurance under  
17 1 rating plan and other eligible persons are provided automobile  
18 insurance under another rating plan. This subsection shall apply  
19 only if all eligible persons can obtain automobile insurance  
20 under a rating plan of the insurer. Underwriting rules consis-  
21 tent with this section, section 2118, and section 2119 shall be  
22 established to define the rating plan applicable to each eligible  
23 person.

24 (3) Underwriting rules under this section shall be based  
25 only on the following:

26 (a) With respect to a vehicle insured or to be insured,  
27 substantial modifications from the vehicle's original

1 manufactured state for purposes of increasing the speed or  
2 acceleration capabilities of the vehicle.

3       (b) Failure of the person to provide proof that insurance  
4 required by section 3101 was maintained in force with respect to  
5 any vehicle owned and operated by the person or by a member of  
6 the household of the person during the 6-month period immediately  
7 preceding application or renewal of the policy. ~~Such~~ THIS  
8 proof shall take the form of a certification by the person that  
9 the required insurance was maintained in force for the 6-month  
10 period with respect to ~~such~~ THE vehicle.

11       (c) For purposes of insuring persons who have refused a  
12 deductible lawfully required under section 2118(2)(h), the claim  
13 experience of the person with respect to comprehensive coverage.

14       (d) Refusal of the person to pay a minimum deposit required  
15 under section 2118(2)(g).

16       (e) A person's insurance eligibility point accumulation  
17 under section 2103(1)(h), or the total insurance eligibility  
18 point accumulation of all persons who account for 10% or more of  
19 the use of 1 or more vehicles insured or to be insured under the  
20 policy.

21       (f) The type of vehicle insured or to be insured as provided  
22 in section 2118(2)(e).