

SENATE BILL No. 1026

January 22, 2008, Introduced by Senators GLEASON, JACOBS, CLARK-COLEMAN, ANDERSON, BRATER, THOMAS, SCHAUER, SWITALSKI, BASHAM, HUNTER, SCOTT, CHERRY and CLARKE and referred to the Committee on Economic Development and Regulatory Reform.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 2603 (MCL 500.2603).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2603. (1) All rates shall be made in accordance with the
2 following provisions:

3 (a) Due consideration shall be given to past and prospective
4 loss experience within and outside this state; to catastrophe
5 hazards; to a reasonable margin for underwriting profit and
6 contingencies; to dividends, savings, or unabsorbed premium
7 deposits allowed or returned by insurers to their policyholders,
8 members, or subscribers; to past and prospective expenses, both
9 countrywide and those specially applicable to this state; and to
10 all other relevant factors within and outside this state. In the

1 case of fire insurance rates, consideration also shall be given to
2 the experience of the fire insurance business during a period of
3 not less than the most recent 5-year period for which that
4 experience is available.

5 (b) The systems of expense provisions included in the rates
6 for use by any insurer or group of insurers may differ from those
7 of other insurers or groups of insurers to reflect the requirements
8 of the operating methods of the insurer or group with respect to
9 any kind of insurance or with respect to any subdivision or
10 combination thereof for which subdivision or combination separate
11 expense provisions are applicable.

12 (c) Risks may be grouped by classifications for the
13 establishment of rates and minimum premiums. Classification rates
14 may be modified to produce rates for individual risks in accordance
15 with rating plans ~~which~~ **THAT** measure variations in hazards, expense
16 provisions, or both. The rating plans may measure any differences
17 among risks that may have a probable effect upon losses or expenses
18 as provided for in subdivision (a).

19 (d) Rates shall not be excessive, inadequate, or unfairly
20 discriminatory. A rate shall not be held to be excessive unless the
21 rate is unreasonably high for the insurance coverage provided. ~~and~~
22 ~~a reasonable degree of competition does not exist with respect to~~
23 ~~the classification, kind, or type of risks to which the rate is~~
24 ~~applicable.~~ A rate shall not be held to be inadequate unless the
25 rate is unreasonably low for the insurance coverage provided and
26 the continued use of the rate endangers the solvency of the
27 insurer; or unless the rate is unreasonably low for the insurance

1 provided and the use of the rate has or will have the effect of
2 destroying competition among insurers, creating a monopoly, or
3 causing a kind of insurance to be unavailable to a significant
4 number of applicants who are in good faith entitled to procure the
5 insurance through ordinary methods. A rate for a coverage is
6 unfairly discriminatory in relation to another rate for the same
7 coverage, if the differential between the rates is not reasonably
8 justified by differences in losses, expenses, or both, or by
9 differences in the uncertainty of loss for the individuals or risks
10 to which the rates apply. A reasonable justification shall be
11 supported by a reasonable classification system; by sound actuarial
12 principles when applicable; and by actual and credible loss and
13 expense statistics or, in the case of new coverages and
14 classifications, by reasonably anticipated loss and expense
15 experience. A rate is not unfairly discriminatory because the rate
16 reflects differences in expenses for individuals or risks with
17 similar anticipated losses, or because the rate reflects
18 differences in losses for individuals or risks with similar
19 expenses. Rates are not unfairly discriminatory if they are
20 averaged broadly among persons insured on a group, franchise,
21 blanket policy, or similar basis.

22 (2) Except to the extent necessary to meet the provisions of
23 subsection (1)(d), uniformity among insurers in any matters within
24 the scope of this section is neither required nor prohibited.

25 Enacting section 1. This amendatory act does not take effect
26 unless all of the following bills of the 94th Legislature are
27 enacted into law:

1 (a) Senate Bill No. 1023.

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3 (b) Senate Bill No. 1024.

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5 (c) Senate Bill No. 1025.

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