



# HOUSE BILL No. 5990

December 7 1994 Introduced by Reps Saunders Yokich Anthony DeMars Baade  
Parks and Murphy and referred to the Committee on Insurance

A bill to amend section 2110 of Act No 218 of the Public  
Acts of 1956 entitled as amended

The insurance code of 1956  
being section 500 2110 of the Michigan Compiled Laws and to add  
section 2109a

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 2110 of Act No 218 of the Public Acts  
2 of 1956 being section 500 2110 of the Michigan Compiled Laws is  
3 amended and section 2109a is added to read as follows

4 SEC 2109A (1) AS USED IN THIS SECTION, SUBSTANTIALLY  
5 UNIFORM MEANS THE ABSENCE OF SIGNIFICANT VARIATIONS AMONG LOSS  
6 RATIOS

7 (2) AN INSURER S AUTOMOBILE INSURANCE RATES FOR ALL CLASSES  
8 AND COVERAGES SHALL BE REASONABLY EXPECTED TO PRODUCE A PURE  
9 PREMIUM LOSS RATIO, FOR INCURRED LOSSES AND LOSS ADJUSTMENT

1 EXPENSES TO EARNED PREMIUMS OF NOT LESS THAN 80 FOR AUTOMOBILE  
2 INSURANCE COVERAGE IN THE AGGREGATE INCURRED LOSS MEANS MONEY  
3 ACTUALLY PAID OUT BY OR RESERVED FOR THE PAYMENT OF CLAIMS BY THE  
4 INSURER AND DOES NOT INCLUDE MONEY REIMBURSABLE TO THE INSURER  
5 AN INSURER'S RATES SHALL BE ESTABLISHED IN A MANNER THAT CAN REA-  
6 SONABLY BE ANTICIPATED TO PRODUCE LOSS RATIOS OVER A 3-YEAR AVER-  
7 AGE THAT ARE SUBSTANTIALLY UNIFORM THROUGHOUT THE STATE AND AMONG  
8 THE CLASSIFICATIONS, KINDS OR TYPES OF INDIVIDUALS OR RISKS TO  
9 WHICH THE RATES APPLY

10 (3) AN AUTOMOBILE INSURER'S RATES SHALL BE DIRECTLY RELATED  
11 TO RISKS THAT ARE WITHIN THE CONTROL OF THE MOTOR VEHICLE'S OWNER  
12 OR OPERATOR

13 (4) AN INSURER SHALL FILE RATES WITH THE COMMISSIONER FOR  
14 PRIVATE PASSENGER NONFLEET AUTOMOBILE INSURANCE THAT WOULD RESULT  
15 IN A TOTAL RETURN THAT IS NOT GREATER THAN 8% OF EARNED PREMIUM  
16 NET OF REINSURANCE AVERAGED OVER THE 3-YEAR PERIOD ENDING 1 YEAR  
17 AFTER THE EFFECTIVE DATE OF THE FILING AS USED IN THIS SUBSEC-  
18 TION 'TOTAL RETURN' MEANS UNDERWRITING PROFITS PLUS RETURN FROM  
19 INVESTMENT INCOME AND REALIZED CAPITAL GAINS, ON BOTH SURPLUS AS  
20 REGARDS POLICYHOLDERS AND RESERVES, LESS FEDERAL TAXES INCURRED,  
21 FOR PRIVATE PASSENGER NONFLEET AUTO INSURANCE

22 Sec 2110 (1) In developing and evaluating rates pursuant  
23 to the standards prescribed in ~~section 2109~~ SECTIONS 2109 AND  
24 2109A due consideration shall be given to past and prospective  
25 loss experience within and outside this state to catastrophe  
26 hazards, if any to a reasonable margin for underwriting profit  
27 and contingencies to dividends savings or unabsorbed premium

1 deposits allowed or returned by insurers to their policyholders  
2 members or subscribers to past and prospective expenses both  
3 countrywide and those specially applicable to this state exclu-  
4 sive of assessments under this ~~code~~ ACT to assessments under  
5 this ~~code~~ ACT to underwriting practice and judgment and to  
6 all other relevant factors within and outside this state IN  
7 DETERMINING THE REASONABLENESS OF THE MARGIN FOR UNDERWRITING  
8 PROFIT FOR AUTOMOBILE INSURANCE CONSIDERATION SHALL BE GIVEN TO  
9 NECESSARY EXPENSES, INVESTMENT INCOME EARNED ON LOSS RESERVES,  
10 INVESTMENT INCOME EARNED ON UNEARNED PREMIUM RESERVES, AND  
11 INVESTMENT INCOME EARNED ON THAT PORTION OF CAPITAL AND SURPLUS  
12 ATTRIBUTABLE TO AUTOMOBILE INSURANCE AS WELL AS THE FACTORS USED  
13 TO DETERMINE THE AMOUNT OF THE RESERVES

14 (2) The systems of expense provisions included in the rates  
15 for use by ~~any~~ AN insurer or group of insurers may differ from  
16 those of other insurers or groups of insurers to reflect the  
17 requirements of the operating methods of the insurer or group  
18 with respect to any kind of insurance ~~—~~ or with respect to any  
19 subdivision or combination thereof for which subdivision or com-  
20 bination separate expense provisions are applicable

21 (3) Risks may be grouped by classifications for the estab-  
22 lishment of rates and minimum premiums The classifications may  
23 measure differences in losses expenses or both