

**SUBSTITUTE FOR
HOUSE BILL NO. 4029**

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 2117 (MCL 500.2117), as amended by 1980 PA
461.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2117. (1) As a condition of maintaining its certifi-
2 cate of authority, an insurer shall not refuse to insure, refuse
3 to continue to insure, or limit the coverage available to an eli-
4 gible person for home insurance, except in accordance with under-
5 writing rules established pursuant to this section and section
6 2119. An insurer shall not establish underwriting rules for home
7 insurance for contracts providing identical coverages that differ
8 from those of any affiliate of the insurer.

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1 (2) The underwriting rules ~~which~~ THAT an insurer may
2 establish for home insurance shall be based only on the
3 following:

4 (a) Criteria identical to the standards set forth in section
5 2103(2).

6 (b) The physical condition of the property insured or to be
7 insured, provided the underwriting rules are objective, are
8 directly related to the perils insured against, and, without
9 regard to the age of the structure, are based upon the specific
10 provisions of a national, state, or local housing and safety
11 code, a manufacturer's specification, or standards of similar
12 specificity. If an applicant or insured obtains a certificate of
13 compliance or habitation issued by an appropriate governmental
14 unit or agency, certifying that a building is in substantial com-
15 pliance with local housing and safety codes, the certificate
16 ~~shall create~~ CREATES a rebuttable presumption that the dwelling
17 meets the insurer's underwriting rules relating to physical
18 condition.

19 (c) For the renewal of a home insurance policy, the liabil-
20 ity claim history of the person insured or to be insured during
21 the 3-year period immediately preceding renewal of the policy, if
22 that history is based on 1 or both of the following:

23 (i) Claim experience arising out of an insured's
24 negligence.

25 (ii) Failure by the insured, after written notice from the
26 insurer, to correct a physical condition ~~which~~ THAT is directly
27 related to a paid liability claim or ~~which~~ THAT presents a

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1 clear risk of a significant loss under the liability portion of a
2 homeowners policy.

3 (d) For new policies only, physical conditions ~~which~~ THAT
4 clearly present an extreme likelihood of a significant loss under
5 the liability coverages of a home insurance policy.

6 (e) The relationship between market value and replacement
7 cost of a dwelling insured or to be insured for a replacement
8 cost policy, if a repair cost policy is offered by that insurer
9 pursuant to subsection (3).

10 (f) For nonrenewal of home insurance policies, the claim
11 history under the policy, excluding liability claims, ~~if there~~
12 ~~has been 1 or more of the following~~ AS FOLLOWS:

13 (i) ~~Three paid claims within the immediately preceding~~
14 ~~3-year period totaling \$750.00 or more, exclusive of~~
15 ~~weather-related claims.~~ IF THERE HAS BEEN 1 OR MORE OF THE
16 FOLLOWING:

17 (A) THREE PAID CLAIMS WITHIN THE IMMEDIATELY PRECEDING
18 3-YEAR PERIOD TOTALING \$1,500.00 OR MORE, EXCLUSIVE OF
19 WEATHER-RELATED CLAIMS.

20 (B) THREE PAID CLAIMS WITHIN THE IMMEDIATELY PRECEDING
21 3-YEAR PERIOD TOTALING \$2,000.00 OR MORE, INCLUDING
22 WEATHER-RELATED CLAIMS.

23 (ii) ~~Three paid claims within the immediately preceding~~
24 ~~3-year period totaling \$1,000.00 or more, including~~
25 ~~weather-related claims.~~ A HISTORY OF 3 OR MORE PAID CLAIMS
26 WITHIN AN IMMEDIATELY PRECEDING 3-YEAR PERIOD IF THE INSURER
27 MEETS ALL OF THE FOLLOWING:

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1 (A) HAS AN UNDERWRITING RULE UNDER SUBPARAGRAPH (i) IN
2 EFFECT.

3 (B) THE UNDERWRITING RULE UNDER THIS SUBPARAGRAPH IS FOR A
4 PAID CLAIM HISTORY THAT TOTALS NOT LESS THAN THE AMOUNT IN
5 SUBPARAGRAPH (i)(A) EXCLUSIVE OF WEATHER-RELATED CLAIMS AND
6 TOTALS NOT LESS THAN THE AMOUNT IN SUBPARAGRAPH (i)(B) INCLUDING
7 WEATHER-RELATED CLAIMS.

8 (C) THE UNDERWRITING RULE UNDER THIS SUBPARAGRAPH APPLIES TO
9 AN INSURED WHO HAS HAD A HOME INSURANCE POLICY WITH THE INSURER
10 FOR A CONTINUOUS MINIMUM PERIOD OF TIME AS DETERMINED BY THE
11 INSURER THAT MAY BE ANY PERIOD OF TIME BETWEEN 5 AND 10 YEARS.

12 (g) The number of residences within the dwelling are incon-
13 sistent with the policy forms approved by the commissioner for
14 the insurer.

15 (h) The unoccupancy of a dwelling for more than 60 days, if
16 there is evidence of an intent to vacate or keep the premises
17 vacant or unoccupied, as to the applicant or insured.

18 (i) The existence of an adjacent physical hazard, if the
19 hazard presents a significant risk of loss directly related to
20 the perils insured or to be insured against for which a rate sur-
21 charge is not applicable. For purposes of this subdivision only,
22 residential property or traffic patterns shall not be considered
23 to cause a significant risk of loss. Nonrenewals based upon an
24 adjacent physical hazard shall be due to a change in the hazard
25 from that which existed at the original date of issuance of the
26 policy.

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1 (j) The failure of the insured or applicant to purchase an
2 amount of insurance in excess of 80% of the replacement cost of
3 the property to be insured under a replacement cost policy, if
4 both of the following conditions are met:

5 (i) The purchase of an amount of insurance in excess of 80%
6 of the replacement cost is a condition for sale of the policy.

7 (ii) The insurer offers in this state at least 1 form of a
8 replacement cost policy for which the insurer requires only a
9 minimum amount of insurance equal to 80% of the replacement cost
10 of the dwelling as a condition of purchase.

11 (3) If an insurer establishes an underwriting rule based
12 upon the relationship between the market value and replacement
13 cost pursuant to subsection (2)(e), all the following shall apply
14 as to the repair cost policy:

15 (a) The insurer shall offer for sale a repair cost policy
16 with deductibles, terms and conditions, perils insured against,
17 and types and amounts of coverage, which are substantially equiv-
18 alent to the deductibles, terms and conditions, perils insured
19 against, and types and amounts of coverage provided by the
20 replacement cost policy of the insurer at least equivalent to the
21 HO-2 form replacement cost policy filed and in effect in this
22 state for the principal rating organization as of October 1,
23 1979.

24 (b) The insurer shall not utilize an underwriting rule based
25 upon the relationship between the market value and replacement
26 cost for the repair cost policy.

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1 (4) The rates of an insurer for a repair cost policy shall
2 be established so that the premium for a repair cost policy shall
3 not exceed 105% of the premium for an amount of insurance equal
4 to 80% of the replacement cost of the dwelling under the equiva-
5 lent replacement cost policy described in subsection (3)(a).
6 Premiums for dwellings with identical replacement costs shall
7 vary on a schedule determined by the insurer in accordance with
8 the market value of the dwellings.

9 (5) Off-premises claims may be aggregated for the purposes
10 of subsection (2)(f), irrespective of the location of the insured
11 dwelling. All claims other than off-premises losses utilized in
12 a determination for purposes of subsection (2)(f) shall be aggre-
13 gated only as to an insured dwelling. The minimum dollar amounts
14 prescribed in subsection ~~(2)(f)~~ (2)(F)(i) shall be adjusted
15 ~~biennially pursuant to rules promulgated by the commissioner~~
16 ~~under Act No. 306 of the Public Acts of 1969, as amended, based~~
17 ~~upon an appropriate index relating to the cost of claims~~ ON
18 JANUARY 1, 2006, AND ON JANUARY 1 EVERY SIXTH YEAR THEREAFTER, TO
19 REFLECT THE AGGREGATE ANNUAL AVERAGE PERCENTAGE CHANGE IN THE
20 CONSUMER PRICE INDEX SINCE THE PREVIOUS ADJUSTMENT, ROUNDED TO
21 THE NEAREST HUNDRED DOLLARS. AS USED IN THIS SUBSECTION,
22 "CONSUMER PRICE INDEX" MEANS THE CONSUMER PRICE INDEX FOR ALL
23 URBAN CONSUMERS IN THE U.S. CITY AVERAGE, AS MOST RECENTLY
24 REPORTED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF
25 LABOR STATISTICS, AND AFTER CERTIFICATION BY THE COMMISSIONER IN
26 AN ADMINISTRATIVE BULLETIN.

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1 Enacting section 1. This amendatory act takes effect
2 January 1, 2002.