

HOUSE BILL No. 4081

January 27, 2005, Introduced by Rep. Cheeks and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 2111 (MCL 500.2111), as amended by 2002 PA 492.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2111. (1) Notwithstanding any provision of this act and
2 this chapter to the contrary, classifications and territorial base
3 rates used by any insurer in this state with respect to automobile
4 insurance or home insurance shall conform to the applicable
5 requirements of this section.

6 (2) Classifications established pursuant to this section for
7 automobile insurance shall be based only upon 1 or more of the
8 following factors, which shall be applied by an insurer on a
9 uniform basis throughout the state:

10 (a) With respect to all automobile insurance coverages:

1 (i) Either the age of the driver; the length of driving
2 experience; or the number of years licensed to operate a motor
3 vehicle.

4 (ii) Driver primacy, based upon the proportionate use of each
5 vehicle insured under the policy by individual drivers insured or
6 to be insured under the policy.

7 (iii) Average miles driven weekly, annually, or both.

8 (iv) Type of use, such as business, farm, or pleasure use.

9 (v) Vehicle characteristics, features, and options, such as
10 engine displacement, ability of vehicle and its equipment to
11 protect passengers from injury and other similar items, including
12 vehicle make and model.

13 (vi) Daily or weekly commuting mileage.

14 (vii) Number of cars insured by the insurer or number of
15 licensed operators in the household. However, number of licensed
16 operators shall not be used as an indirect measure of marital
17 status.

18 (viii) Amount of insurance.

19 (b) In addition to the factors prescribed in subdivision (a),
20 with respect to personal protection insurance coverage:

21 (i) Earned income.

22 (ii) Number of dependents of income earners insured under the
23 policy.

24 (iii) Coordination of benefits.

25 (iv) Use of a safety belt.

26 (c) In addition to the factors prescribed in subdivision (a),
27 with respect to collision and comprehensive coverages:

1 (i) The anticipated cost of vehicle repairs or replacement,
2 which may be measured by age, price, cost new, or value of the
3 insured automobile, and other factors directly relating to that
4 anticipated cost.

5 (ii) Vehicle make and model.

6 (iii) Vehicle design characteristics related to vehicle
7 damageability.

8 (iv) Vehicle characteristics relating to automobile theft
9 prevention devices.

10 (d) With respect to all automobile insurance coverage other
11 than comprehensive, successful completion by the individual driver
12 or drivers insured under the policy of an accident prevention
13 education course that meets the following criteria:

14 (i) The course shall include a minimum of 8 hours of classroom
15 instruction.

16 (ii) The course shall include, but not be limited to, a review
17 of all of the following:

18 (A) The effects of aging on driving behavior.

19 (B) The shapes, colors, and types of road signs.

20 (C) The effects of alcohol and medication on driving.

21 (D) The laws relating to the proper use of a motor vehicle.

22 (E) Accident prevention measures.

23 (F) The benefits of safety belts and child restraints.

24 (G) Major driving hazards.

25 (H) Interaction with other highway users such as
26 motorcyclists, bicyclists, and pedestrians.

27 (3) Each insurer shall establish a secondary or merit rating

1 plan for automobile insurance, other than comprehensive coverage. A
2 secondary or merit rating plan required under this subsection shall
3 provide for premium surcharges for any or all coverages for
4 automobile insurance, other than comprehensive coverage, based upon
5 any or all of the following, when that information becomes
6 available to the insurer:

7 (a) Substantially at-fault accidents.

8 (b) Convictions for, determinations of responsibility for
9 civil infractions for, or findings of responsibility in probate
10 court for civil infractions for, violations under chapter VI of the
11 Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750.

12 However, beginning ~~90 days after the effective date of this~~
13 ~~sentence~~ **MAY 28, 1996**, an insured shall not be merit rated for a
14 civil infraction under chapter VI of the Michigan vehicle code,
15 1949 PA 300, MCL 257.601 to 257.750, for a period of time longer
16 than that which the secretary of state's office carries points for
17 that infraction on the insured's motor vehicle record.

18 (4) An insurer shall not establish or maintain rates or rating
19 classifications for automobile insurance based upon sex or marital
20 status.

21 (5) Notwithstanding other provisions of this chapter,
22 automobile insurance risks ~~may~~ **SHALL** be grouped by territory **AS**
23 **PRESCRIBED BY THE COMMISSIONER. THE COMMISSIONER SHALL ESTABLISH**
24 **UNIFORM TERRITORIAL RATING TO BE USED BY ALL AUTOMOBILE INSURANCE**
25 **INSURERS DOING BUSINESS IN THE STATE. TERRITORIAL BOUNDARIES SHALL**
26 **BE BASED ON OBJECTIVE CRITERIA, INCLUDING TRAFFIC PATTERNS, AND**
27 **SHALL BE RELATED TO THE DRIVING ENVIRONMENT INCLUDING, BUT NOT**

1 LIMITED TO, DENSITY OF TRAFFIC, REGULARITY OF TRAFFIC FLOW, TRAFFIC
2 ROUTE SIZE, AND TYPES OF ROADWAY. A TERRITORY SHALL NOT INCLUDE
3 LESS THAN 1 COUNTY AND MAY INCLUDE MORE THAN 1 COUNTY. AN INSURER
4 SHALL NOT CHARGE A TERRITORIAL BASE RATE FOR AN AUTOMOBILE
5 INSURANCE POLICY UNLESS THE TERRITORIAL RATING SCHEME USED BY THE
6 INSURER HAS BEEN APPROVED BY THE COMMISSIONER. AN INSURER SHALL
7 ESTABLISH 1 ACTUARIALLY SOUND BASE RATE FOR EACH PRESCRIBED
8 TERRITORY WHICH BASE RATE SHALL BE APPROVED BY THE COMMISSIONER
9 PURSUANT TO THIS CHAPTER.

10 (6) This section shall not be construed as limiting insurers
11 or rating organizations from establishing and maintaining
12 statistical reporting territories. This section shall not be
13 construed to prohibit an insurer from establishing or maintaining,
14 for automobile insurance, a premium discount plan for senior
15 citizens in this state who are 65 years of age or older, if the
16 plan is uniformly applied by the insurer throughout this state. If
17 an insurer has not established and maintained a premium discount
18 plan for senior citizens, the insurer shall offer reduced premium
19 rates to senior citizens in this state who are 65 years of age or
20 older and who drive less than 3,000 miles per year, regardless of
21 statistical data.

22 (7) Classifications established pursuant to this section for
23 home insurance other than inland marine insurance provided by
24 policy floaters or endorsements shall be based only upon 1 or more
25 of the following factors:

26 (a) Amount and types of coverage.

27 (b) Security and safety devices, including locks, smoke

1 detectors, and similar, related devices.

2 (c) Repairable structural defects reasonably related to risk.

3 (d) Fire protection class.

4 (e) Construction of structure, based on structure size,
5 building material components, and number of units.

6 (f) Loss experience of the insured, based upon prior claims
7 attributable to factors under the control of the insured that have
8 been paid by an insurer. An insured's failure, after written notice
9 from the insurer, to correct a physical condition that presents a
10 risk of repeated loss shall be considered a factor under the
11 control of the insured for purposes of this subdivision.

12 (g) Use of smoking materials within the structure.

13 (h) Distance of the structure from a fire hydrant.

14 (i) Availability of law enforcement or crime prevention
15 services.

16 (8) Notwithstanding other provisions of this chapter, home
17 insurance risks may be grouped by territory.

18 (9) An insurer may utilize factors in addition to those
19 specified in this section, if the commissioner finds, after a
20 hearing held pursuant to the administrative procedures act of 1969,
21 1969 PA 306, MCL 24.201 to 24.328, that the factors would encourage
22 innovation, would encourage insureds to minimize the risks of loss
23 from hazards insured against, and would be consistent with the
24 purposes of this chapter.