

# HOUSE BILL No. 5584

January 24, 2006, Introduced by Reps. Virgil Smith, Condino, Vagnozzi, Wojno, Leland, Plakas, Polidori, Meisner, Zelenko, Anderson, Donigan, Williams, Espinoza, Gleason, Brown, Lipsey, Tobocman, Kolb, Angerer, Hood, Cheeks and Lemmons, III and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
by amending sections 2930 and 2930a (MCL 500.2930 and 500.2930a),  
as amended by 2002 PA 492.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 2930. (1) The premium for basic property insurance of any  
2 risk by the pool shall be equal to the rate for identical insurance  
3 established by a licensed rating organization for identical  
4 insurance within this state plus a uniform surcharge approved by  
5 the commissioner.

6       (2) THE POOL SHALL INCORPORATE IN EACH RATING PLAN FOR BASIC  
7 PROPERTY INSURANCE THE FOLLOWING DISCOUNTS:

8       (A) SENIOR CITIZEN DISCOUNT IN CONFORMITY WITH SECTION 2111D.

9       (B) DISCOUNT FOR BEING CLAIM FREE IN THE IMMEDIATELY PRECEDING

1 3 YEARS.

2 (C) SECURITY SYSTEM DISCOUNT.

3 (D) DEADBOLT LOCK DISCOUNT.

4 (E) FIRE EXTINGUISHER DISCOUNT.

5 (F) ANY OTHER DISCOUNT REQUIRED OR AUTHORIZED BY THE  
6 COMMISSIONER BY ORDER OR RULE.

7 (3) ~~-(2)-~~ The pool shall establish rates for any basic  
8 property insurance that is without rates established by a licensed  
9 rating organization or that the pool, with the approval of the  
10 commissioner, determines should be otherwise rated in order to  
11 better effectuate the purposes of this chapter. The pool shall file  
12 with the commissioner for his or her approval each rate and each  
13 policy form to be issued by it. The pool, acting as agent for  
14 participating members, shall file policy forms for basic property  
15 insurance to be issued by participating members under the  
16 provisions of this chapter. Rates and policy forms shall be filed  
17 in accordance with this chapter as the commissioner designates.

18 Sec. 2930a. (1) ~~Except as otherwise provided in subsection~~  
19 ~~(4)(c), rates~~ **THE RATE** charged in each territory by the pool for  
20 home insurance shall be equal to the weighted **STATEWIDE** average of  
21 the 10 voluntary market insurer ~~groups~~ **COMPANIES** with the largest  
22 premium volume in this state. Rating territories for home insurance  
23 established by the pool shall be the same as those utilized by the  
24 largest number of insurers by premium volume writing home insurance  
25 in this state. Any change in the rates for an ~~HO-2~~ **HO-3** form  
26 replacement cost policy by those insurers that would produce a  
27 change in excess of 5% in the ~~HO-2~~ **HO-3** pool rates for any

territory shall be reflected as soon as reasonably practicable in the ~~HO-2~~ HO-3 pool rates. ~~HO-2~~ HO-3 pool rates shall be reviewed at least annually, but shall not be revised more often than quarterly.

(2) THE POOL SHALL INCORPORATE IN EACH RATING PLAN FOR HOME INSURANCE THE FOLLOWING DISCOUNTS:

(A) SENIOR CITIZEN DISCOUNT IN CONFORMITY WITH SECTION 2111D.

(B) DISCOUNT FOR BEING CLAIM FREE IN THE IMMEDIATELY PRECEDING 3 YEARS.

(C) SECURITY SYSTEM DISCOUNT.

(D) DEADBOLT LOCK DISCOUNT.

(E) FIRE EXTINGUISHER DISCOUNT.

(F) ANY OTHER DISCOUNT REQUIRED OR AUTHORIZED BY THE COMMISSIONER BY ORDER OR RULE.

(3) ~~-(2)-~~ In addition to the provisions of subsection (1), the premium established for the repair cost policy offered by the pool shall not exceed the premium for an amount of insurance equal to 80% of the replacement cost of the property under the replacement cost policy of the pool equivalent to the ~~HO-2~~ HO-3 form replacement cost policy filed and in effect in this state for a licensed rating organization. Premiums for dwellings with identical replacement costs shall vary on a schedule determined by the pool in accordance with the insured value of the dwelling.

(4) ~~-(3)-~~ The pool or any other association or organization designated by the pool shall develop statistical plans, rating rules, classifications, territory rating plans, and manuals of classification for home insurance issued on behalf of the pool

1 consistent with this section.

2 (5) ~~—(4)—~~ The pool shall offer at least the following home  
3 insurance policy forms:

4 (a) An ~~HO-2~~ **HO-3** form replacement cost policy equivalent to  
5 the ~~HO-2~~ **HO-3** form replacement cost policy filed and in effect in  
6 this state for a licensed rating organization.

7 (b) A repair cost policy providing the deductibles, terms and  
8 conditions, perils insured against, and types and amounts of  
9 coverage equivalent to those provided by the HO-2 replacement cost  
10 policy filed and in effect for a licensed rating organization.

11 ~~—— (c) An HO-3 form replacement cost policy equivalent to the HO-~~  
12 ~~3 form replacement cost policy filed and in effect in this state~~  
13 ~~for a licensed rating organization. The rates established by the~~  
14 ~~pool for the HO-3 form replacement cost policy offered pursuant to~~  
15 ~~this subdivision shall be calculated to generate a total premium~~  
16 ~~sufficient to cover the expected losses and expenses of the pool~~  
17 ~~related to the HO-3 replacement cost policy that the pool will~~  
18 ~~likely incur during the period for which the premium is applicable.~~  
19 ~~The premium shall include an amount to cover incurred but not~~  
20 ~~reported losses for the period and shall be adjusted for any excess~~  
21 ~~or deficient premiums from previous periods. Excesses or~~  
22 ~~deficiencies from previous periods shall be fully adjusted in a~~  
23 ~~single period or over several periods in a manner provided for in~~  
24 ~~the plan of operation. Rates established by the pool under this~~  
25 ~~subdivision shall not be based upon the weighted average~~  
26 ~~methodology provided for in subsection (1).~~

27 (6) ~~—(5)—~~ Rates and policy forms shall be filed in accordance

1 with such provisions of this chapter as the commissioner  
2 designates.

3 ~~—— (6) The commissioner shall report in writing to the senate and~~  
4 ~~house of representatives standing committees on insurance issues by~~  
5 ~~July 1, 2005 on the effect in chapter 29 that the amendatory act~~  
6 ~~that added this subsection has had on home insurance premiums in~~  
7 ~~this state.~~