SENATE BILL No. 990

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January 24, 2006, Introduced by Senators SCOTT, JACOBS, BRATER, PRUSI, SCHAUER, BASHAM, THOMAS, CLARK-COLEMAN, CHERRY, OLSHOVE, EMERSON, LELAND and CLARKE and referred to the Committee on Banking and Financial Institutions.

A bill to amend 1956 PA 218, entitled

"The insurance code of 1956,"

by amending section 3340 (MCL 500.3340), as amended by 1986 PA 10.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 3340. (1) As agent for participating members, the facility shall file with the commissioner every manual of classification, every manual of rules and rates, every rating plan and every modification of a manual of classification, manual of rules and rates, or rating plan proposed for use for private passenger nonfleet automobile insurance placed through the facility. The facility may incorporate by reference in its filings other material on file with the commissioner. The classifications, rules, and rates and any amendments thereof shall be subject to prior written approval by the commissioner. Except as provided in

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this chapter, rates filed by the facility for private passenger nonfleet automobile insurance shall be in accordance with chapter 21 and rates by the facility for all other automobile insurance shall be filed in accordance with chapter 24.

(2) Every participating member designated to act on behalf of the facility shall be authorized to use the rates and rules approved by the commissioner for use by the facility on business placed through the facility and shall not use other rates for automobile insurance placed through the facility.

(3) Laws relating to rating organizations or advisory organizations shall not apply to functions provided for under this section.

(4) Private passenger nonfleet automobile rates for the facility shall comply with the following requirements:

(a) The territories for the facility shall be defined as those of the principal rating organization for the voluntary market.

(b) The ~~base~~ rates for the facility shall be derived from the weighted average of the ~~base~~ rates currently charged in each facility territory by the ~~5~~ **10** largest ~~insurer groups~~ **INSURERS**, determined by voluntary net direct automobile insurance car years written in the state for the calendar year ending December 31 of the second prior year as reported to the statistical agent.

(c) ~~The base rates as determined in subdivision (b) in each facility territory shall be modified as follows:~~

~~(*i*) One hundred percent of the weighted average in each territory in the highest rated territory or territories in the state within a single political subdivision.~~

~~(*ii*) From 105% to 125% of the weighted average for all other facility territories, with the highest rated such territories receiving the lowest surcharge and increasing to the highest surcharge in the lowest rated facility territories in 5 percentage point increments. In no event, however, shall any such rate exceed the rate established in subdivision (i).~~ **DISCOUNTS SHALL BE INCORPORATED IN THE RATING PLAN INCLUDING DISCOUNTS FOR SENIOR CITIZENS IN CONFORMITY WITH THE STANDARDS ESTABLISHED IN SECTION 2111(6), AND DISCOUNTS FOR ABSENCE OF CLAIMS DURING THE PAST 3 YEARS, ANTILOCK BRAKES, AIR BAGS, SECURITY SYSTEMS, SEAT BELT USAGE, COMPLETION OF A DRIVER IMPROVEMENT COURSE, AND ANY ADDITIONAL DISCOUNTS AS REQUIRED OR AUTHORIZED BY THE COMMISSIONER BY ORDER OR RULE.**

(d) The facility shall adjust its rates at least once each year or whenever changes in private competitive insurance market rate levels would produce a change in excess of 5% in the facility rate for any facility territory. However, changes shall not be made more often than quarterly.

~~(e) In the event that underwriting losses and administrative expenses resulting from the operation of the facility at rates established pursuant to this subsection would exceed an amount equal to 5% of the net direct private passenger nonfleet automobile premiums for this state, the levels specified in subdivision (c)(*i*) and (*ii*) shall be proportionately increased in an amount to produce underwriting losses and administrative expenses that do not exceed 5%.~~