

HOUSE BILL No. 4397

February 27, 1991, Introduced by Reprs. Brown and Hoekman and referred to the Committee on Insurance.

A bill to amend sections 2102, 2103, 2104, 2117, 2118, 2120, 2901, 3020, and 3109 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

sections 2103 and 2901 as amended by Act No. 305 of the Public Acts of 1990, sections 2104 and 2117 as amended by Act No. 461 of the Public Acts of 1980, section 2118 as amended by Act No. 43 of the Public Acts of 1988, section 2120 as amended by Act No. 350 of the Public Acts of 1984, and section 3020 as amended by Act No. 170 of the Public Acts of 1990, being sections 500.2102, 500.2103, 500.2104, 500.2117, 500.2118, 500.2120, 500.2901, 500.3020, and 500.3109 of the Michigan Compiled Laws; and to repeal certain parts of the act.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 2102, 2103, 2104, 2117, 2118, 2120,
2 2901, 3020, and 3109 of Act No. 218 of the Public Acts of 1956,
3 sections 2103 and 2901 as amended by Act No. 305 of the Public
4 Acts of 1990, sections 2104 and 2117 as amended by Act No. 461 of
5 the Public Acts of 1980, section 2118 as amended by Act No. 43 of
6 the Public Acts of 1988, section 2120 as amended by Act No. 350
7 of the Public Acts of 1984, and section 3020 as amended by Act
8 No. 170 of the Public Acts of 1990, being sections 500.2102,
9 500.2103, 500.2104, 500.2117, 500.2118, 500.2120, 500.2901,
10 500.3020, and 500.3109 of the Michigan Compiled Laws, are amended
11 to read as follows:

12 Sec. 2102. ~~-(1)-~~ AS USED IN THIS CHAPTER:

13 (A) "Affiliate of" ~~—~~ or an insurer "affiliated with" an
14 insurer ~~—~~ means an insurer that directly, or indirectly through
15 1 or more intermediaries, controls, or is controlled by, or is
16 under common control with, the insurer specified.

17 (B) ~~-(2)-~~ "Automobile insurance" means insurance for private
18 passenger nonfleet automobiles ~~—which—~~ THAT provides any of the
19 following:

20 (i) ~~-(a)-~~ Security required pursuant to section 3101.

21 (ii) ~~-(b)-~~ Personal protection, property protection, and
22 residual liability insurance for amounts in excess of the amounts
23 required under chapter 31.

24 (iii) ~~-(c)-~~ Insurance coverages customarily known as compre-
25 hensive and collision.

26 (iv) ~~-(d)-~~ Other insurance coverages for a private passenger
27 nonfleet automobile as prescribed by rule promulgated by the

1 commissioner pursuant to THE ADMINISTRATIVE PROCEDURES ACT OF
 2 1969, Act No. 306 of the Public Acts of 1969, as amended, being
 3 sections 24.201 to ~~24.315~~ 24.328 of the Michigan Compiled
 4 Laws. A rule proposed for promulgation by the commissioner pur-
 5 suant to this section shall be transmitted in advance to each
 6 member of the standing committee in the house and in the senate
 7 ~~which~~ THAT has jurisdiction over insurance.

8 (C) ~~(3)~~ "Automobile insurance package policy" means a
 9 policy ~~which~~ THAT includes more than 1 of the automobile insur-
 10 ance coverages described in ~~section 2102(2)(a), (b), (c), or~~
 11 ~~(d)~~, SUBDIVISION (B) in any combination.

12 (D) ~~(4)~~ "Declination" means any of the following:

13 (i) ~~(a)~~ Refusal by an agent to submit an application on
 14 behalf of an applicant to any of the insurers represented by the
 15 agent.

16 (ii) ~~(b)~~ Refusal by an insurer to issue insurance to a
 17 person upon receipt of an application for insurance.

18 (iii) ~~(c)~~ Offering insurance at higher rates with a dif-
 19 ferent insurer than that requested by a person.

20 (iv) ~~(d)~~ Offering coverage with less favorable terms or
 21 conditions than those requested by a person.

22 Sec. 2103. ~~(1)~~ AS USED IN THIS CHAPTER:

23 (A) "Eligible person", for automobile insurance, means a
 24 person who is an owner or registrant of an automobile registered
 25 or to be registered in this state or who holds a valid Michigan
 26 license to operate a motor vehicle, but does not include any of
 27 the following:

1 (i) ~~(a)~~ A person who is not required to maintain security
 2 pursuant to section 3101, unless the person intends to reside in
 3 this state for 30 days or more and makes a written statement of
 4 that intention on a form approved by the commissioner.

5 (ii) ~~(b)~~ A person whose license to operate a vehicle is
 6 under suspension or revocation.

7 (iii) ~~(c)~~ A person who has been convicted within the imme-
 8 diately preceding 5-year period of fraud or intent to defraud
 9 involving an insurance claim or an application for insurance; or
 10 an individual who has been successfully denied, within the imme-
 11 diately preceding 5-year period, payment by an insurer of a claim
 12 in excess of \$1,000.00 under an automobile insurance policy, if
 13 there is evidence of fraud or intent to defraud involving an
 14 insurance claim or application.

15 (iv) ~~(d)~~ A person who, during the immediately preceding
 16 3-year period, has been convicted under, or who has been subject
 17 to an order of disposition of the probate court for a violation
 18 of, any of the following:

19 (A) ~~(i)~~ Section 324 ~~or 325~~ of the Michigan penal code,
 20 Act No. 328 of the Public Acts of 1931, as amended, being
 21 ~~sections~~ SECTION 750.324 ~~and 750.325~~ of the Michigan Compiled
 22 Laws; section 1 of Act No. 214 of the Public Acts of 1931, being
 23 section 752.191 of the Michigan Compiled Laws; or under any other
 24 law of this state the violation of which constitutes a felony
 25 resulting from the operation of a motor vehicle.

1 (B) ~~(ii)~~ Section 625 of the Michigan vehicle code, Act
2 No. 300 of the Public Acts of 1949, as amended, being section
3 257.625 of the Michigan Compiled Laws.

4 (C) ~~(iii)~~ Section 617, 617a, 618, or 619 of Act No. 300 of
5 the Public Acts of 1949, as amended, being sections 257.617,
6 257.617a, 257.618, and 257.619 of the Michigan Compiled Laws.

7 (D) ~~(iv)~~ Section 626 of Act No. 300 of the Public Acts of
8 1949, as amended, being section 257.626 of the Michigan Compiled
9 Laws; or for a similar violation under the laws of any other
10 state or a municipality within or without this state.

11 (E) ~~(v)~~ Section 625b of Act No. 300 of the Public Acts of
12 1949, as amended, being section 257.625b of the Michigan Compiled
13 Laws.

14 (v) ~~(e)~~ A person whose vehicle insured or to be insured
15 under the policy fails to meet the motor vehicle safety require-
16 ments of sections 683 to 711 of Act No. 300 of the Public Acts of
17 1949, as amended, being sections 257.683 to 257.711 of the
18 Michigan Compiled Laws.

19 (vi) ~~(f)~~ A person whose policy of automobile insurance has
20 been canceled because of nonpayment of premium or financed pre-
21 mium within the immediately preceding 2-year period, unless the
22 premium due on a policy for which application has been made is
23 paid in full before issuance or renewal of the policy.

24 (vii) ~~(g)~~ A person who fails to obtain or maintain member-
25 ship in a club, group, or organization, if membership is a uni-
26 form requirement of the insurer as a condition of providing
27 insurance, and if the dues, charges, or other conditions for

1 membership are applied uniformly throughout this state, are not
 2 expressed as a percentage of premium, and do not vary with
 3 respect to the rating classification of the member except for the
 4 purpose of offering a membership fee to family units. Membership
 5 fees may vary in accordance with the amount or type of coverage
 6 if the purchase of additional coverage, either as to type or
 7 amount, is not a condition for reduction of dues or fees.

8 (viii) ~~(h)~~ A person whose driving record for the 3-year
 9 period immediately preceding application for or renewal of a
 10 policy, has, pursuant to section 2119a, an accumulation of more
 11 than ~~the following: (i) Five~~ 6 insurance eligibility points.
 12 ~~, if the application or renewal occurs on or before December 31,~~
 13 ~~1982.~~

14 ~~(ii) Six insurance eligibility points, if the application~~
 15 ~~or renewal occurs on or after January 1, 1983.~~

16 (B) ~~(2)~~ "Eligible person", for home insurance, means a
 17 person who is the owner-occupant or tenant of a dwelling of any
 18 of the following types: a house, a condominium unit, a coopera-
 19 tive unit, a room, or an apartment; or a person who is the
 20 owner-occupant of a multiple unit dwelling of not more than 4
 21 residential units. Eligible person does not include any of the
 22 following:

23 (i) ~~(a)~~ A person who has been convicted, in the immedi-
 24 ately preceding 5-year period, of 1 or more of the following:

25 (A) ~~(i)~~ Arson, or conspiracy to commit arson.

26 (B) ~~(ii)~~ A crime under sections 72 to 77, 112, 211a, 377a,
 27 377b, or 380 of Act No. 328 of the Public Acts of 1931, as

1 amended, being sections 750.72 to 750.77, 750.112, 750.211a,
2 750.377a, 750.377b, and 750.380 of the Michigan Compiled Laws.

3 (C) ~~(iii)~~ A crime under section 92, 151, 157b, or 218 of
4 Act No. 328 of the Public Acts of 1931, as amended, being sec-
5 tions 750.92, 750.151, 750.157b, and 750.218 of the Michigan
6 Compiled Laws, based upon a crime described in subparagraph
7 ~~(ii)~~ (i)(B) committed by or on behalf of the person.

8 (ii) ~~(b)~~ A person who has been successfully denied, within
9 the immediately preceding 5-year period, payment by an insurer of
10 a claim under a home insurance policy in excess of \$2,000.00,
11 based on evidence of arson, conspiracy to commit arson, misrepre-
12 sentation, fraud, or conspiracy to commit fraud, committed by or
13 on behalf of the person, if the amount of the denied claim was
14 greater than any of the following:

15 (A) ~~(i)~~ For a claim under a repair cost policy, 15% of the
16 amount of insurance in force.

17 (B) ~~(ii)~~ For a claim under a replacement cost policy, 10%
18 of the amount of insurance in force.

19 (iii) ~~(c)~~ A person who insures or seeks to insure a dwell-
20 ing ~~which~~ THAT is being used for an illegal or demonstrably
21 hazardous purpose.

22 (iv) ~~(d)~~ A person who refuses to purchase an amount of
23 insurance equal to at least 80% of the replacement cost of the
24 property insured or to be insured under a replacement cost
25 policy.

1 (v) ~~(e)~~ A person who refuses to purchase an amount of
2 insurance equal to at least 100% of the market value of the
3 property insured or to be insured under a repair cost policy.

4 (vi) ~~(f)~~ A person who refuses to purchase an amount of
5 insurance equal to at least 100% of the actual cash value of the
6 property insured or to be insured under a tenant or renter's home
7 insurance policy.

8 (vii) ~~(g)~~ A person whose policy of home insurance has been
9 canceled because of nonpayment of premium within the immediately
10 preceding 2-year period, unless the premium due on the policy is
11 paid in full before issuance or renewal of the policy.

12 (viii) ~~(h)~~ A person who insures or seeks to insure a
13 dwelling, if the insured value is not any of the following:

14 (A) ~~(i)~~ For a repair cost policy, at least \$7,500.00.

15 (B) ~~(ii)~~ For a replacement policy, at least \$15,000.00 or
16 another amount ~~which~~ THAT the commissioner may establish biennially
17 on and after January 1, 1983, pursuant to rules promulgated by the
18 commissioner under the administrative procedures act of 1969, Act No. 306
19 of 1969, Act No. 306 of the Public Acts of 1969, as amended,
20 being sections 24.201 to 24.328 of the Michigan Compiled Laws,
21 based upon changes in applicable construction cost indices.

22 (ix) ~~(j)~~ A person who insures or seeks to insure a dwelling
23 ~~ing which~~ THAT does not meet minimum standards of insurability
24 as established by rules promulgated by the commissioner pursuant
25 to Act No. 306 of the Public Acts of 1969, as amended.

26 (x) ~~(k)~~ A person whose real property taxes with respect to
27 the dwelling insured or to be insured have been and are

1 delinquent for 2 or more years at the time of renewal of, or
2 application for, home insurance.

3 (xi) ~~(t)~~ A person who has failed to procure or maintain
4 membership in a club, group, or organization, if membership is a
5 uniform requirement of the insurer ~~—~~ and if the dues, charges,
6 or other conditions for membership are applied uniformly through-
7 out this state, are not expressed as a percentage of premium, and
8 do not vary with respect to the rating classification of the
9 member except for the purpose of offering a membership fee to
10 family units. Membership fees may vary in accordance with the
11 amount or type of coverage if the purchase of additional cover-
12 age, either as to type or amount, is not a condition for reduc-
13 tion of dues or fees.

14 (C) ~~(3)~~ "Home insurance" means any of the following, but
15 does not include insurance intended to insure commercial, indus-
16 trial, professional, or business property, obligations, or
17 liabilities:

18 (i) ~~(a)~~ Fire insurance for an insured's dwelling of a type
19 described in ~~subsection (2)~~ SUBDIVISION (B).

20 (ii) ~~(b)~~ If contained in or indorsed to a fire insurance
21 policy providing insurance for the insured's residence, other
22 insurance intended primarily to insure nonbusiness property,
23 obligations, and liabilities.

24 (iii) ~~(c)~~ Other insurance coverages for an insured's resi-
25 dence as prescribed by rule promulgated by the commissioner pur-
26 suant to Act No. 306 of the Public Acts of 1969, as amended. A
27 rule proposed for promulgation by the commissioner pursuant to

1 this section shall be transmitted in advance to each member of
 2 the standing committee in the house and in the senate ~~which~~
 3 THAT has jurisdiction over insurance.

4 (D) ~~(4)~~ "Insurance eligibility points" means all of the
 5 following:

6 (i) ~~(a)~~ Points calculated, according to the following
 7 schedule, for convictions, determinations of responsibility for
 8 civil infractions, or findings of responsibility in probate
 9 court:

10 (A) ~~(i)~~ For a violation of ~~any~~ A lawful speed limit by
 11 more than 15 miles per hour, or careless driving, 4 points.

12 (B) ~~(ii)~~ For a violation of ~~any~~ A lawful speed limit by
 13 more than 10 miles per hour, but less than 16 miles per hour, 3
 14 points.

15 (C) ~~(iii)~~ For a violation of ~~any~~ A lawful speed limit by
 16 10 miles per hour or less, 2 points.

17 (D) ~~(iv)~~ For a violation of ~~any~~ A speed limit by 15
 18 miles per hour or less on a roadway which had a lawfully posted
 19 maximum speed of 70 miles per hour as of January 1, 1974, 2
 20 points.

21 (E) ~~(v)~~ For all other moving violations pertaining to the
 22 operation of motor vehicles, 2 points.

23 (ii) ~~(b)~~ Points calculated, according to the following
 24 schedule, for determinations that the person was substantially
 25 at-fault, as defined in section ~~2104(4)~~ 2104(D):

26 (A) ~~(i)~~ For the first substantially at-fault accident, 3
 27 points.

1 (B) ~~(ii)~~ For the second and each subsequent substantially
2 at-fault accident, 4 points.

3 (E) ~~(5)~~ "Insurer" means an insurer authorized to transact
4 in this state the kind or combination of kinds of insurance con-
5 stituting automobile insurance or home insurance, as defined in
6 this chapter.

7 Sec. 2104. ~~(1)~~ AS USED IN THIS CHAPTER:

8 (A) "Private passenger nonfleet automobile" means a motor-
9 ized land vehicle designed for transporting passengers or goods,
10 subject to specific contemporary definitions for insurance pur-
11 poses pursuant to section 3303.

12 (B) ~~(2)~~ "Repair cost policy" means a home insurance policy
13 for which the amount of coverage under the policy is based sub-
14 stantially on the market value of the property, and which pro-
15 vides for payment for repair, rebuilding, or replacement of
16 losses or damages to real property with materials of like kind
17 and quality, without depreciation, pursuant to section 2826, or
18 with conventional materials and construction methods, pursuant to
19 the standards of section 2827.

20 (C) ~~(3)~~ "Replacement cost policy" means a home insurance
21 policy for which the amount of coverage under the policy is based
22 substantially on the replacement cost of the property, which pro-
23 vides for settlement of losses to real property pursuant to the
24 standards prescribed in section 2826.

25 (D) ~~(4)~~ "Substantially at-fault" means a person's action
26 or inaction was more than 50% of the cause of an accident.

1 (E) ~~(5)~~ "Termination" means a refusal to continue to
2 insure, for reasons other than nonpayment of premium, and
3 includes both of the following:

4 (i) ~~(a)~~ The transfer of coverage for an insured between
5 affiliated insurers, when the transfer results in higher rates or
6 less coverage, unless the transfer was requested by the insured.

7 (ii) ~~(b)~~ The offering of coverage with less favorable
8 terms or conditions than those previously provided, unless so
9 requested by the insured, or unless the terms or conditions of
10 coverage previously provided are no longer available from the
11 insurer anywhere in this state.

12 (F) ~~(6)~~ "Underwriting rules" means the written statements,
13 guidelines, or criteria of an insurer, phrased in terms under-
14 standable to a person of ordinary intelligence, which describe
15 the standards under which the insurer issues, refuses to issue,
16 renews, refuses to renew, or limits coverage for automobile
17 insurance or home insurance to persons within this state.

18 Sec. 2117. (1) As a condition of maintaining its certifi-
19 cate of authority, an insurer shall not refuse to insure, refuse
20 to continue to insure, or limit the coverage available to an eli-
21 gible person for home insurance, except in accordance with under-
22 writing rules established pursuant to this section and section
23 2119. An insurer shall not establish underwriting rules for home
24 insurance for contracts providing identical coverages that differ
25 from those of any affiliate of the insurer.

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)~~ 2103(B).

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 a rebuttable presumption that the dwelling meets the
17 insurer's underwriting rules relating to physical condition.

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

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

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

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:

13 (i) Three paid claims within the immediately preceding
14 3-year period totaling \$750.00 or more, exclusive of
15 weather-related claims.

16 (ii) Three paid claims within the immediately preceding
17 3-year period totaling \$1,000.00 or more, including
18 weather-related claims.

19 (g) The number of residences within the dwelling are incon-
20 sistent with the policy forms approved by the commissioner for
21 the insurer.

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

25 (i) The existence of an adjacent physical hazard, if the
26 hazard presents a significant risk of loss directly related to
27 the perils insured or to be insured against for which a rate

1 surcharge is not applicable. For purposes of this subdivision
2 only, residential property or traffic patterns shall not be con-
3 sidered to cause a significant risk of loss. Nonrenewals based
4 upon an adjacent physical hazard shall be due to a change in the
5 hazard from that which existed at the original date of issuance
6 of the policy.

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

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

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

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

21 (a) The insurer shall offer for sale a repair cost policy
22 with deductibles, terms and conditions, perils insured against,
23 and types and amounts of coverage, ~~which~~ THAT are substantially
24 equivalent to the deductibles, terms and conditions, perils
25 insured against, and types and amounts of coverage provided by
26 the replacement cost policy of the insurer at least equivalent to
27 the HO-2 form replacement cost policy filed and in effect in this

1 state for the principal rating organization as of October 1,
2 1979.

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

6 (4) The rates of an insurer for a repair cost policy shall
7 be established so that the premium for a repair cost policy shall
8 not exceed 105% of the premium for an amount of insurance equal
9 to 80% of the replacement cost of the dwelling under the equiva-
10 lent replacement cost policy described in subsection (3)(a).

11 Premiums for dwellings with identical replacement costs shall
12 vary on a schedule determined by the insurer in accordance with
13 the market value of the dwellings.

14 (5) Off-premises claims may be aggregated for the purposes
15 of subsection (2)(f), irrespective of the location of the insured
16 dwelling. All claims other than off-premises losses utilized in
17 a determination for purposes of subsection (2)(f) shall be aggre-
18 gated only as to an insured dwelling. The minimum dollar amounts
19 prescribed in subsection (2)(f) shall be adjusted biennially pur-
20 suant to rules promulgated by the commissioner under THE ADMINIS-
21 TRATIVE PROCEDURES ACT OF 1969, Act No. 306 of the Public Acts
22 of 1969, ~~as amended,~~ BEING SECTIONS 24.201 TO 24.328 OF THE
23 MICHIGAN COMPILED LAWS, based upon an appropriate index relating
24 to the cost of claims.

25 Sec. 2118. (1) As a condition of maintaining its certifi-
26 cate of authority, an insurer shall not refuse to insure, refuse
27 to continue to insure, or limit coverage available to an eligible

1 person for automobile insurance, except in accordance with
2 underwriting rules established pursuant to this section and sec-
3 tions 2119 and 2120.

4 (2) The underwriting rules ~~which~~ THAT an insurer may
5 establish for automobile insurance shall be based only on the
6 following:

7 (a) Criteria identical to the standards set forth in section
8 ~~2103(1)~~ 2103(A).

9 (b) The insurance eligibility point accumulation in excess
10 of the amounts established by section ~~2103(1)~~ 2103(A) of a
11 member of the household of the eligible person insured or to be
12 insured, if the member of the household usually accounts for 10%
13 or more of the use of a vehicle insured or to be insured. For
14 purposes of this subdivision, a person who is the principal
15 driver for 1 automobile insurance policy shall be rebuttably pre-
16 sumed not to usually account for more than 10% of the use of
17 other vehicles of the household not insured under the policy of
18 that person.

19 (c) With respect to a vehicle insured or to be insured, sub-
20 stantial modifications from the vehicle's original manufactured
21 state for purposes of increasing the speed or acceleration capa-
22 bilities of the vehicle.

23 (d) Failure by the person to provide proof that insurance
24 required by section 3101 was maintained in force with respect to
25 any vehicle ~~which~~ THAT was both owned by the person and driven
26 or moved by the person or by a member of the household of the
27 person during the 6-month period immediately preceding

1 application. Such proof shall take the form of a certification
2 by the person on a form provided by the insurer that the vehicle
3 was not driven or moved without maintaining the insurance
4 required by section 3101 during the 6-month period immediately
5 preceding application.

6 (e) Type of vehicle insured or to be insured, based on 1 of
7 the following, without regard to the age of the vehicle:

8 (i) The vehicle is of limited production or of custom
9 manufacture.

10 (ii) The insurer does not have a rate lawfully in effect for
11 the type of vehicle.

12 (iii) The vehicle represents exposure to extraordinary
13 expense for repair or replacement under comprehensive or colli-
14 sion coverage.

15 (f) Use of a vehicle insured or to be insured for transpor-
16 tation of passengers for hire, for rental purposes, or for com-
17 mercial purposes. Rules under this subdivision shall not be
18 based on the use of a vehicle for volunteer or charitable pur-
19 poses or for which reimbursement for normal operating expenses is
20 received.

21 (g) Payment of a minimum deposit at the time of application
22 or renewal, not to exceed the smallest deposit required under an
23 extended payment or premium finance plan customarily used by the
24 insurer.

25 (h) For purposes of requiring comprehensive deductibles of
26 not more than \$150.00, or of refusing to insure if the person

1 refuses to accept a required deductible, the claim experience of
2 the person with respect to comprehensive coverage.

3 (i) Total abstinence from the consumption of alcoholic bev-
4 erages except ~~when~~ IF such beverages are consumed as part of a
5 religious ceremony. However, an insurer shall not utilize an
6 underwriting rule based on this subdivision unless the insurer
7 has been authorized to transact automobile insurance in this
8 state prior to January 1, 1981, and has consistently utilized
9 such an underwriting rule as part of the insurer's automobile
10 insurance underwriting since being authorized to transact automo-
11 bile insurance in this state.

12 Sec. 2120. (1) Affiliated insurers may establish underwrit-
13 ing rules so that each affiliate will provide automobile insur-
14 ance only to certain eligible persons. This subsection shall
15 apply only if an eligible person can obtain automobile insurance
16 from 1 of the affiliates. The underwriting rules shall be in
17 compliance with this section ~~section~~ AND SECTIONS 2118 ~~section~~
18 and ~~section~~ 2119.

19 (2) An insurer may establish separate rating plans so that
20 certain eligible persons are provided automobile insurance under
21 1 rating plan and other eligible persons are provided automobile
22 insurance under another rating plan. This subsection shall apply
23 only if all eligible persons can obtain automobile insurance
24 under a rating plan of the insurer. Underwriting rules consis-
25 tent with this section ~~section~~ AND SECTIONS 2118 ~~section~~ and
26 ~~section~~ 2119 shall be established to define the rating plan
27 applicable to each eligible person.

1 (3) Underwriting rules under this section shall be based
2 only on the following:

3 (a) ~~With respect to~~ FOR a vehicle insured or to be
4 insured, substantial modifications from the vehicle's original
5 manufactured state for purposes of increasing the speed or accel-
6 eration capabilities of the vehicle.

7 (b) Failure of the person to provide proof that insurance
8 required by section 3101 was maintained in force with respect to
9 any vehicle owned and operated by the person or by a member of
10 the household of the person during the 6-month period immediately
11 preceding application or renewal of the policy. Such proof shall
12 take the form of a certification by the person that the required
13 insurance was maintained in force for the 6-month period with
14 respect to ~~such~~ THE vehicle.

15 (c) For purposes of insuring persons who have refused a
16 deductible lawfully required under section 2118(2)(h), the claim
17 experience of the person with respect to comprehensive coverage.

18 (d) Refusal of the person to pay a minimum deposit required
19 under section 2118(2)(g).

20 (e) A person's insurance eligibility point accumulation
21 under section ~~2103(1)(h)~~ 2103(A)(viii), or the total insurance
22 eligibility point accumulation of all persons who account for 10%
23 or more of the use of 1 or more vehicles insured or to be insured
24 under the policy.

25 (f) The type of vehicle insured or to be insured as provided
26 in section 2118(2)(e).

1 Sec. 2901. As used in this chapter:

2 (a) "Basic property insurance" means:

3 (i) Insurance against direct loss to any property caused by
4 perils as defined and limited in a fire policy as provided in
5 chapter 28 and an extended coverage indorsement and a vandalism
6 and malicious mischief indorsement or combination thereof as
7 approved by the commissioner.

8 (ii) The following insurance coverages in the amounts and
9 subject to the deductibles and policy provisions approved by the
10 commissioner:

11 (A) Residence burglary and robbery.

12 (B) Mercantile robbery.

13 (C) Office burglary and robbery.

14 (D) Storekeeper's burglary and robbery.

15 (E) Mercantile safe burglary.

16 (F) Mercantile open stock burglary.

17 (b) "Inspection bureau" means an organization designated by
18 the commissioner to act as the inspection bureau.

19 (c) "Qualified property", for basic property insurance,
20 means all real and tangible personal property at fixed locations
21 whether or not subject to exposure from an external hazard
22 located on property not owned or controlled by the prospective
23 insured, and whether or not subject to exposure from riot hazard,
24 which meets all of the following requirements:

25 (i) Is not used for farm purposes.

26 (ii) Complies with applicable state and local building codes
27 and ordinances to the extent conditions on the property

1 reasonably related to the perils insured against cannot be the
2 subject of, or provide the basis for, a corrective administrative
3 or judicial order, a criminal prosecution, or a civil fine or
4 penalty. For purposes of this chapter, the housing law of
5 Michigan, Act No. 167 of the Public Acts of 1917, as amended,
6 being sections 125.401 to 125.543 of the Michigan Compiled Laws,
7 shall be considered to constitute, without regard to the popula-
8 tion limitations set forth in that act, the basic minimum appli-
9 cable standard for qualified property, and may be applied for
10 purposes of determining conformity with this section as if it
11 were enforceable against all property in the state.

12 (iii) Is not commonly owned or controlled, or combinable for
13 rating purposes, with property insured for similar coverages
14 elsewhere.

15 (iv) Is not owned or controlled by any person or group of
16 persons, except a city, county, township, village, school dis-
17 trict, college, university, other political subdivision of this
18 state, or an agency of a political subdivision of this state, who
19 owns or controls property within this state with an aggregate
20 insurable value in excess of 5% of the aggregate assessable pre-
21 miums for all participating members for the most recent available
22 calendar year.

23 (v) Is not used or occupied for an illegal purpose.

24 (vi) Is protected, where coverage included in subdivision
25 (a)(ii) is applied for, by all appropriate protective devices,
26 services, and procedures required pursuant to section 2924.

1 (d) "Assessable premiums", for basic property insurance,
2 means gross direct premiums less all premiums and dividends
3 returned to policyholders on policies written in this state for
4 the following kinds of insurance: fire, extended coverage and
5 allied lines, burglary and theft, inland marine, the components
6 comparable to the foregoing in commercial multiple peril, and any
7 other kind of insurance included in the definition of basic prop-
8 erty insurance in subdivision (a). Aggregate premiums shall
9 exclude premiums attributable to operation of the pool, premiums
10 on farm property, and premiums on policies covering solely air-
11 craft, watercraft, and motor vehicles.

12 (e) "Home insurance" means a homeowners multiple peril
13 insurance policy for qualified property containing all of the
14 following, but does not include insurance intended to insure com-
15 mercial, industrial, professional, or business property, obliga-
16 tions, or liabilities:

17 (i) Fire insurance for an insured's dwelling of a type
18 described in section ~~2103(2)~~ 2103(B).

19 (ii) If contained in or endorsed to a fire insurance policy
20 providing insurance for the insured's residence, other insurance
21 intended primarily to insure nonbusiness property, obligations,
22 or liabilities.

23 (iii) Other insurance coverages for an insured's residence
24 as prescribed by rule promulgated by the commissioner pursuant to
25 the administrative procedures act of 1969, Act No. 306 of the
26 Public Acts of 1969, as amended, being sections 24.201 to 24.328
27 of the Michigan Compiled Laws. A rule proposed for promulgation

1 pursuant to this section shall be transmitted in advance to each
2 member of the standing committee in the house and the senate
3 ~~which~~ THAT has jurisdiction over insurance.

4 (f) "Qualified property", for home insurance, means an
5 owner-occupied or tenant-occupied dwelling of the following
6 types: a house, a condominium unit, a cooperative unit, a room,
7 an apartment, or an owner-occupied multiple unit dwelling of not
8 more than 4 residential units that:

9 (i) Meets all the requirements set forth in subdivision
10 (c).

11 (ii) Is not being used for a demonstrably hazardous
12 purpose.

13 (iii) Meets the minimum standards of insurability as estab-
14 lished by rule promulgated by the commissioner pursuant to Act
15 No. 306 of the Public Acts of 1969, as amended.

16 (iv) Is not intended for commercial, industrial, profession-
17 al, or business purposes, obligations, or liabilities.

18 (g) "Qualified applicant", for home insurance, means a
19 person who is an owner-occupant or a tenant-occupant of a quali-
20 fied property for home insurance, but does not include a person
21 who, in the immediately preceding 5 years, was either of the
22 following:

23 (i) Convicted of 1 or more of the following:

24 (A) Arson, or conspiracy to commit arson.

25 (B) A crime under sections 72 to 77, 112, 211a, 377a, 377b,
26 or 380 of the Michigan penal code, Act No. 328 of the Public Acts
27 of 1931, as amended, being sections 750.72 to 750.77, 750.112,

1 750.211a, 750.377a, 750.377b, and 750.380 of the Michigan
2 Compiled Laws.

3 (C) A crime under section 92, 151, 157b, or 218 of Act
4 No. 328 of the Public Acts of 1931, as amended, being sections
5 750.92, 750.151, 750.157b, and 750.218 of the Michigan Compiled
6 Laws, based upon a crime listed in subparagraph (B) committed by
7 or on behalf of the individual.

8 (ii) Successfully denied payments by the pool, based on
9 fraud or conspiracy to commit fraud by or on behalf of the appli-
10 cant, of a claim in excess of \$2,000.00 under a home insurance
11 policy, and if the amount of the denied claim was greater than
12 either of the following:

13 (A) For a claim under a repair cost policy, 15% of the
14 amount of insurance in force.

15 (B) For a claim under a replacement cost policy, 10% of the
16 amount of insurance in force.

17 (h) "Assessable premiums", for home insurance, means gross
18 direct premiums less all premiums and dividends returned to poli-
19 cyholders on policies written in this state as homeowners multi-
20 ple peril insurance.

21 (i) "Aggregate assessable premiums" means the assessable
22 premiums for basic property insurance plus the assessable premi-
23 ums for home insurance.

24 (j) "Participating member" means any member of the pool
25 ~~which~~ THAT in any pertinent calendar period has aggregate
26 assessable premiums greater than zero.

1 Sec. 3020. (1) A policy of casualty insurance, except
2 worker's compensation, including all classes of motor vehicle
3 coverage, shall not be issued or delivered in this state by an
4 insurer authorized to do business in this state for which a pre-
5 mium or advance assessment is charged, unless the policy contains
6 the following provisions:

7 (a) That the policy may be canceled at any time at the
8 request of the insured, in which case the insurer shall refund
9 the excess of paid premium or assessment above the pro rata rates
10 for the expired time, except as otherwise provided in subsections
11 (2) and (3).

12 (b) That the policy may be canceled at any time by the
13 insurer by mailing to the insured at the insured's address last
14 known to the insurer or an authorized agent of the insurer, with
15 postage fully prepaid, a not less than 10 days' written notice of
16 cancellation with or without tender of the excess of paid premium
17 or assessment above the pro rata premium for the expired time.

18 (c) That the minimum earned premium on any policy canceled
19 pursuant to this subsection, other than automobile insurance as
20 defined in section ~~2102(2)(a) and (b)~~ 2102, shall not be less
21 than the pro rata premium for the expired time or \$25.00, which-
22 ever is greater.

23 (2) An insurer may file a rule with the commissioner provid-
24 ing for a minimum retention of premium for automobile insurance
25 as defined in section ~~2102(2)(a) and (b)~~ 2102. The rule shall
26 describe the circumstances under which the retention shall be
27 applied and shall set forth the amount to be retained, which

1 shall be subject to the approval of the commissioner. The rule
2 shall include, but need not be limited to, the following
3 provisions:

4 (a) That a minimum retention shall be applied only ~~when~~ IF
5 the amount exceeds the amount ~~which~~ THAT would have been
6 retained had the policy been canceled on a pro rata basis.

7 (b) That a minimum retention shall not apply to renewal
8 policies.

9 (c) That a minimum retention shall not apply ~~when~~ IF a
10 policy is canceled for the following reasons:

11 (i) The insured is no longer required to maintain security
12 pursuant to section 3101(1).

13 (ii) The insured has replaced the automobile insurance
14 policy being canceled with an automobile insurance policy from
15 another insurer and provides proof of the replacement coverage to
16 the canceling insurer.

17 (3) An insurer may provide for a short rate premium for
18 insurance on a motorcycle, watercraft, off-road vehicle, or
19 snowmobile. As used in this subsection:

20 (a) "Motorcycle" means that term as defined in section
21 3101.

22 (b) "Off-road vehicle" means an ORV as defined in section 1
23 of Act No. 319 of the Public Acts of 1975, being section 257.1601
24 of the Michigan Compiled Laws.

25 (c) "Snowmobile" means that term as defined in section 1 of
26 Act No. 74 of the Public Acts of 1968, being section 257.1501 of
27 the Michigan Compiled Laws.

1 (d) "Watercraft" means that term as defined in section 1(1)-
2 of Act No. 160 of the Public Acts of 1976, being section 281.1201
3 of the Michigan Compiled Laws.

4 (4) Cancellation as prescribed in this section shall be
5 without prejudice to any claim originating before the
6 cancellation. The mailing of notice shall be prima facie proof
7 of notice. Delivery of written notice shall be equivalent to
8 mailing.

9 (5) A notice of cancellation, including a cancellation
10 notice under section 3224, shall be accompanied by a statement
11 that the insured shall not operate or permit the operation of the
12 vehicle to which THE notice of cancellation is applicable, or
13 operate any other vehicle, unless the vehicle is insured as
14 required by law.

15 (6) An insurer who wishes to provide for a short rate pre-
16 mium under subsection (3) shall file with the commissioner pursu-
17 ant to chapter 24 or 26 a rule establishing a short rate
18 premium. The rule shall describe the circumstances under which
19 the short rate shall be applied and shall set forth the amount or
20 percentage to be retained.

21 Sec. 3109. (1) Benefits provided or required to be pro-
22 vided under the laws of any state or the federal government shall
23 be subtracted from the personal protection insurance benefits
24 otherwise payable for the injury.

25 (2) An injured person is a natural person suffering acciden-
26 tal bodily injury.

1 (3) An insurer providing personal protection insurance
2 benefits may offer, at appropriately reduced premium rates, a
3 deductible of a specified dollar amount ~~which~~ THAT does not
4 exceed \$300.00 per accident. This deductible may be applicable
5 to all or any specified types of personal protection insurance
6 benefits but shall apply only to benefits payable to the person
7 named in the policy, his OR HER spouse, and any relative of
8 either domiciled in the same household. Any other deductible
9 provisions require the prior approval of the commissioner.

10 Section 2. Sections 2101 and 2131 of Act No. 218 of the
11 Public Acts of 1956, being sections 500.2101 and 500.2131 of the
12 Michigan Compiled Laws, are repealed.