



# SENATE BILL No. 625

May 6, 1993, Introduced by Senators HOFFMAN, CISKY and  
GOUGEON and referred to the Committee on Transportation  
and Tourism.

A bill to amend sections 2111, 2118, and 2120 of Act No. 218  
of the Public Acts of 1956, entitled as amended  
"The insurance code of 1956,"  
section 2111 as amended by Act No. 191 of the Public Acts of  
1991, section 2118 as amended by Act No. 43 of the Public Acts of  
1988, and section 2120 as amended by Act No. 350 of the Public  
Acts of 1984, being sections 500.2111, 500.2118, and 500.2120 of  
the Michigan Compiled Laws; and to add section 2110a.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 2111, 2118, and 2120 of Act No. 218 of  
2 the Public Acts of 1956, section 2111 as amended by Act No. 191  
3 of the Public Acts of 1991, section 2118 as amended by Act No. 43  
4 of the Public Acts of 1988, and section 2120 as amended by Act  
5 No. 350 of the Public Acts of 1984, being sections 500.2111,

1 500.2118, and 500.2120 of the Michigan Compiled Laws, are amended  
2 and section 2110a is added to read as follows:

3 SEC. 2110A. (1) AN AUTOMOBILE INSURER SHALL INQUIRE OF EACH  
4 APPLICANT FOR INSURANCE AND OF EACH INSURED AT EACH RENEWAL OF  
5 THE INSURED'S AUTOMOBILE INSURANCE AS TO WHETHER THE APPLICANT OR  
6 THE INSURED HAS A RADAR DETECTOR IN THE INSURED MOTOR VEHICLE.

7 (2) IF AN APPLICANT HAS A RADAR DETECTOR IN A MOTOR VEHICLE  
8 TO BE INSURED BY THE INSURER OR IF AN INSURED HAS A RADAR DETEC-  
9 TOR IN AN INSURED MOTOR VEHICLE, THE AUTOMOBILE INSURER MAY DO  
10 EITHER OF THE FOLLOWING:

11 (A) NOT ISSUE OR RENEW AN AUTOMOBILE INSURANCE POLICY FOR  
12 THE APPLICANT OR INSURED.

13 (B) CHARGE THE APPLICANT OR INSURED WITH A HIGHER PREMIUM  
14 PURSUANT TO SECTION 2111(2)(A)(ix).

15 (3) IF AN AUTOMOBILE INSURER ISSUES AN AUTOMOBILE INSURANCE  
16 POLICY TO AN INSURED WHO SUBSEQUENTLY IS INVOLVED IN AN ACCIDENT  
17 WITH THE INSURED MOTOR VEHICLE AND THE MOTOR VEHICLE IS EQUIPPED  
18 WITH A RADAR DETECTOR OR IS CONVICTED FOR, DETERMINED TO BE  
19 RESPONSIBLE FOR A CIVIL INFRACTION FOR, OR IS FOUND RESPONSIBLE  
20 IN PROBATE COURT FOR A CIVIL INFRACTION FOR A VIOLATION UNDER  
21 CHAPTER VI OF THE MICHIGAN VEHICLE CODE, ACT NO. 300 OF THE  
22 PUBLIC ACTS OF 1949, BEING SECTIONS 257.601 TO 257.750 OF THE  
23 MICHIGAN COMPILED LAWS, AND THE MOTOR VEHICLE IS EQUIPPED WITH A  
24 A RADAR DETECTOR, THE INSURER MAY DO EITHER OF THE FOLLOWING:

25 (A) NOT ISSUE OR RENEW AN AUTOMOBILE INSURANCE POLICY FOR  
26 THE APPLICANT OR INSURED.

1 (B) CHARGE THE APPLICANT OR INSURED WITH A HIGHER PREMIUM  
2 PURSUANT TO SECTION 2111(2)(A)(ix).

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

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

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

13 (i) Either the age of the driver; the length of driving  
14 experience; or the number of years licensed to operate a motor  
15 vehicle.

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

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

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

21 (v) Vehicle characteristics, features, and options, such as  
22 engine displacement, ability of vehicle and its equipment to pro-  
23 tect passengers from injury and other similar items, including  
24 vehicle make and model.

25 (vi) Daily or weekly commuting mileage.

26 (vii) Number of cars insured by the insurer or number of  
27 licensed operators in the household. However, number of licensed

1 operators shall not be used as an indirect measure of marital  
2 status.

3 (viii) Amount of insurance.

4 (ix) EQUIPPING AN INSURED MOTOR VEHICLE WITH A RADAR  
5 DETECTOR.

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

8 (i) Earned income.

9 (ii) Number of dependents of income earners insured under  
10 the policy.

11 (iii) Coordination of benefits.

12 (iv) Use of a safety belt.

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

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

19 (ii) Vehicle make and model.

20 (iii) Vehicle design characteristics related to vehicle  
21 damageability.

22 (iv) Vehicle characteristics relating to automobile theft  
23 prevention devices.

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

1 (i) The course shall include a minimum of 8 hours of  
2 classroom instruction.

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

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

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

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

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

9 (E) Accident prevention measures.

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

11 (G) Major driving hazards.

12 (H) Interaction with other highway users such as motorcy-  
13 clists, bicyclists, and pedestrians.

14 (3) Each insurer shall establish and maintain premium dis-  
15 count plans pursuant to the following:

16 (a) Until April 1, 1992, an automobile theft prevention pre-  
17 mium discount plan. A premium discount plan required under this  
18 subdivision shall provide for a premium discount for automobile  
19 comprehensive coverage based upon the installation of an approved  
20 automobile theft prevention device. As used in this subdivision,  
21 "approved automobile theft prevention device" means a device that  
22 is designed to prevent the theft of an insured's automobile and  
23 that is approved by the board of directors of the automobile  
24 theft prevention authority.

25 (b) Until April 1, 1992, an automobile safety belt premium  
26 discount plan. A premium discount plan required under this  
27 subdivision shall provide for a premium discount for automobile

1 personal protection insurance of not less than 20%. A premium  
2 discount plan established under this subdivision may require the  
3 insured individual to certify in writing that he or she will wear  
4 a safety belt while operating the insured motor vehicle in com-  
5 pliance with section 710e of the Michigan vehicle code, Act  
6 No. 300 of the Public Acts of 1949, being section 257.710e of the  
7 Michigan Compiled Laws, as a condition to receiving the premium  
8 discount. If an insured receives a premium discount after pro-  
9 viding such certification and is injured while operating a motor  
10 vehicle without wearing a safety belt at the time of the injury,  
11 an insurer may subsequently deny to the insured the right to par-  
12 ticipate in any premium discount plan established by the insurer  
13 pursuant to this subdivision for a period of 12 months. An  
14 insurer that reduces its personal protection insurance rates  
15 after December 1, 1985 by not less than 20% and does not increase  
16 those rates for a period of 12 months shall be considered to be  
17 in compliance with this subdivision.

18 (4) Each insurer shall establish a secondary or merit rating  
19 plan for automobile insurance, other than comprehensive  
20 coverage. A secondary or merit rating plan required under this  
21 subsection shall provide for premium surcharges for any or all  
22 coverages for automobile insurance, other than comprehensive cov-  
23 erage, based upon any or all of the following, when that informa-  
24 tion becomes available to the insurer:

25 (a) Substantially at-fault accidents.

26 (b) Convictions for, determinations of responsibility for  
27 civil infractions for, or findings of responsibility in probate

1 court for civil infractions for, violations under chapter VI of  
2 the Michigan vehicle code, Act No. 300 of the Public Acts of  
3 1949, as amended, being sections 257.601 to 257.750 of the  
4 Michigan Compiled Laws.

5 (5) An insurer shall not establish or maintain rates or  
6 rating classifications for automobile insurance based upon sex or  
7 marital status.

8 (6) Notwithstanding other provisions of this chapter, auto-  
9 mobile insurance risks shall be grouped by territory, and terri-  
10 torial base rates for coverages shall be established as provided  
11 in section 2111a and as follows:

12 (a) An insurer shall not be limited as to the number of ter-  
13 ritories employed in its rating plan.

14 (b) Except during the period of time from February 28, 1986  
15 to April 1, 1992, an insurer shall not employ more than 20 dif-  
16 ferent territorial base rates for an automobile insurance  
17 coverage.

18 (c) A territorial base rate may be made applicable in 1 or  
19 more territories contained in the rating plan of the insurer.

20 (d) Except during the period of time from February 28, 1986  
21 to April 1, 1992, an insurer shall not employ a territorial base  
22 rate for an automobile insurance package policy that is less than  
23 45% of the highest territorial base rate for the same policy, all  
24 other rating classifications being the same.

25 (e) Except during the period of time from February 28, 1986  
26 to April 1, 1992, an insurer shall not employ a territorial base  
27 rate in a territory for an automobile insurance package policy

1 that is less than 90% of the territorial base rate employed in  
2 any adjacent territory for the same policy, all other rating  
3 classifications being the same.

4       (7) Except during the period of time from February 28, 1986  
5 to April 1, 1992, an insurer may elect at any time to exempt  
6 itself from the requirements of subsection (6) by filing for an  
7 exemption with the commissioner. An insurer electing this exemp-  
8 tion shall initially file a rating plan in which no territorial  
9 base rate for an automobile insurance package policy is less than  
10 45% of the highest territorial base rate for the same policy, all  
11 other rating classifications being the same. Five years from the  
12 date of the initial filing the insurer shall be prohibited from  
13 using a rating plan in which any territorial base rate for an  
14 automobile insurance package policy will be less than 67% of the  
15 highest territorial base rate for that same policy, all other  
16 rating classifications being the same. An insurer's election of  
17 an exemption under this subsection is permanent, final, and not  
18 subject to change.

19       (8) Except during the period of time from February 28, 1986  
20 to April 1, 1992, if an insurer can demonstrate to the commis-  
21 sioner, after an opportunity for an evidentiary hearing held pur-  
22 suant to the administrative procedures act of 1969, Act No. 306  
23 of the Public Acts of 1969, as amended, being sections 24.201 to  
24 24.328 of the Michigan Compiled Laws, that clear and significant  
25 financial impairment exists in the geographic territory or terri-  
26 tories in question because of the need for an additional  
27 territorial base rate, or for a greater variance in the adjacent



1 geographic territory differential contained in subsection (6)(e),  
2 the additional territorial base rate, a greater variance, or  
3 both, shall be permitted for use by the insurer or a licensed  
4 rating organization on behalf of that insurer, at such time as  
5 the need exists. Evidence shall not include financial impairment  
6 resulting from exemptions granted to other insurers.

7       (9) Except during the period of time from February 28, 1986  
8 to April 1, 1992, if the commissioner finds, solely on the evi-  
9 dence presented, that a greater variance in the adjacent geo-  
10 graphic territory differential than that authorized under subsec-  
11 tion (6)(e) is justified, the increase in variance shall not  
12 exceed 100% of that authorized under that subsection. Except  
13 during the period of time from February 28, 1986 to April 1,  
14 1992, if an increase in variance in the adjacent geographic ter-  
15 ritory differential greater than 100% of that authorized under  
16 subsection (6)(e) is justified, the commissioner shall require  
17 the creation of an additional territorial base rate.

18       (10) Except during the period of time from February 28, 1986  
19 to April 1, 1992, an exemption granted under subsections (8) and  
20 (9) shall be applicable only to the geographic territory or ter-  
21 ritories in question, and only to the insurer requesting the  
22 exemption.

23       (11) Except during the period of time from February 28, 1986  
24 to April 1, 1992, an insurer shall not have more than 5 exemp-  
25 tions in force at any 1 time. For purposes of determining the  
26 number of existing exemptions, each additional territorial base  
27 rate or each increase in variance in the adjacent geographic

1 territory differential granted, shall be considered to be a  
2 separate exemption.

3       (12) This section shall not be construed as limiting insur-  
4 ers or rating organizations from establishing and maintaining  
5 statistical reporting territories. This section shall not be  
6 construed to prohibit an insurer from establishing or maintain-  
7 ing, for automobile insurance, a premium discount plan for senior  
8 citizens in this state who are 65 years of age or older, if the  
9 plan is uniformly applied by the insurer throughout this state.  
10 If an insurer has not established and maintained such a premium  
11 discount plan for senior citizens, the insurer shall offer  
12 reduced premium rates to senior citizens in this state who are 65  
13 years of age or older and who drive less than 3,000 miles per  
14 year, regardless of statistical data.

15       (13) Classifications established pursuant to this section  
16 for home insurance other than inland marine insurance provided by  
17 policy floaters or endorsements shall be based only upon 1 or  
18 more of the following factors:

19       (a) Amount and types of coverage.

20       (b) Security and safety devices, including locks, smoke  
21 detectors, and similar, related devices.

22       (c) Repairable structural defects reasonably related to  
23 risk.

24       (d) Fire protection class.

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

1 (f) Loss experience of the insured, based upon prior claims  
2 attributable to factors under the control of the insured that  
3 have been paid by an insurer.

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

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

6 (i) Availability of law enforcement or crime prevention  
7 services.

8 (14) Notwithstanding other provisions of this chapter, home  
9 insurance risks shall be grouped by territory, and territorial  
10 base rates for coverages shall be established as follows:

11 (a) An insurer shall not be limited as to the number of ter-  
12 ritories employed in its rating plan. However, an insurer shall  
13 not employ more than 3 different territorial base rates for a  
14 home insurance coverage. A territorial base rate may be made  
15 applicable in 1 or more territories contained in the rating plan  
16 of the insurer.

17 (b) An insurer shall not employ a territorial base rate for  
18 home insurance for owner-occupied dwelling policies that is less  
19 than 70% of the highest territorial base rate for the same  
20 policy, all other rating classifications being the same.

21 (c) An insurer shall not employ a territorial base rate for  
22 home insurance for renter or tenant policies that is less than  
23 65% of the highest territorial base rate for the same policy, all  
24 other rating classifications being the same.

25 (15) An insurer may utilize factors in addition to those  
26 specified in this section, if the commissioner finds, after a  
27 hearing held pursuant to the administrative procedures act of

1 1969, Act No. 306 of the Public Acts of 1969, as amended, being  
2 sections 24.201 to 24.328 of the Michigan Compiled Laws, that the  
3 factors would encourage innovation, would encourage insureds to  
4 minimize the risks of loss from hazards insured against, and  
5 would be consistent with the purposes of this chapter.

6       Sec. 2118. (1) As a condition of maintaining its certifi-  
7 cate of authority, an insurer shall not refuse to insure, refuse  
8 to continue to insure, or limit coverage available to an eligible  
9 person for automobile insurance, except in accordance with under-  
10 writing rules established pursuant to this section and sections  
11 2119 and 2120.

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

15       (a) Criteria identical to the standards set forth in section  
16 2103(1).

17       (b) The insurance eligibility point accumulation in excess  
18 of the amounts established by section 2103(1) of a member of the  
19 household of the eligible person insured or to be insured, if the  
20 member of the household usually accounts for 10% or more of the  
21 use of a vehicle insured or to be insured. For purposes of this  
22 subdivision, a person who is the principal driver for 1 automo-  
23 bile insurance policy shall be rebuttably presumed not to usually  
24 account for more than 10% of the use of other vehicles of the  
25 household not insured under the policy of that person.

26       (c) ~~With respect to~~ CONCERNING a vehicle insured or to be  
27 insured, substantial modifications from the vehicle's original

1 manufactured state for purposes of increasing the speed or  
2 acceleration capabilities of the vehicle.

3 (d) Failure by the person to provide proof that insurance  
4 required by section 3101 was maintained in force with respect to  
5 any vehicle ~~which~~ THAT was both owned by the person and driven  
6 or moved by the person or by a member of the household of the  
7 person during the 6-month period immediately preceding  
8 application. Such proof shall take the form of a certification  
9 by the person on a form provided by the insurer that the vehicle  
10 was not driven or moved without maintaining the insurance  
11 required by section 3101 during the 6-month period immediately  
12 preceding application.

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

15 (i) The vehicle is of limited production or of custom  
16 manufacture.

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

19 (iii) The vehicle represents exposure to extraordinary  
20 expense for repair or replacement under comprehensive or colli-  
21 sion coverage.

22 (f) Use of a vehicle insured or to be insured for transpor-  
23 tation of passengers for hire, for rental purposes, or for com-  
24 mercial purposes. Rules under this subdivision shall not be  
25 based on the use of a vehicle for volunteer or charitable pur-  
26 poses or for which reimbursement for normal operating expenses is  
27 received.

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

5 (h) For purposes of requiring comprehensive deductibles of  
6 not more than \$150.00, or of refusing to insure if the person  
7 refuses to accept a required deductible, the claim experience of  
8 the person with respect to comprehensive coverage.

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

18 (J) CONCERNING A VEHICLE INSURED OR TO BE INSURED, THE USE  
19 OF A RADAR DETECTOR IN THE VEHICLE OR THE EQUIPPING OF THE VEHI-  
20 CLE WITH A RADAR DETECTOR.

21 Sec. 2120. (1) Affiliated insurers may establish underwrit-  
22 ing rules so that each affiliate will provide automobile insur-  
23 ance only to certain eligible persons. This subsection shall  
24 apply only if an eligible person can obtain automobile insurance  
25 from 1 of the affiliates. The underwriting rules shall be in  
26 compliance with this section ~~, section 2118, and section 2119~~  
27 AND SECTIONS 2118 AND 2119.

1       (2) An insurer may establish separate rating plans so that  
2 certain eligible persons are provided automobile insurance under  
3 1 rating plan and other eligible persons are provided automobile  
4 insurance under another rating plan. This subsection shall apply  
5 only if all eligible persons can obtain automobile insurance  
6 under a rating plan of the insurer. Underwriting rules consis-  
7 tent with this section ~~, section 2118, and section 2119~~ AND  
8 SECTIONS 2118 AND 2119 shall be established to define the rating  
9 plan applicable to each eligible person.

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

12       (a) ~~With respect to~~ CONCERNING a vehicle insured or to be  
13 insured, substantial modifications from the vehicle's original  
14 manufactured state for purposes of increasing the speed or accel-  
15 eration capabilities of the vehicle.

16       (b) Failure of the person to provide proof that insurance  
17 required by section 3101 was maintained in force with respect to  
18 any vehicle owned and operated by the person or by a member of  
19 the household of the person during the 6-month period immediately  
20 preceding application or renewal of the policy. Such proof shall  
21 take the form of a certification by the person that the required  
22 insurance was maintained in force for the 6-month period with  
23 respect to such vehicle.

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

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

3       (e) A person's insurance eligibility point accumulation  
4 under section 2103 (1)(h), or the total insurance eligibility  
5 point accumulation of all persons who account for 10% or more of  
6 the use of 1 or more vehicles insured or to be insured under the  
7 policy.

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

10       (G) CONCERNING A VEHICLE INSURED OR TO BE INSURED, THE USE  
11 OF A RADAR DETECTOR IN THE VEHICLE OR THE EQUIPPING OF THE VEHI-  
12 CLE WITH A RADAR DETECTOR.