



Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4466 (Substitute S-3 as reported) Sponsor: Representative Gerald Law House Committee: Insurance Senate Committee: Financial Services

Date Completed: 10-19-95

RATIONALE

Chapter 21 of the Insurance Code specifies factors on which automobile and home insurers may base classifications for setting rates. For automobile insurance, these factors include, for example, the age of the driver or length of driving experience, average miles driven weekly or annually, type of use, vehicle characteristics, and use of a safety belt. Home insurance factors include construction of the shelter, security and safety devices, distance from a fire hydrant, etc. Some people believe that, in order to provide some measure of relief to insureds and encourage insurers to engage in innovative marketing practices, the Code should specifically allow automobile and home insurers to establish and maintain premium discount plans using factors in addition to those classification factors already outlined in the Code. Currently, the Code permits the use of additional factors, but only after the Insurance Commissioner holds a hearing and makes certain findings.

CONTENT

The bill would amend the Insurance Code to provide that, if uniformly applied to all its insureds, an automobile or home insurer could establish and maintain a premium discount plan using factors in addition to those currently permitted by the Code, if the plan were consistent with the purposes of the Insurance Code and reflected reasonably anticipated reductions in losses or expenses.

Proposed MCL 500.2110a

SENATE COMMITTEE ACTION

The Committee on Financial Services adopted a substitute (S-3) to the bill that would permit any

automobile or home insurer to establish and maintain a premium discount plan using factors in addition to rate-setting factors identified in the Code. As passed by the House, the bill would have allowed an automobile insurer to establish and maintain premium discount plans for personal protection insurance; property protection insurance; residual liability insurance; comprehensive insurance; collision insurance; and other automobile insurance coverages.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would encourage insurers to use more creative marketing practices by allowing them to use a wide array of premium discount plans. This, in turn, would foster greater competition in the insurance markets, thereby providing more coverage options and better deals for insurance consumers. Insurance providers would be able to operate more freely in the insurance market and consumers would receive a degree of rate relief.

Although the bill originally applied only to automobile insurance, to encourage the purchase of safer cars and use of automobile safety and security devices, such as air bags, anti-lock brakes, and alarms, allowing premium discount plans for home insurance could have a similar effect. If it lowered a homeowners' insurance rates, he or she might be more likely to install home security devices, such as burglar alarms and smoke detectors.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would not affect the regulatory workload of the Department of Commerce or have a fiscal impact on the State or local governmental units.

Fiscal Analyst: K. Lindquist

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.