



# HOUSE BILL No. 6165

November 12, 1996, Introduced by Rep. Fitzgerald and referred to the Committee on Insurance.

A bill to amend sections 2119 and 2120 of Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

section 2119 as amended by Act No. 461 of the Public Acts of 1980 and section 2120 as amended by Act No. 350 of the Public Acts of 1984, being sections 500.2119 and 500.2120 of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 2119 and 2120 of Act No. 218 of the  
2 Public Acts of 1956, section 2119 as amended by Act No. 461 of  
3 the Public Acts of 1980 and section 2120 as amended by Act  
4 No. 350 of the Public Acts of 1984, being sections 500.2119 and  
5 500.2120 of the Michigan Compiled Laws, are amended to read as  
6 follows:

1       Sec. 2119. (1) Each insurer subject to this chapter shall  
2 put in writing all underwriting rules used by the insurer. An  
3 insurer shall not transact automobile or home insurance inconsis-  
4 tently with its underwriting rules.

5       (2) An insurer shall apply its underwriting rules uniformly  
6 and without exception throughout this state, so that every appli-  
7 cant or insured conforming with the underwriting rules will be  
8 insured or renewed, and so that every applicant or insured not  
9 conforming with the underwriting rules will be refused insurance  
10 or nonrenewed, when the information becomes available to the  
11 insurer.

12       ~~(3) Affiliated insurers shall not adopt underwriting rules~~  
13 ~~for automobile insurance contracts providing identical coverages~~  
14 ~~which would permit a person to be insured, for automobile insur-~~  
15 ~~ance, with more than 1 of the affiliated insurers, unless the~~  
16 ~~affiliated insurers use identical rates and rating plans and have~~  
17 ~~adopted identical underwriting rules in compliance with this~~  
18 ~~section.~~

19       (3) ~~(4)~~ An insurer with more than 1 rating plan for auto-  
20 mobile insurance contracts providing identical coverages shall  
21 not adopt underwriting rules ~~which~~ THAT would permit a person  
22 to be insured, for automobile insurance, under more than 1 of the  
23 rating plans.

24       (4) ~~(5)~~ An insurer may establish underwriting rules for  
25 new applicants ~~which~~ THAT are different than for renewals of  
26 existing insureds only if the applicants or existing insureds are  
27 not eligible persons. Underwriting rules pertaining to renewals

1 of existing insureds who are not eligible persons may be based on  
2 a contractual obligation of the insurer not to cancel or  
3 nonrenew.

4 (5) ~~(6)~~ For informational purposes, an insurer shall file  
5 with the commissioner its underwriting rules prior to their use  
6 in this state. All filed underwriting rules shall be available  
7 for public inspection. If the commissioner finds that an under-  
8 writing rule is inconsistent with the provisions of this chapter,  
9 the commissioner, after a hearing held pursuant to THE ADMINIS-  
10 TRATIVE PROCEDURES ACT OF 1969, Act No. 306 of the Public Acts of  
11 1969, ~~as amended~~ BEING SECTIONS 24.201 TO 24.328 OF THE  
12 MICHIGAN COMPILED LAWS, shall by order prohibit further use of  
13 that underwriting rule.

14 (6) ~~(7)~~ This section ~~shall~~ DOES not prohibit an insurer  
15 from insuring persons who are not eligible persons pursuant to  
16 underwriting rules established under this section and sections  
17 2117, 2118, and 2120.

18 Sec. 2120. (1) Affiliated insurers ~~may establish under~~  
19 ~~writing rules so that each affiliate will provide automobile~~  
20 ~~insurance only to certain eligible persons. This subsection~~  
21 ~~shall apply only if an eligible person can obtain automobile~~  
22 ~~insurance from + of the affiliates. The~~ SHALL HAVE underwriting  
23 rules ~~shall be~~ THAT ARE in compliance with this section, sec-  
24 tion 2118, and section 2119.

25 (2) An insurer may establish separate rating plans so that  
26 certain eligible persons are provided automobile insurance under  
27 1 rating plan and other eligible persons are provided automobile

1 insurance under another rating plan. This subsection shall apply  
2 only if all eligible persons can obtain automobile insurance  
3 under a rating plan of the insurer. Underwriting rules consis-  
4 tent with this section, section 2118, and section 2119 shall be  
5 established to define the rating plan applicable to each eligible  
6 person.

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

9 (a) With respect to a vehicle insured or to be insured, sub-  
10 stantial modifications from the vehicle's original manufactured  
11 state for purposes of increasing the speed or acceleration capa-  
12 bilities of the vehicle.

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

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

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

26 (e) A person's insurance eligibility point accumulation  
27 under section 2103 (1)(h), or the total insurance eligibility

1 point accumulation of all persons who account for 10% or more of  
2 the use of 1 or more vehicles insured or to be insured under the  
3 policy.

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