

**INSURANCE ELIGIBILITY
REQUIREMENTS**

**Senate Bill 991 (Substitute H-2)
Sponsor: Sen. Alan Sanborn**

Addendum to SFA Analysis (5-21-02)

**Senate Committee: Financial Services
House Committee: Insurance and
Financial Services**

ADDENDUM TO SENATE FISCAL AGENCY ANALYSIS OF SB 991 DATED 3-28-02:

HOUSE COMMITTEE ACTION:

The House committee adopted a substitute bill which made the following changes:

- Removed a provision that would have increased (from a maximum of \$150 to a maximum of \$500) the amount for a comprehensive deductible that an auto insurer can require a person to accept in order to be insured by that insurer. (A mandatory comprehensive deductible is required, by the Insurance Code, to be based on the claim experience of the person with respect to comprehensive coverage.)
- The Senate-passed version of the bill required the rates established by the pool for the HO-3 form replacement cost policy to be actuarially sound. Substitute H-2 would instead require those rates to be calculated to generate a total premium sufficient to cover the expected losses and expenses of the pool related to the HO-3 replacement cost policy that the pool would likely incur during the period for which the premium was applicable. The premium would have to include an amount to cover incurred, but not reported, losses for the period and would have to be adjusted for any excess or deficient premiums from previous periods. The excesses or deficiencies from previous periods would have to be fully adjusted in a single period or over several periods in a manner provided for in the plan of operation.
- The commissioner of the Office of Financial and Insurance Services would have to report, in writing, to the Senate and House of Representatives standing committees on insurance issues – by July 1, 2005 – on the effect in Chapter 29 that the provisions pertaining to HO-3 form replacement cost policies have had on home insurance premiums in the state.
- The bill would delete an obsolete provision that required the commissioner, by January 1, 2002, to submit a written report to the Senate and House of Representatives standing committees on insurance issues of the effect that Public Act 98 of 1996, which revised territory-based rating, had on automobile and home insurance premiums in the state.

POSITIONS:

The Office of Financial and Insurance Services (OFIS) supports the bill. (5-17-02)

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The Michigan Insurance Federation supports the bill. (5-17-02)

State Farm Mutual Automobile Insurance Company supports the bill. (5-17-02)

The American Insurance Association supports the bill. (5-17-02)

The Michigan Insurance Coalition supports the bill. (5-17-02)

Allstate Insurance Company supports the bill. (5-17-02)

AAA supports the bill. (5-17-02)

The Michigan Farm Bureau supports the House committee version of the bill. (5-20-02)

Analyst: S. Stutzky

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.