

SENATE BILL No. 1099

March 16, 2004, Introduced by Senators SCOTT, CLARK-COLEMAN, JACOBS, LELAND, THOMAS, CLARKE, BRATER, PRUSI and BASHAM and referred to the Committee on Banking and Financial Institutions.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending section 2111 (MCL 500.2111), as amended by 2002 PA 492.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

1 (i) Either the age of the driver; the length of driving
2 experience; or the number of years licensed to operate a motor
3 vehicle.

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

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

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

9 (v) Vehicle characteristics, features, and options, such as
10 engine displacement, ability of vehicle and its equipment to
11 protect passengers from injury and other similar items, including
12 vehicle make and model.

13 (vi) Daily or weekly commuting mileage.

14 (vii) Number of cars insured by the insurer or number of
15 licensed operators in the household. However, number of licensed
16 operators shall not be used as an indirect measure of marital
17 status.

18 (viii) Amount of insurance.

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

21 (i) Earned income.

22 (ii) Number of dependents of income earners insured under the
23 policy.

24 (iii) Coordination of benefits.

25 (iv) Use of a safety belt.

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

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

5 (ii) Vehicle make and model.

6 (iii) Vehicle design characteristics related to vehicle
7 damageability.

8 (iv) Vehicle characteristics relating to automobile theft
9 prevention devices.

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

14 (i) The course shall include a minimum of 8 hours of
15 classroom instruction.

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

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

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

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

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

22 (E) Accident prevention measures.

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

24 (G) Major driving hazards.

25 (H) Interaction with other highway users such as
26 motorcyclists, bicyclists, and pedestrians.

27 (3) Each insurer shall establish a secondary or merit rating

1 plan for automobile insurance, other than comprehensive
2 coverage. A secondary or merit rating plan required under this
3 subsection shall provide for premium surcharges for any or all
4 coverages for automobile insurance, other than comprehensive
5 coverage, based upon any or all of the following, when that
6 information becomes available to the insurer:

7 (a) Substantially at-fault accidents.

8 (b) Convictions for, determinations of responsibility for
9 civil infractions for, or findings of responsibility in probate
10 court for civil infractions for, violations under chapter VI of
11 the Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750.
12 However, beginning ~~90 days after the effective date of this~~
13 ~~sentence~~ **May 28, 1996**, an insured shall not be merit rated for a
14 civil infraction under chapter VI of the Michigan vehicle code,
15 1949 PA 300, MCL 257.601 to 257.750, for a period of time longer
16 than that which the secretary of state's office carries points
17 for that infraction on the insured's motor vehicle record.

18 (4) An insurer shall not establish or maintain rates or
19 rating classifications for automobile insurance based upon sex or
20 marital status.

21 (5) Notwithstanding other provisions of this ~~chapter~~ **act**,
22 automobile insurance risks ~~may~~ **shall not** be grouped by
23 territory **and automobile insurance rates shall not be based in**
24 **whole or in part on territory or location of the risk.**

25 (6) This section shall not be construed as limiting insurers
26 or rating organizations from establishing and maintaining
27 statistical reporting territories. This section shall not be

1 construed to prohibit an insurer from establishing or
2 maintaining, for automobile insurance, a premium discount plan
3 for senior citizens in this state who are 65 years of age or
4 older, if the plan is uniformly applied by the insurer throughout
5 this state. If an insurer has not established and maintained a
6 premium discount plan for senior citizens, the insurer shall
7 offer reduced premium rates to senior citizens in this state who
8 are 65 years of age or older and who drive less than 3,000 miles
9 per year, regardless of statistical data.

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

14 (a) Amount and types of coverage.

15 (b) Security and safety devices, including locks, smoke
16 detectors, and similar, related devices.

17 (c) Repairable structural defects reasonably related to
18 risk.

19 (d) Fire protection class.

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

22 (f) Loss experience of the insured, based upon prior claims
23 attributable to factors under the control of the insured that
24 have been paid by an insurer. An insured's failure, after
25 written notice from the insurer, to correct a physical condition
26 that presents a risk of repeated loss shall be considered a
27 factor under the control of the insured for purposes of this

1 subdivision.

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

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

4 (i) Availability of law enforcement or crime prevention
5 services.

6 (8) Notwithstanding other provisions of this ~~chapter~~ **act**,
7 home insurance risks ~~may~~ **shall not** be grouped by territory **and**
8 **home insurance rates shall not be based in whole or in part on**
9 **territory or location of the risk.**

10 (9) An insurer may utilize factors in addition to those
11 specified in this section, if the commissioner finds, after a
12 hearing held pursuant to the administrative procedures act of
13 1969, 1969 PA 306, MCL 24.201 to 24.328, that the factors would
14 encourage innovation, would encourage insureds to minimize the
15 risks of loss from hazards insured against, and would be
16 consistent with the purposes of this chapter.

17 Enacting section 1. This amendatory act takes effect July
18 1, 2004.