



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 1305 (Substitute S-1 as reported)  
Sponsor: Senator Joe Hune  
Committee: Insurance

### **CONTENT**

The bill would amend the Insurance Code to do the following:

- Allow an automobile or home insurer to use factors other than those prescribed in the Code to set premiums, if certain conditions were met.
- Eliminate a provision that prohibits an insurer from establishing underwriting rules for home insurance for identical coverage that differ from those of the insurer's affiliates.
- Delete a provision prohibiting a home insurer from using a dwelling's location, age, market value, or amount of insurance as the basis for selecting a dwelling for inspection to determine eligibility of an insured or applicant.
- Eliminate a provision prohibiting affiliated insurers from adopting underwriting rules for automobile insurance contracts providing identical coverage that would permit a person to be insured with more than one of the affiliated insurers.

The Code allows an insurer to use classifications and territorial base rates with respect to automobile and home insurance. Classifications for auto insurance and home insurance may be based only on factors prescribed in the Code. An insurer may use other factors in addition to those specified in the Code if the Commissioner of Financial and Insurance Regulation finds, after an administrative hearing, that the factors would encourage innovation, encourage insureds to minimize the risks of loss from hazards insured against, and be consistent with the Code's purposes. Under the bill, instead, an insurer could use other factors, if the plan were consistent with the Code's purposes and reflected reasonably anticipated reductions or increases in an individual insured's losses or expenses.

Currently, an insurer may use other factors, subject to the same conditions, in establishing and maintaining a premium discount plan. Under the bill, this would not be limited to such a plan.

MCL 500.2110a et al.

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 11-29-12

Fiscal Analyst: Josh Sefton