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BILL



ANALYSIS

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Senate Bill 1305 (as introduced 9-20-12)  
Sponsor: Senator Joe Hune  
Committee: Insurance

Date Completed: 9-27-12

### **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.**

#### Automobile & Home Insurance: Classifications

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. The bill would permit an insurer to 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.

#### Home Insurance

Under the Code, as a condition of maintaining its certificate of authority, an insurer may not refuse to insure, refuse to continue to insure, or limit the coverage available to an eligible person for home insurance, except in accordance with established underwriting standards.

An insurer may not establish underwriting rules for home insurance for contracts providing identical coverage that differ from those of the insurer's affiliates. The bill would delete this prohibition.

Currently, if an insurer uses an inspection of a dwelling to determine whether the insured or applicant is an eligible person for home insurance, criteria for selecting dwellings for inspection may not be based on any of the following:

- Location, whether by political subdivision, census tract, zip code, neighborhood, or area that may be described as a block, set of blocks, or by street coordinates.
- The age of the dwelling or of its plumbing, heating, electrical, or structural components, or of any other components that form a part of the dwelling.
- The dwelling's market value or the amount of insurance, unless the value or amount is used as a minimum above which all dwellings will be inspected.
- Race, color, creed, marital status, sex, national origin, residence, age disability, or lawful occupation.

The bill would eliminate the prohibition against using location, age of the dwelling or its components, market value, or amount of insurance as the basis of criteria for selecting dwellings to inspect.

#### Automobile Insurance

The Code prohibits 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, unless the insurers use identical rates and rating plans and have adopted identical underwriting rules. The bill would delete this prohibition.

MCL 500.2110a et al.

Legislative Analyst: Julie Cassidy

#### **FISCAL IMPACT**

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

Fiscal Analyst: Josh Sefton

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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.