

# SENATE BILL No. 972

May 2, 2018, Introduced by Senator KNEZEK and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending sections 2105, 2111, and 2151 (MCL 500.2105, 500.2111, and 500.2151), section 2111 as amended by 2012 PA 441 and section 2151 as added by 2012 PA 165.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 2105. (1) ~~No~~**A** policy of automobile insurance or home  
 2 insurance ~~shall be offered, bound, made, issued, delivered, or~~  
 3 renewed in this state ~~on and after January 1, 1981, except in~~  
 4 ~~conformity~~**MUST COMPLY** with this chapter. ~~This chapter shall not~~  
 5 ~~apply to policies of automobile insurance or home insurance~~  
 6 ~~offered, bound, made, issued, delivered or renewed in this state~~  
 7 ~~before January 1, 1981.~~

8           (2) ~~This~~**EXCEPT AS PROVIDED IN SUBSECTION (3), THIS** chapter

1 ~~shall~~**DOES** not apply to insurance written on a group, franchise,  
2 blanket policy, or similar basis ~~which~~**THAT** offers home insurance  
3 or automobile insurance to all members of the group, franchise  
4 plan, or blanket coverage who are eligible persons.

5 (3) AN INSURER, INCLUDING, BUT NOT LIMITED TO, AN INSURER THAT  
6 WRITES INSURANCE AS DESCRIBED IN SUBSECTION (2) AND AN INSURER THAT  
7 IS EXEMPTED FROM ANY OF THE REQUIREMENTS OF THIS CHAPTER FOR ANY  
8 REASON, SHALL NOT ESTABLISH OR MAINTAIN RATES OR RATING  
9 CLASSIFICATIONS FOR AUTOMOBILE INSURANCE BASED ON A FACTOR THAT IS  
10 NOT ALLOWED, OR THAT IS PROHIBITED, UNDER SECTION 2111.

11 Sec. 2111. (1) Notwithstanding any provision of this act or  
12 this chapter to the contrary, classifications and territorial base  
13 rates used by an insurer in this state with respect to automobile  
14 insurance or home insurance ~~shall~~**MUST** conform to the applicable  
15 requirements of this section.

16 (2) Classifications established under this section for  
17 automobile insurance ~~shall~~**MUST** be based only on 1 or more of the  
18 following factors, which ~~shall~~**MUST** be applied by an insurer on a  
19 uniform basis throughout this state:

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

21 (i) Either the age of the driver; the length of driving  
22 experience; or the number of years licensed to operate a motor  
23 vehicle.

24 (ii) Driver primacy, based on the proportionate use of each  
25 vehicle insured under the policy by individual drivers insured or  
26 to be insured under the policy.

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

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

2 (v) Vehicle characteristics, features, and options, such as  
3 engine displacement, ability of the vehicle and its equipment to  
4 protect passengers from injury, and other similar items, including  
5 vehicle make and model.

6 (vi) Daily or weekly commuting mileage.

7 (vii) Number of cars insured by the insurer or number of  
8 licensed operators in the household. However, number of licensed  
9 operators ~~shall~~**MUST** not be used as an indirect measure of marital  
10 status.

11 (viii) Amount of insurance.

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

14 ~~—— (i) Earned income.~~

15 (i) ~~(ii)~~ Number of dependents of income earners insured under  
16 the policy.

17 (ii) ~~(iii)~~ Coordination of benefits.

18 (iii) ~~(iv)~~ Use of a safety belt.

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

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

25 (ii) Vehicle make and model.

26 (iii) Vehicle design characteristics related to vehicle  
27 damageability.

1 (iv) Vehicle characteristics relating to automobile theft  
2 prevention devices.

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

7 (i) The course ~~shall~~**MUST** include a minimum of 8 hours of  
8 classroom instruction.

9 (ii) The course ~~shall~~**MUST** include, but not be limited to, a  
10 review of all of the following:

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

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

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

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

15 (E) Accident prevention measures.

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

17 (G) Major driving hazards.

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

20 (3) Each insurer shall establish a secondary or merit rating  
21 plan for automobile insurance, other than comprehensive coverage. A  
22 secondary or merit rating plan required under this subsection ~~shall~~  
23 **MUST** provide for premium surcharges for ~~any or all~~ coverages for  
24 automobile insurance, other than comprehensive coverage, based ~~upon~~  
25 **ON** any ~~or all~~ of the following, when that information becomes  
26 available to the insurer:

27 (a) Substantially at-fault accidents.

1 (b) Convictions for, determinations of responsibility for  
2 civil infractions for, or findings of responsibility in probate  
3 court for civil infractions for violations under chapter VI of the  
4 Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750.  
5 However, an insured ~~shall~~**MUST** not be ~~merit-rated~~**CLASSIFIED** for  
6 **RATING PURPOSES BASED ON** a civil infraction under chapter VI of the  
7 Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750, for a  
8 period of time longer than that which the secretary of state's  
9 office carries points for that infraction on the insured's motor  
10 vehicle record.

11 (3) ~~(4)~~An insurer shall not establish or maintain rates or  
12 rating classifications for automobile insurance based on ~~sex~~**ANY OF**  
13 **THE FOLLOWING:**

14 (A) **SEX** or marital status.

15 (B) **EDUCATION LEVEL ATTAINED.**

16 (C) **INCOME.**

17 (D) **CONSUMER CREDIT INFORMATION OR CREDIT SCORE.**

18 (4) ~~(5)~~Notwithstanding other provisions of this chapter,  
19 automobile insurance risks ~~may~~**MUST NOT** be grouped by territory.

20 (5) ~~(6)~~This section does not limit insurers or rating  
21 organizations from establishing and maintaining statistical  
22 reporting territories. This section does not prohibit an insurer  
23 from establishing or maintaining, for automobile insurance, a  
24 premium discount plan for senior citizens in this state who are 65  
25 years of age or older, if the plan is uniformly applied by the  
26 insurer throughout this state. If an insurer has not established  
27 and maintained a premium discount plan for senior citizens, the

1 insurer shall offer reduced premium rates to senior citizens in  
2 this state who are 65 years of age or older and who drive less than  
3 3,000 miles per year, regardless of statistical data.

4 (6) ~~(7)~~—Classifications established under this section for  
5 home insurance other than inland marine insurance provided by  
6 policy floaters or endorsements shall ~~shall~~ **MUST** be based only on 1 or  
7 more of the following factors:

8 (a) Amount and types of coverage.

9 (b) Security and safety devices, including locks, smoke  
10 detectors, and similar, related devices.

11 (c) Repairable structural defects reasonably related to risk.

12 (d) Fire protection class.

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

15 (f) Loss experience of the insured, based on prior claims  
16 attributable to factors under the control of the insured that have  
17 been paid by an insurer. An insured's failure, after written notice  
18 from the insurer, to correct a physical condition that presents a  
19 risk of repeated loss ~~shall be considered~~ **IS** a factor under the  
20 control of the insured for purposes of this subdivision.

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

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

23 (i) Availability of law enforcement or crime prevention  
24 services.

25 (7) ~~(8)~~—Notwithstanding other provisions of this chapter, home  
26 insurance risks may be grouped by territory.

27 (8) ~~(9)~~—An insurer may use factors in addition to those

1 permitted by this section for insurance if the plan is consistent  
2 with the purposes of this act and reflects reasonably anticipated  
3 reductions or increases in losses or expenses.

4 Sec. 2151. As used in this chapter:

5 (a) "Adverse action" means an increase in any charge for, or a  
6 reduction or other adverse or unfavorable change in the terms of  
7 coverage or amount of, any personal insurance, existing or applied  
8 for.

9 (b) "Consumer reporting agency" means any person ~~which,~~ **THAT,**  
10 for monetary fees or dues or on a cooperative nonprofit basis,  
11 regularly engages in whole or in part in the practice of assembling  
12 or evaluating consumer credit information or other information on  
13 consumers for the purpose of furnishing consumer reports to third  
14 parties.

15 (c) "Credit information" means any credit-related information  
16 derived from a credit report, found on a credit report itself, or  
17 provided on an application for personal insurance. Information that  
18 is not credit-related ~~shall~~ **IS** not ~~be considered~~ credit  
19 information, regardless of whether it is contained in a credit  
20 report or in an application, or is used to calculate an insurance  
21 score.

22 (d) "Credit report" means any written, oral, or other  
23 communication of information by a consumer reporting agency bearing  
24 on a consumer's credit worthiness, credit standing, or credit  
25 capacity that is used or expected to be used or collected in whole  
26 or in part for the purpose of serving as a factor in the rating of  
27 personal insurance.

1 (e) "Insurance score" means a number or rating that is derived  
2 from an algorithm, computer application, model, or other process  
3 that is based in whole or in part on credit information for the  
4 purposes of predicting the future insurance loss exposure of an  
5 individual applicant or insured.

6 (f) "Personal insurance" means property/casualty insurance  
7 written for personal, family, or household use, including  
8 ~~automobile~~, home, motorcycle, mobile home, noncommercial dwelling  
9 fire, boat, personal watercraft, snowmobile, and recreational  
10 vehicle, whether written on an individual, group, franchise,  
11 blanket policy, or similar basis. **PERSONAL INSURANCE DOES NOT**  
12 **INCLUDE AUTOMOBILE INSURANCE.**