

SENATE BILL NO. 305

May 07, 2019, Introduced by Senator HOLLIER and referred to the Committee on Insurance and Banking.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 2105, 2110a, 2111, and 2151 (MCL 500.2105,
500.2110a, 500.2111, and 500.2151), sections 2110a and 2111 as
amended by 2012 PA 441 and section 2151 as added by 2012 PA 165,
and by adding section 2111b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2105. (1) ~~No~~**A** policy of automobile insurance or home
2 insurance ~~shall~~**must not** be offered, bound, made, issued, delivered
3 or renewed in this state ~~on and after January 1, 1981, except in~~

~~conformity with unless the policy conforms to this chapter. This chapter shall not apply to policies of automobile insurance or home insurance offered, bound, made, issued, delivered or renewed in this state before January 1, 1981.~~

(2) This chapter ~~shall~~**does** not apply to insurance written on a group, franchise, blanket policy, or similar basis ~~which that~~ offers home insurance or automobile insurance to all members of the group, franchise plan, or blanket coverage who are eligible persons. **However, section 2111b applies to automobile insurance written on a group, franchise, blanket policy, or similar basis.**

Sec. 2110a. (1) ~~If~~**Except as otherwise provided in this section, if** uniformly applied to all its insureds, an insurer may use factors in addition to those permitted by section 2111 for insurance if the plan is consistent with the purposes of this act and reflects reasonably anticipated reductions or increases in losses or expenses.

(2) This section does not affect benefits or obligations required under chapter 31.

(3) This section does not authorize an insurer to offer or prohibit an insurer from offering premium discount plans concerning any of the following:

(a) Health care services, health care providers, or health care facilities.

(b) Automobile repair providers.

(c) Materials used in the repair of an automobile.

(4) An insurer shall not use a factor under this section if the factor is listed in section 2111b.

Sec. 2111. (1) Notwithstanding any provision of this act or this chapter to the contrary, classifications and territorial base

1 rates used by an insurer in this state with respect to automobile
2 insurance or home insurance ~~shall~~**must** conform to the applicable
3 requirements of this section.

4 (2) Classifications established under this section for
5 automobile insurance ~~shall~~**must** be based only on 1 or more of the
6 following factors, which **the insurer** shall ~~be applied by an insurer~~
7 **apply** on a uniform basis throughout this state:

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

9 (i) Either the age of the driver; the length of driving
10 experience; or the number of years licensed to operate a motor
11 vehicle.

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

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

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

17 (v) Vehicle characteristics, features, and options, such as
18 engine displacement, ability of the vehicle and its equipment to
19 protect passengers from injury, and other similar items, including
20 vehicle make and model.

21 (vi) Daily or weekly commuting mileage.

22 (vii) Number of cars insured by the insurer or number of
23 licensed operators in the household. However, **the insurer shall not**
24 **use the** number of licensed operators ~~shall not be used as an~~
25 indirect measure of marital status.

26 (viii) Amount of insurance.

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

1 (i) Earned income.

2 (ii) Number of dependents of income earners insured under the
3 policy.

4 (iii) Coordination of benefits.

5 (iv) Use of a safety belt.

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

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

12 (ii) Vehicle make and model.

13 (iii) Vehicle design characteristics related to vehicle
14 damageability.

15 (iv) Vehicle characteristics relating to automobile theft
16 prevention devices.

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

21 (i) The course ~~shall~~**must** include a minimum of 8 hours of
22 classroom instruction.

23 (ii) The course ~~shall~~**must** include, but not be limited to, a
24 review of all of the following:

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

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

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

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

1 (E) Accident prevention measures.

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

3 (G) Major driving hazards.

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

6 (3) ~~Each~~**An** insurer shall establish a secondary or merit
7 rating plan for automobile insurance, other than comprehensive
8 coverage. A secondary or merit rating plan required under this
9 subsection ~~shall~~**must** provide for premium surcharges for any or all
10 coverages for automobile insurance, other than comprehensive
11 coverage, based ~~upon~~**on** any or all of the following, when that
12 information becomes available to the insurer:

13 (a) Substantially at-fault accidents.

14 (b) Convictions for, determinations of responsibility for
15 civil infractions for, or findings of responsibility in probate
16 court for civil infractions for violations under chapter VI of the
17 Michigan vehicle code, 1949 PA 300, MCL 257.601 to 257.750.
18 However, an insured shall not be merit rated for a civil infraction
19 under chapter VI of the Michigan vehicle code, 1949 PA 300, MCL
20 257.601 to 257.750, for a period of time longer than that which the
21 secretary of state's office carries points for that infraction on
22 the insured's motor vehicle record.

23 (4) An insurer shall not establish or maintain rates or rating
24 classifications for automobile insurance based on sex or marital
25 status.

26 (5) Notwithstanding other provisions of this chapter,
27 automobile insurance risks may be grouped by territory.

28 (6) This section does not limit insurers or rating
29 organizations from establishing and maintaining statistical

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

10 (7) Classifications established under this section for home
11 insurance other than inland marine insurance provided by policy
12 floaters or endorsements ~~shall~~**must** be based only on 1 or more of
13 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 risk.

18 (d) Fire protection class.

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

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

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

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

29 (i) Availability of law enforcement or crime prevention

1 services.

2 (8) Notwithstanding other provisions of this chapter, home
3 insurance risks may be grouped by territory.

4 (9) An insurer may use factors in addition to those permitted
5 by this section for insurance if the plan is consistent with the
6 purposes of this act and reflects reasonably anticipated reductions
7 or increases in losses or expenses. **This subsection does not permit**
8 **an insurer to use a factor if the use of the factor is expressly**
9 **prohibited under section 2111b.**

10 **Sec. 2111b. (1) An insurer shall not use a fico score in**
11 **underwriting or establishing rates for automobile insurance,**
12 **including, but not limited to, rates for a premium discount plan or**
13 **a group plan.**

14 **(2) An insurer shall not engage in redlining in underwriting**
15 **or establishing rates for automobile insurance, including, but not**
16 **limited to, rates for a premium discount plan or a group plan.**

17 Sec. 2151. As used in this chapter:

18 (a) "Adverse action" means an increase in any charge for, or a
19 reduction or other adverse or unfavorable change in the terms of
20 coverage or amount of, any personal insurance, existing or applied
21 for.

22 (b) "Consumer reporting agency" means any person ~~which,~~ **that,**
23 for monetary fees or dues or on a cooperative nonprofit basis,
24 regularly engages in whole or in part in the practice of assembling
25 or evaluating consumer credit information or other information on
26 consumers for the purpose of furnishing consumer reports to third
27 parties.

28 (c) "Credit information" means any credit-related information
29 derived from a credit report, found on a credit report itself, or

1 provided on an application for personal insurance. Information that
2 is not credit-related ~~shall-is not be considered~~ credit
3 information, regardless of whether it is contained in a credit
4 report or in an application, or is used to calculate an insurance
5 score.

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

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

17 (f) "Personal insurance" means property/casualty insurance
18 written for personal, family, or household use, including
19 ~~automobile,~~ home, motorcycle, mobile home, noncommercial dwelling
20 fire, boat, personal watercraft, snowmobile, and recreational
21 vehicle, whether written on an individual, group, franchise,
22 blanket policy, or similar basis. **Personal insurance includes**
23 **automobile insurance only to the extent allowed under section**
24 **2111b.**