

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 991**

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending sections 2103, 2111, 2117, 2118, 2121, 2930, and 2930a (MCL 500.2103, 500.2111, 500.2117, 500.2118, 500.2121, 500.2930, and 500.2930a), section 2103 as amended by 2001 PA 147, section 2111 as amended by 1996 PA 98, section 2117 as amended by 2001 PA 25, section 2118 as amended by 1988 PA 43, section 2121 as amended by 1998 PA 26, and section 2930a as amended by 1980 PA 461.

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

1       Sec. 2103. (1) "Eligible person", for automobile insurance,  
2 means a person who is an owner or registrant of an automobile  
3 registered or to be registered in this state or who holds a valid  
4 Michigan license to operate a motor vehicle, but does not include  
5 any of the following:

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1 (a) A person who is not required to maintain security  
2 pursuant to section 3101, unless the person intends to reside in  
3 this state for 30 days or more and makes a written statement of  
4 that intention on a form approved by the commissioner.

5 (b) A person whose license to operate a vehicle is under  
6 suspension or revocation.

7 (c) A person who has been convicted within the immediately  
8 preceding 5-year period of fraud or intent to defraud involving  
9 an insurance claim or an application for insurance; or an indi-  
10 vidual who has been successfully denied, within the immediately  
11 preceding 5-year period, payment by an insurer of a claim in  
12 excess of \$1,000.00 under an automobile insurance policy, if  
13 there is evidence of fraud or intent to defraud involving an  
14 insurance claim or application.

15 (d) A person who, during the immediately preceding 3-year  
16 period, has been convicted under, or who has been subject to an  
17 order of disposition of the family division of circuit court for  
18 a violation of, any of the following:

19 (i) Section 324 or 325 of the Michigan penal code, 1931  
20 PA 328, MCL 750.324 and 750.325; section 1 of former 1931 PA 214  
21 or section 626c of the Michigan vehicle code, 1949 PA 300,  
22 MCL 257.626c; or under any other law of this state the violation  
23 of which constitutes a felony resulting from the operation of a  
24 motor vehicle.

25 (ii) Section 625 of the Michigan vehicle code, 1949 PA 300,  
26 MCL 257.625.

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1           (iii) Section 617, 617a, 618, or 619 of the Michigan vehicle  
2 code, 1949 PA 300, MCL 257.617, 257.617a, 257.618, and 257.619.

3           (iv) Section 626 of the Michigan vehicle code, 1949 PA 300,  
4 MCL 257.626; or for a similar violation under the laws of any  
5 other state or a municipality within or without this state.

6           (e) A person whose vehicle insured or to be insured under  
7 the policy fails to meet the motor vehicle safety requirements of  
8 sections 683 to 711 of the Michigan vehicle code, 1949 PA 300,  
9 MCL 257.683 to 257.711.

10           (f) A person whose policy of automobile insurance has been  
11 canceled because of nonpayment of premium or financed premium  
12 within the immediately preceding 2-year period, unless the pre-  
13 mium due on a policy for which application has been made is paid  
14 in full before issuance or renewal of the policy.

15           (g) A person who fails to obtain or maintain membership in a  
16 club, group, or organization, if membership is a uniform require-  
17 ment of the insurer as a condition of providing insurance, and if  
18 the dues, charges, or other conditions for membership are applied  
19 uniformly throughout this state, are not expressed as a percen-  
20 tage of premium, and do not vary with respect to the rating clas-  
21 sification of the member except for the purpose of offering a  
22 membership fee to family units. Membership fees may vary in  
23 accordance with the amount or type of coverage if the purchase of  
24 additional coverage, either as to type or amount, is not a condi-  
25 tion for reduction of dues or fees.

26           (h) A person whose driving record for the 3-year period  
27 immediately preceding application for or renewal of a policy,

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1 has, pursuant to section 2119a, an accumulation of more than 6  
2 insurance eligibility points.

3 (2) "Eligible person", for home insurance, means a person  
4 who is the owner-occupant or tenant of a dwelling of any of the  
5 following types: a house, a condominium unit, a cooperative  
6 unit, a room, or an apartment; or a person who is the  
7 owner-occupant of a multiple unit dwelling of not more than 4  
8 residential units. Eligible person does not include any of the  
9 following:

10 (a) A person who has been convicted, in the immediately pre-  
11 ceding 5-year period, of 1 or more of the following:

12 (i) Arson, or conspiracy to commit arson.

13 (ii) A crime under sections 72 to 77, 112, 211a, 377a, 377b,  
14 or 380 of the Michigan penal code, 1931 PA 328, MCL 750.72 to  
15 750.77, 750.112, 750.211a, 750.377a, 750.377b, and 750.380.

16 (iii) A crime under section 92, 151, 157b, or 218 of the  
17 Michigan penal code, 1931 PA 328, MCL 750.92, 750.151, 750.157b,  
18 and 750.218, based upon a crime described in subparagraph (ii)  
19 committed by or on behalf of the person.

20 (b) A person who has been successfully denied, within the  
21 immediately preceding 5-year period, payment by an insurer of a  
22 claim under a home insurance policy ~~in excess of \$2,000.00,~~  
23 based on evidence of arson, conspiracy to commit arson,  
24 ~~misrepresentation,~~ fraud, or conspiracy to commit fraud, com-  
25 mitted by or on behalf of the person. ~~, if the amount of the~~  
26 ~~denied claim was greater than any of the following:~~

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1       ~~(i) For a claim under a repair cost policy, 15% of the~~  
2 ~~amount of insurance in force.~~

3       ~~(ii) For a claim under a replacement cost policy, 10% of the~~  
4 ~~amount of insurance in force.~~

5       (c) A person who insures or seeks to insure a dwelling that  
6 is being used for an illegal or demonstrably hazardous purpose.

7       (d) A person who refuses to purchase an amount of insurance  
8 equal to at least 80% of the replacement cost of the property  
9 insured or to be insured under a replacement cost policy.

10       (e) A person who refuses to purchase an amount of insurance  
11 equal to at least 100% of the market value of the property  
12 insured or to be insured under a repair cost policy.

13       (f) A person who refuses to purchase an amount of insurance  
14 equal to at least 100% of the actual cash value of the property  
15 insured or to be insured under a tenant or renter's home insur-  
16 ance policy.

17       (g) A person whose policy of home insurance has been  
18 canceled because of nonpayment of premium within the immediately  
19 preceding 2-year period, unless the premium due on the policy is  
20 paid in full before issuance or renewal of the policy.

21       (h) A person who insures or seeks to insure a dwelling, if  
22 the insured value is not any of the following:

23       (i) For a repair cost policy, at least ~~-\$7,500.00~~  
24 \$15,000.00.

25       (ii) For a replacement policy, at least ~~-\$15,000.00~~  
26 \$35,000.00 or another amount which the commissioner may establish  
27 biennially on and after January 1, 1983, pursuant to rules

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1 promulgated by the commissioner under the administrative  
2 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, based  
3 upon changes in applicable construction cost indices.

4 (I) ~~(j)~~ A person who insures or seeks to insure a dwelling  
5 that ~~does not meet minimum standards of insurability as estab-~~  
6 ~~lished by rules promulgated by the commissioner pursuant to the~~  
7 ~~administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to~~  
8 ~~24.328~~ HAS PHYSICAL CONDITIONS THAT CLEARLY PRESENT AN EXTREME  
9 LIKELIHOOD OF A SIGNIFICANT LOSS UNDER A HOME INSURANCE POLICY.

10 (J) ~~(k)~~ A person whose real property taxes with respect to  
11 the dwelling insured or to be insured have been and are delin-  
12 quent for 2 or more years at the time of renewal of, or applica-  
13 tion for, home insurance.

14 (K) ~~(l)~~ A person who has failed to procure or maintain  
15 membership in a club, group, or organization, if membership is a  
16 uniform requirement of the insurer, and if the dues, charges, or  
17 other conditions for membership are applied uniformly throughout  
18 this state, are not expressed as a percentage of premium, and do  
19 not vary with respect to the rating classification of the member  
20 except for the purpose of offering a membership fee to family  
21 units. Membership fees may vary in accordance with the amount or  
22 type of coverage if the purchase of additional coverage, either  
23 as to type or amount, is not a condition for reduction of dues or  
24 fees.

25 (3) "Home insurance" means any of the following, but does  
26 not include insurance intended to insure commercial, industrial,  
27 professional, or business property, obligations, or liabilities:

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1 (a) Fire insurance for an insured's dwelling of a type  
2 described in subsection (2).

3 (b) If contained in or indorsed to a fire insurance policy  
4 providing insurance for the insured's residence, other insurance  
5 intended primarily to insure nonbusiness property, obligations,  
6 and liabilities.

7 (c) Other insurance coverages for an insured's residence as  
8 prescribed by rule promulgated by the commissioner pursuant to  
9 the administrative procedures act of 1969, 1969 PA 306,  
10 MCL 24.201 to 24.328. A rule proposed for promulgation by the  
11 commissioner pursuant to this section shall be transmitted in  
12 advance to each member of the standing committee in the house and  
13 in the senate that has jurisdiction over insurance.

14 (4) "Insurance eligibility points" means all of the  
15 following:

16 (a) Points calculated, according to the following schedule,  
17 for convictions, determinations of responsibility for civil  
18 infractions, or findings of responsibility in probate court:

19 (i) For a violation of any lawful speed limit by more than  
20 15 miles per hour, or careless driving, 4 points.

21 (ii) For a violation of any lawful speed limit by more than  
22 10 miles per hour, but less than 16 miles per hour, 3 points.

23 (iii) For a violation of any lawful speed limit by 10 miles  
24 per hour or less, 2 points.

25 (iv) For a violation of any speed limit by 15 miles per hour  
26 or less on a roadway that had a lawfully posted maximum speed of  
27 70 miles per hour as of January 1, 1974, 2 points.

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1           (v) For all other moving violations pertaining to the  
2 operation of motor vehicles, 2 points.

3           (b) Points calculated, according to the following schedule,  
4 for determinations that the person was substantially at-fault, as  
5 defined in section 2104(4):

6           (i) For the first substantially at-fault accident, 3  
7 points.

8           (ii) For the second and each subsequent substantially  
9 at-fault accident, 4 points.

10          (5) "Insurer" means an insurer authorized to transact in  
11 this state the kind or combination of kinds of insurance consti-  
12 tuting automobile insurance or home insurance, as defined in this  
13 chapter.

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

19          (2) Classifications established pursuant to this section for  
20 automobile insurance shall be based only upon 1 or more of the  
21 following factors, which shall be applied by an insurer on a uni-  
22 form basis throughout the state:

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

24           (i) Either the age of the driver; the length of driving  
25 experience; or the number of years licensed to operate a motor  
26 vehicle.



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

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

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

6           (v) Vehicle characteristics, features, and options, such as  
7 engine displacement, ability of vehicle and its equipment to pro-  
8 tect passengers from injury and other similar items, including  
9 vehicle make and model.

10          (vi) Daily or weekly commuting mileage.

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

15          (viii) Amount of insurance.

16          (b) In addition to the factors prescribed in subdivision

17 (a), with respect to personal protection insurance coverage:

18           (i) Earned income.

19           (ii) Number of dependents of income earners insured under  
20 the policy.

21           (iii) Coordination of benefits.

22           (iv) Use of a safety belt.

23          (c) In addition to the factors prescribed in subdivision

24 (a), with respect to collision and comprehensive coverages:

25           (i) The anticipated cost of vehicle repairs or replacement,  
26 which may be measured by age, price, cost new, or value of the

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1 insured automobile, and other factors directly relating to that  
2 anticipated cost.

3 (ii) Vehicle make and model.

4 (iii) Vehicle design characteristics related to vehicle  
5 damageability.

6 (iv) Vehicle characteristics relating to automobile theft  
7 prevention devices.

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

12 (i) The course shall include a minimum of 8 hours of class-  
13 room instruction.

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

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

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

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

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

20 (E) Accident prevention measures.

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

22 (G) Major driving hazards.

23 (H) Interaction with other highway users such as motorcy-  
24 clists, bicyclists, and pedestrians.

25 (3) Each insurer shall establish a secondary or merit rating  
26 plan for automobile insurance, other than comprehensive  
27 coverage. A secondary or merit rating plan required under this

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1 subsection shall provide for premium surcharges for any or all  
2 coverages for automobile insurance, other than comprehensive cov-  
3 erage, based upon any or all of the following, when that informa-  
4 tion becomes available to the insurer:

5 (a) Substantially at-fault accidents.

6 (b) Convictions for, determinations of responsibility for  
7 civil infractions for, or findings of responsibility in probate  
8 court for civil infractions for, violations under chapter VI of  
9 ~~Act No. 300 of the Public Acts of 1949, being sections 257.601~~  
10 ~~to 257.750 of the Michigan Compiled Laws~~ THE MICHIGAN VEHICLE  
11 CODE, 1949 PA 300, MCL 257.601 TO 257.750. However, beginning 90  
12 days after the effective date of this sentence, an insured shall  
13 not be merit rated for a civil infraction under chapter VI of  
14 ~~Act No. 300 of the Public Acts of 1949~~ THE MICHIGAN VEHICLE  
15 CODE, 1949 PA 300, MCL 257.601 TO 257.750, for a period of time  
16 longer than that which the secretary of state's office carries  
17 points for that infraction on the insured's motor vehicle  
18 record.

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

22 (5) Notwithstanding other provisions of this chapter, auto-  
23 mobile insurance risks may be grouped by territory.

24 (6) This section shall not be construed as limiting insurers  
25 or rating organizations from establishing and maintaining statis-  
26 tical reporting territories. This section shall not be construed  
27 to prohibit an insurer from establishing or maintaining, for

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

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

13 (a) Amount and types of coverage.

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

16 (c) Repairable structural defects reasonably related to  
17 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 upon prior claims  
22 attributable to factors under the control of the insured that  
23 have been paid by an insurer. AN INSURED'S FAILURE, AFTER WRIT-  
24 TEN NOTICE FROM THE INSURER, TO CORRECT A PHYSICAL CONDITION THAT  
25 PRESENTS A RISK OF REPEATED LOSS SHALL BE CONSIDERED A FACTOR  
26 UNDER THE CONTROL OF THE INSURED FOR PURPOSES OF THIS  
27 SUBDIVISION.

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

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

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

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

7 (9) An insurer may utilize factors in addition to those  
8 specified in this section, if the commissioner finds, after a  
9 hearing held pursuant to the administrative procedures act of  
10 1969, ~~Act No. 306 of the Public Acts of 1969, being sections~~  
11 ~~24.201 to 24.328 of the Michigan Compiled Laws~~ 1969 PA 306,  
12 MCL 24.201 TO 24.328, that the factors would encourage innova-  
13 tion, would encourage insureds to minimize the risks of loss from  
14 hazards insured against, and would be consistent with the pur-  
15 poses of this chapter.

16 ~~(10) The commissioner shall report in writing to the senate~~  
17 ~~and house of representatives standing committees of insurance~~  
18 ~~issues by January 1, 2000 of the effect that the amendatory act~~  
19 ~~that added this subsection has had on automobile and home insur-~~  
20 ~~ance premiums in this state.~~

21 Sec. 2117. (1) As a condition of maintaining its certifi-  
22 cate of authority, an insurer shall not refuse to insure, refuse  
23 to continue to insure, or limit the coverage available to an eli-  
24 gible person for home insurance, except in accordance with under-  
25 writing rules established pursuant to this section and section  
26 2119. An insurer shall not establish underwriting rules for home

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1 insurance for contracts providing identical coverages that differ  
2 from those of any affiliate of the insurer.

3 (2) The underwriting rules that an insurer may establish for  
4 home insurance shall be based only on the following:

5 (a) Criteria identical to the standards set forth in section  
6 2103(2).

7 (b) The physical condition of the property insured or to be  
8 insured, provided the underwriting rules are objective, are  
9 directly related to the perils insured against, and, without  
10 regard to the age of the structure, are based upon the specific  
11 provisions of a national, state, or local housing and safety  
12 code, a manufacturer's specification, or standards of similar  
13 specificity. If an applicant or insured obtains a certificate of  
14 compliance or habitation issued by an appropriate governmental  
15 unit or agency, certifying that a building is in substantial com-  
16 pliance with local housing and safety codes, the certificate cre-  
17 ates a rebuttable presumption that the dwelling meets the  
18 insurer's underwriting rules relating to physical condition.

19 (c) For the renewal of a home insurance policy, the  
20 ~~liability~~ claim history of the person insured or to be insured  
21 during the 3-year period immediately preceding renewal of the  
22 policy, if that history is based on 1 or both of the following:

23 (i) Claim experience arising out of an insured's  
24 negligence.

25 (ii) Failure by the insured, after written notice from the  
26 insurer, to correct a physical condition that is directly related  
27 to a paid ~~liability~~ claim or that presents a clear risk of a

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1 significant loss under the PROPERTY OR liability ~~portion~~  
2 PORTIONS of a homeowners policy.

3 ~~(d) For new policies only, physical conditions that clearly~~  
4 ~~present an extreme likelihood of a significant loss under the~~  
5 ~~liability coverages of a home insurance policy.~~

6 (D) ~~(e)~~ The relationship between market value and replace-  
7 ment cost of a dwelling insured or to be insured for a replace-  
8 ment cost policy, if a repair cost policy is offered by that  
9 insurer pursuant to subsection (3).

10 (E) ~~(f)~~ For nonrenewal of home insurance policies, the  
11 claim history under the policy, excluding liability claims, as  
12 follows:

13 (i) If there has been 1 or more of the following:

14 (A) Three paid claims within the immediately preceding  
15 3-year period totaling [~~\$1,500.00~~ \$3,000.00] or more, exclusive of  
16 weather-related claims.

17 (B) Three paid claims within the immediately preceding  
18 3-year period totaling [~~\$2,000.00~~ \$4,000.00] or more, including  
19 weather-related claims.

20 (ii) A history of 3 or more paid claims within an immedi-  
21 ately preceding 3-year period if the insurer meets all of the  
22 following:

23 (A) Has an underwriting rule under subparagraph (i) In  
24 effect.

25 (B) The underwriting rule under this subparagraph is for a  
26 paid claim history that totals not less than the amount in  
27 subparagraph (i)(A) exclusive of weather-related claims and

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1 totals not less than the amount in subparagraph (i)(B) including  
2 weather-related claims.

3 (C) The underwriting rule under this subparagraph applies to  
4 an insured who has had a home insurance policy with the insurer  
5 for a continuous minimum period of time as determined by the  
6 insurer that may be any period of time between 5 and 10 years.

7 (F) ~~(g)~~ The number of residences within the dwelling are  
8 inconsistent with the policy forms approved by the commissioner  
9 for the insurer.

10 (G) ~~(h)~~ The unoccupancy of a dwelling for more than 60  
11 days, if there is evidence of an intent to vacate or keep the  
12 premises vacant or unoccupied, as to the applicant or insured.

13 (H) ~~(i)~~ The existence of an adjacent physical hazard, if  
14 the hazard presents a significant risk of loss directly related  
15 to the perils insured or to be insured against for which a rate  
16 surcharge is not applicable. For purposes of this subdivision  
17 only, residential property or traffic patterns shall not be con-  
18 sidered to cause a significant risk of loss. Nonrenewals based  
19 upon an adjacent physical hazard shall be due to a change in the  
20 hazard from that which existed at the original date of issuance  
21 of the policy.

22 (I) ~~(j)~~ The failure of the insured or applicant to pur-  
23 chase an amount of insurance in excess of 80% of the replacement  
24 cost of the property to be insured under a replacement cost  
25 policy, if both of the following conditions are met:

26 (i) The purchase of an amount of insurance in excess of 80%  
27 of the replacement cost is a condition for sale of the policy.



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1           (ii) The insurer offers in this state at least 1 form of a  
2 replacement cost policy for which the insurer requires only a  
3 minimum amount of insurance equal to 80% of the replacement cost  
4 of the dwelling as a condition of purchase.

5           (J) ONE OR MORE INCIDENTS INVOLVING A THREAT, HARASSMENT, OR  
6 PHYSICAL ASSAULT BY THE INSURED OR APPLICANT FOR INSURANCE ON AN  
7 INSURER EMPLOYEE, AGENT, OR AGENT EMPLOYEE WHILE ACTING WITHIN  
8 THE SCOPE OF HIS OR HER EMPLOYMENT SO LONG AS A REPORT OF THE  
9 INCIDENT WAS FILED WITH AN APPROPRIATE LAW ENFORCEMENT AGENCY.

10           (3) If an insurer establishes an underwriting rule based  
11 upon the relationship between the market value and replacement  
12 cost pursuant to subsection ~~-(2)(e)-~~ (2)(D), all the following  
13 shall apply as to the repair cost policy:

14           (a) The insurer shall offer for sale a repair cost policy  
15 with deductibles, terms and conditions, perils insured against,  
16 and types and amounts of coverage, which are substantially equiv-  
17 alent to the deductibles, terms and conditions, perils insured  
18 against, and types and amounts of coverage provided by the  
19 replacement cost policy of the insurer at least equivalent to the  
20 HO-2 form replacement cost policy filed and in effect in this  
21 state for the principal rating organization as of October 1,  
22 1979.

23           (b) The insurer shall not utilize an underwriting rule based  
24 upon the relationship between the market value and replacement  
25 cost for the repair cost policy.

26           (4) The rates of an insurer for a repair cost policy shall  
27 be established so that the premium for a repair cost policy shall

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1 not exceed 105% of the premium for an amount of insurance equal  
2 to 80% of the replacement cost of the dwelling under the equiva-  
3 lent replacement cost policy described in subsection (3)(a).  
4 Premiums for dwellings with identical replacement costs shall  
5 vary on a schedule determined by the insurer in accordance with  
6 the market value of the dwellings.

7 (5) Off-premises claims may be aggregated for the purposes  
8 of subsection (2)(f), irrespective of the location of the insured  
9 dwelling. All claims other than off-premises losses utilized in  
10 a determination for purposes of subsection (2)(f) shall be aggre-  
11 gated only as to an insured dwelling. The minimum dollar amounts  
12 prescribed in subsection (2)(f)(i) shall be adjusted on  
13 January 1, 2006, and on January 1 every sixth year thereafter, to  
14 reflect the aggregate annual average percentage change in the  
15 consumer price index since the previous adjustment, rounded to  
16 the nearest hundred dollars. As used in this subsection,  
17 "consumer price index" means the consumer price index for all  
18 urban consumers in the U.S. city average, as most recently  
19 reported by the United States department of labor, bureau of  
20 labor statistics, and after certification by the commissioner in  
21 an administrative bulletin.

22 Sec. 2118. (1) As a condition of maintaining its certifi-  
23 cate of authority, an insurer shall not refuse to insure, refuse  
24 to continue to insure, or limit coverage available to an eligible  
25 person for automobile insurance, except in accordance with under-  
26 writing rules established pursuant to this section and sections  
27 2119 and 2120.

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1           (2) The underwriting rules ~~which~~ THAT an insurer may  
2 establish for automobile insurance shall be based only on the  
3 following:

4           (a) Criteria identical to the standards set forth in section  
5 2103(1).

6           (b) The insurance eligibility point accumulation in excess  
7 of the amounts established by section 2103(1) of a member of the  
8 household of the eligible person insured or to be insured, if the  
9 member of the household usually accounts for 10% or more of the  
10 use of a vehicle insured or to be insured. For purposes of this  
11 subdivision, a person who is the principal driver for 1 automo-  
12 bile insurance policy shall be rebuttably presumed not to usually  
13 account for more than 10% of the use of other vehicles of the  
14 household not insured under the policy of that person.

15           (c) With respect to a vehicle insured or to be insured, sub-  
16 stantial modifications from the vehicle's original manufactured  
17 state for purposes of increasing the speed or acceleration capa-  
18 bilities of the vehicle.

19           (d) Failure by the person to provide proof that insurance  
20 required by section 3101 was maintained in force with respect to  
21 any vehicle which was both owned by the person and driven or  
22 moved by the person or by a member of the household of the person  
23 during the 6-month period immediately preceding application.  
24 Such proof shall take the form of a certification by the person  
25 on a form provided by the insurer that the vehicle was not driven  
26 or moved without maintaining the insurance required by section

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1 3101 during the 6-month period immediately preceding  
2 application.

3 (e) Type of vehicle insured or to be insured, based on 1 of  
4 the following, without regard to the age of the vehicle:

5 (i) The vehicle is of limited production or of custom  
6 manufacture.

7 (ii) The insurer does not have a rate lawfully in effect for  
8 the type of vehicle.

9 (iii) The vehicle represents exposure to extraordinary  
10 expense for repair or replacement under comprehensive or colli-  
11 sion coverage.

12 (f) Use of a vehicle insured or to be insured for transpor-  
13 tation of passengers for hire, for rental purposes, or for com-  
14 mercial purposes. Rules under this subdivision shall not be  
15 based on the use of a vehicle for volunteer or charitable pur-  
16 poses or for which reimbursement for normal operating expenses is  
17 received.

18 (g) Payment of a minimum deposit at the time of application  
19 or renewal, not to exceed the smallest deposit required under an  
20 extended payment or premium finance plan customarily used by the  
21 insurer.

22 (h) For purposes of requiring comprehensive deductibles of  
23 not more than \$150.00, or of refusing to insure if the person  
24 refuses to accept a required deductible, the claim experience of  
25 the person with respect to comprehensive coverage.

26 (i) Total abstinence from the consumption of alcoholic  
27 beverages except when such beverages are consumed as part of a

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1 religious ceremony. However, an insurer shall not utilize an  
2 underwriting rule based on this subdivision unless the insurer  
3 has been authorized to transact automobile insurance in this  
4 state prior to January 1, 1981, and has consistently utilized  
5 such an underwriting rule as part of the insurer's automobile  
6 insurance underwriting since being authorized to transact automo-  
7 bile insurance in this state.

8 (J) ONE OR MORE INCIDENTS INVOLVING A THREAT, HARASSMENT, OR  
9 PHYSICAL ASSAULT BY THE INSURED OR APPLICANT FOR INSURANCE ON AN  
10 INSURER EMPLOYEE, AGENT, OR AGENT EMPLOYEE WHILE ACTING WITHIN  
11 THE SCOPE OF HIS OR HER EMPLOYMENT SO LONG AS A REPORT OF THE  
12 INCIDENT WAS FILED WITH AN APPROPRIATE LAW ENFORCEMENT AGENCY.

13 Sec. 2121. (1) If an insurer uses an inspection of a dwell-  
14 ing to determine whether the insured or applicant is an eligible  
15 person for home insurance, criteria for selecting dwellings for  
16 inspection shall not be based upon any of the following:

17 (a) Location, whether by political subdivision, census  
18 tract, zip code, neighborhood, or area which may be described as  
19 a block, set of blocks, or by street coordinates.

20 (b) The age of the dwelling or the age of its plumbing,  
21 heating, electrical, or structural components, or of any other  
22 components which form a part of the dwelling.

23 (c) The market value of a dwelling, unless the value is used  
24 as a minimum value above which all dwellings will be inspected.

25 (d) The amount of insurance, unless the amount is used as a  
26 minimum above which all dwellings will be inspected.

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1 (e) Race, color, creed, marital status, sex, national  
2 origin, residence, age, disability, or lawful occupation.

3 (2) If an insurer establishes an inspection program ~~which~~  
4 THAT provides for inspection of a portion of its existing busi-  
5 ness on a periodic basis, the inspection program shall not be  
6 based upon any of the criteria in subsection ~~(1)~~ (1)(A), (C),  
7 OR (E).

8 (3) Criteria for selecting dwellings for inspection shall be  
9 filed with the commissioner for informational purposes only. The  
10 commissioner, after a hearing held pursuant to the administrative  
11 procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, shall  
12 disapprove the further use of inspection criteria, if the commis-  
13 sioner finds that the criteria are inconsistent with the provi-  
14 sions of this chapter.

15 (4) There shall be no civil liability, other than contrac-  
16 tual liability where applicable, on the part of, and a cause of  
17 action of any nature shall not arise against, the commissioner,  
18 an insurer, an inspection bureau, or an authorized representa-  
19 tive, agent, employee, affiliate of the commissioner, an insurer,  
20 or an inspection bureau or any licensed insurance agent, for acts  
21 or omissions related solely to the physical condition of the  
22 property in an inspection conducted for insurance purposes pursu-  
23 ant to this chapter.

24 Sec. 2930. (1) The premium for basic property insurance of  
25 any risk by the pool shall be equal to the rate for identical  
26 insurance established by ~~the principal~~ A LICENSED rating

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1 organization for identical insurance within this state plus a  
2 uniform surcharge approved by the commissioner.

3 (2) The pool shall establish rates for any basic property  
4 insurance ~~which~~ THAT is without rates established by a  
5 ~~principal~~ LICENSED rating organization or ~~which~~ THAT the  
6 pool, with the approval of the commissioner, determines should be  
7 otherwise rated in order to better effectuate the purposes of  
8 this chapter. The pool shall file with the commissioner for his  
9 or her approval each rate and each policy form to be issued by  
10 it. The pool, acting as agent for participating members, shall  
11 file policy forms for basic property insurance to be issued by  
12 participating members under the provisions of this chapter.  
13 Rates and policy forms shall be filed in accordance with ~~such~~  
14 ~~provisions of~~ this chapter as the commissioner designates.

15 Sec. 2930a. (1) ~~Rates~~ EXCEPT AS OTHERWISE PROVIDED IN  
16 SUBSECTION (4)(C), RATES charged in each territory by the pool  
17 for home insurance shall be equal to the weighted average of the  
18 10 voluntary market insurer groups with the largest premium  
19 volume in this state. Rating territories for home insurance  
20 established by the pool shall be the same as those utilized by  
21 the largest number of insurers by premium volume writing home  
22 insurance in this state. Any change in the rates ~~of~~ FOR AN  
23 HO-2 FORM REPLACEMENT COST POLICY BY those insurers that would  
24 produce a change in excess of 5% in the HO-2 pool rates for any  
25 territory shall be reflected as soon as reasonably practicable in  
26 the HO-2 pool rates. ~~Pool~~ HO-2 POOL rates shall be reviewed at

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1 least annually, but shall not be revised more often than  
2 quarterly.

3 (2) In addition to the provisions of subsection (1), the  
4 premium established for the repair cost policy offered by the  
5 pool shall not exceed the premium for an amount of insurance  
6 equal to 80% of the replacement cost of the property under the  
7 replacement cost policy of the pool equivalent to the HO-2 form  
8 replacement cost policy filed and in effect in this state for  
9 ~~the principal~~ A LICENSED rating organization. ~~as of October 1,~~  
10 ~~1979.~~ Premiums for dwellings with identical replacement costs  
11 shall vary on a schedule determined by the pool in accordance  
12 with the insured value of the dwelling.

13 (3) The pool or any other association or organization desig-  
14 nated by the pool shall develop statistical plans, rating rules,  
15 classifications, territory rating plans, and manuals of classifi-  
16 cation for home insurance issued on behalf of the pool consistent  
17 with this section.

18 (4) The pool shall offer at least the following home insur-  
19 ance policy forms:

20 (a) An HO-2 form replacement cost policy equivalent to the  
21 HO-2 form replacement cost policy filed and in effect in this  
22 state for ~~the principal~~ A LICENSED rating organization. ~~as of~~  
23 ~~October 1, 1979.~~

24 (b) A repair cost policy providing the deductibles, terms  
25 and conditions, perils insured against, and types and amounts of  
26 coverage equivalent to those provided by the HO-2 replacement



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1 ~~cost policy of the pool described in subdivision (a)~~ FILED AND  
2 IN EFFECT FOR A LICENSED RATING ORGANIZATION.

3 (C) AN HO-3 FORM REPLACEMENT COST POLICY EQUIVALENT TO THE  
4 HO-3 FORM REPLACEMENT COST POLICY FILED AND IN EFFECT IN THIS  
5 STATE FOR A LICENSED RATING ORGANIZATION. THE RATES ESTABLISHED  
6 BY THE POOL FOR THE HO-3 FORM REPLACEMENT COST POLICY OFFERED  
7 PURSUANT TO THIS SUBDIVISION SHALL BE CALCULATED TO GENERATE A  
8 TOTAL PREMIUM SUFFICIENT TO COVER THE EXPECTED LOSSES AND  
9 EXPENSES OF THE POOL RELATED TO THE HO-3 REPLACEMENT COST POLICY  
10 THAT THE POOL WILL LIKELY INCUR DURING THE PERIOD FOR WHICH THE  
11 PREMIUM IS APPLICABLE. THE PREMIUM SHALL INCLUDE AN AMOUNT TO  
12 COVER INCURRED BUT NOT REPORTED LOSSES FOR THE PERIOD AND SHALL  
13 BE ADJUSTED FOR ANY EXCESS OR DEFICIENT PREMIUMS FROM PREVIOUS  
14 PERIODS. EXCESSES OR DEFICIENCIES FROM PREVIOUS PERIODS SHALL BE  
15 FULLY ADJUSTED IN A SINGLE PERIOD OR OVER SEVERAL PERIODS IN A  
16 MANNER PROVIDED FOR IN THE PLAN OF OPERATION. RATES ESTABLISHED  
17 BY THE POOL UNDER THIS SUBDIVISION SHALL NOT BE BASED UPON THE  
18 WEIGHTED AVERAGE METHODOLOGY PROVIDED FOR IN SUBSECTION (1).

19 (5) Rates and policy forms shall be filed in accordance with  
20 such provisions of this chapter as the commissioner designates.

21 (6) THE COMMISSIONER SHALL REPORT IN WRITING TO THE SENATE  
22 AND HOUSE OF REPRESENTATIVES STANDING COMMITTEES ON INSURANCE  
23 ISSUES BY JULY 1, 2005 ON THE EFFECT IN CHAPTER 29 THAT THE AMEN-  
24 DATORY ACT THAT ADDED THIS SUBSECTION HAS HAD ON HOME INSURANCE  
25 PREMIUMS IN THIS STATE.