

SENATE BILL No. 787

January 25, 2018, Introduced by Senators JONES, BIEDA, GREEN and HUNE and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled "The insurance code of 1956," by amending sections 3104 and 3107 (MCL 500.3104 and 500.3107), section 3104 as amended by 2002 PA 662 and section 3107 as amended by 2012 PA 542, and by adding section 3109b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3104. (1) ~~An~~**THE CATASTROPHIC CLAIMS ASSOCIATION IS**
2 **CREATED AS AN** unincorporated, nonprofit association. ~~to be known as~~
3 ~~the catastrophic claims association, hereinafter referred to as the~~
4 ~~association, is created.~~ Each insurer engaged in writing insurance
5 coverages that provide the security required by section 3101(1)
6 within this state, as a condition of its authority to transact
7 insurance in this state, shall be a member of the association and
8 ~~shall be~~**IS** bound by the plan of operation of the association. ~~Each~~

1 **AN** insurer engaged in writing insurance coverages that provide the
2 security required by section 3103(1) ~~within~~**IN** this state, as a
3 condition of its authority to transact insurance in this state,
4 ~~shall be~~**IS** considered **TO BE** a member of the association, but only
5 for purposes of premiums under subsection (7)(d). Except as
6 expressly provided in this section, the association is not subject
7 to any laws of this state with respect to insurers, but in all
8 other respects the association is subject to the laws of this state
9 to the extent that the association would be if it were an insurer
10 organized and subsisting under chapter 50.

11 (2) The association shall provide and each member shall accept
12 indemnification for 100% of the amount of ultimate loss sustained
13 under personal protection insurance coverages in excess of the
14 following amounts in each loss occurrence:

15 (a) For a motor vehicle accident policy issued or renewed
16 before July 1, 2002, \$250,000.00.

17 (b) For a motor vehicle accident policy issued or renewed
18 during the period July 1, 2002 to June 30, 2003, \$300,000.00.

19 (c) For a motor vehicle accident policy issued or renewed
20 during the period July 1, 2003 to June 30, 2004, \$325,000.00.

21 (d) For a motor vehicle accident policy issued or renewed
22 during the period July 1, 2004 to June 30, 2005, \$350,000.00.

23 (e) For a motor vehicle accident policy issued or renewed
24 during the period July 1, 2005 to June 30, 2006, \$375,000.00.

25 (f) For a motor vehicle accident policy issued or renewed
26 during the period July 1, 2006 to June 30, 2007, \$400,000.00.

27 (g) For a motor vehicle accident policy issued or renewed

1 during the period July 1, 2007 to June 30, 2008, \$420,000.00.

2 (h) For a motor vehicle accident policy issued or renewed
3 during the period July 1, 2008 to June 30, 2009, \$440,000.00.

4 (i) For a motor vehicle accident policy issued or renewed
5 during the period July 1, 2009 to June 30, 2010, \$460,000.00.

6 (j) For a motor vehicle accident policy issued or renewed
7 during the period July 1, 2010 to June 30, 2011, \$480,000.00.

8 (k) For a motor vehicle accident policy issued or renewed
9 during the period July 1, 2011 to June 30, 2013, \$500,000.00.

10 **(l) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
11 **DURING THE PERIOD JULY 1, 2013 TO JUNE 30, 2015, \$530,000.00.**

12 **(M) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
13 **DURING THE PERIOD JULY 1, 2015 TO JUNE 30 2017, \$545,000.00.**

14 **(N) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
15 **DURING THE PERIOD JULY 1, 2017 TO JUNE 30, 2019, \$555,000.00.**

16 Beginning July 1, ~~2013, 2019~~, this ~~\$500,000.00~~ **\$555,000.00** amount
17 ~~shall~~ **MUST** be increased biennially on July 1 of each odd-numbered
18 year, for policies issued or renewed before July 1 of the following
19 odd-numbered year, by the lesser of 6% or the consumer price index,
20 and rounded to the nearest \$5,000.00. ~~This~~ **THE ASSOCIATION SHALL**
21 **CALCULATE THIS** biennial adjustment ~~shall be calculated by the~~
22 ~~association~~ by January 1 of the year of its July 1 effective date.

23 (3) An insurer may withdraw from the association only ~~upon~~ **ON**
24 ceasing to write insurance that provides the security required by
25 section 3101(1) in this state.

26 (4) An insurer whose membership in the association has been
27 terminated by withdrawal ~~shall continue~~ **CONTINUES** to be bound by

1 the plan of operation, and ~~upon~~**ON** withdrawal, all unpaid premiums
2 that have been charged to the withdrawing member are payable as of
3 the effective date of the withdrawal.

4 (5) An unsatisfied net liability to the association of an
5 insolvent member ~~shall~~**MUST** be assumed by and apportioned among the
6 remaining members of the association as provided in the plan of
7 operation. The association has all rights allowed by law on behalf
8 of the remaining members against the estate or funds of the
9 insolvent member for ~~sums~~**MONEY** due the association.

10 (6) If a member has been merged or consolidated into another
11 insurer or another insurer has reinsured a member's entire business
12 that provides the security required by section 3101(1) in this
13 state, the member and successors in interest of the member remain
14 liable for the member's obligations.

15 (7) The association shall do all of the following on behalf of
16 the members of the association:

17 (a) Assume 100% of all liability as provided in subsection
18 (2).

19 (b) Establish procedures by which members ~~shall~~**MUST** promptly
20 report to the association each claim that, on the basis of the
21 injuries or damages sustained, may reasonably be anticipated to
22 involve the association if the member is ultimately held legally
23 liable for the injuries or damages. Solely for the purpose of
24 reporting claims, the member shall in all instances consider itself
25 legally liable for the injuries or damages. The member shall also
26 advise the association of subsequent developments likely to
27 materially affect the interest of the association in the claim.

1 (c) Maintain relevant loss and expense data relative to all
2 liabilities of the association and require each member to furnish
3 statistics, in connection with liabilities of the association, at
4 the times and in the form and detail as ~~may be~~ required by the plan
5 of operation.

6 (d) In a manner provided for in the plan of operation,
7 calculate and charge to members of the association a total premium
8 sufficient to cover the expected losses and expenses of the
9 association that the association will likely incur during the
10 period for which the premium is applicable. The **TOTAL** premium ~~shall~~
11 **MUST** include an amount to cover incurred but not reported losses
12 for the period and may be adjusted for any excess or deficient
13 premiums from previous periods. Excesses or deficiencies from
14 previous periods may be fully adjusted in a single period or may be
15 adjusted over several periods in a manner provided for in the plan
16 of operation. Each member ~~shall~~ **MUST** be charged an amount equal to
17 that member's total written car years of insurance providing the
18 security required by section 3101(1) or 3103(1), or both, written
19 in this state during the period to which the premium applies, **WITH**
20 **THE TOTAL CAR YEARS OF INSURANCE** multiplied by the **APPLICABLE**
21 average premium per car. The average premium per car ~~shall be~~ **IS**
22 the total premium ~~calculated~~ divided by the total written car years
23 of insurance providing the security required by section 3101(1) or
24 3103(1) written in this state of all members during the period to
25 which the premium applies. **THE PREMIUM CHARGED TO A MEMBER, THE**
26 **TOTAL CAR YEARS OF INSURANCE, AND THE APPLICABLE AVERAGE PREMIUM**
27 **PER CAR MUST BE ADJUSTED TO PROVIDE FOR POLICIES ISSUED TO WHICH**

1 **THE MAXIMUM LIMIT UNDER SECTION 3109B(1) (A) APPLIES.** A member ~~shall~~
2 **MUST** be charged a premium for a historic vehicle that is insured
3 with the member of 20% of the premium charged for a car insured
4 with the member. As used in this subdivision:

5 (i) "Car" includes a motorcycle but does not include a
6 historic vehicle.

7 (ii) "Historic vehicle" means a vehicle that is a registered
8 historic vehicle under section 803a or 803p of the Michigan vehicle
9 code, 1949 PA 300, MCL 257.803a and 257.803p.

10 (e) Require and accept the payment of premiums from members of
11 the association as provided for in the plan of operation. The
12 association shall do either of the following:

13 (i) Require payment of the premium in full within 45 days
14 after the premium charge.

15 (ii) Require payment of the premiums to be made periodically
16 to cover the actual cash obligations of the association.

17 (f) Receive and distribute all ~~sums~~ **MONEY** required by the
18 operation of the association.

19 (g) Establish procedures for reviewing claims procedures and
20 practices of members of the association. If the claims procedures
21 or practices of a member are considered inadequate to properly
22 service the liabilities of the association, the association may
23 undertake or may contract with another person, including another
24 member, to adjust or assist in the adjustment of claims for the
25 member on claims that create a potential liability to the
26 association and may charge the cost of the adjustment to the
27 member.

1 (8) In addition to other powers granted to it by this section,
2 the association may do all of the following:

3 (a) Sue and be sued in the name of the association. A judgment
4 against the association ~~shall~~**DOES** not create any direct liability
5 against the individual members of the association. The association
6 may provide for the indemnification of its members, members of the
7 board of directors of the association, and officers, employees, and
8 other persons lawfully acting on behalf of the association.

9 (b) Reinsure all or any portion of its potential liability
10 with reinsurers licensed to transact insurance in this state or
11 approved by the ~~commissioner~~**DIRECTOR OF THE DEPARTMENT**.

12 (c) Provide for appropriate housing, equipment, and personnel
13 as ~~may be necessary~~ to assure the efficient operation of the
14 association.

15 (d) Pursuant to the plan of operation, adopt reasonable rules
16 for the administration of the association, enforce those rules, and
17 delegate authority, as the board considers necessary to assure the
18 proper administration and operation of the association consistent
19 with the plan of operation.

20 (e) Contract for goods and services, including independent
21 claims management, actuarial, investment, and legal services, from
22 others ~~within~~**IN** or ~~without~~**OUTSIDE OF** this state to assure the
23 efficient operation of the association.

24 (f) Hear and determine complaints of a company or other
25 interested party concerning the operation of the association.

26 (g) Perform other acts not specifically enumerated in this
27 section that are necessary or proper to accomplish the purposes of

1 the association and that are not inconsistent with this section or
2 the plan of operation.

3 (9) A board of directors is created ~~, hereinafter referred to~~
4 ~~as the board, which shall be responsible for the operation of~~ **AND**
5 **SHALL OPERATE** the association consistent with the plan of operation
6 and this section.

7 (10) The plan of operation ~~shall~~ **MUST** provide for all of the
8 following:

9 (a) The establishment of necessary facilities.

10 (b) The management and operation of the association.

11 (c) Procedures to be utilized in charging premiums, including
12 adjustments from excess or deficient premiums from prior periods.

13 (d) Procedures governing the actual payment of premiums to the
14 association.

15 (e) Reimbursement of each member of the board by the
16 association for actual and necessary expenses incurred on
17 association business.

18 (f) The investment policy of the association.

19 (g) Any other matters required by or necessary to effectively
20 implement this section.

21 (11) ~~Each~~ **THE** board ~~shall~~ **MUST** include members that would
22 contribute a total of not less than 40% of the total premium
23 calculated pursuant to subsection (7) (d). Each director ~~shall be~~ **IS**
24 entitled to 1 vote. The initial term of office of a director ~~shall~~
25 ~~be~~ **IS** 2 years.

26 (12) As part of the plan of operation, the board shall adopt
27 rules providing for the composition ~~and term of successor boards to~~

1 the ~~initial board~~ **AND THE TERMS OF BOARD MEMBERS**, consistent with
 2 the membership composition requirements in subsections (11) and
 3 (13). Terms of the directors shall ~~shall~~ **MUST** be staggered so that the
 4 terms of all the directors do not expire at the same time and so
 5 that a director does not serve a term of more than 4 years.

6 (13) The board shall ~~shall~~ **MUST** consist of 5 directors ~~,~~ and the
 7 ~~commissioner~~ **DIRECTOR OF THE DEPARTMENT**, WHO shall ~~be~~ **SERVE AS** an
 8 ex officio member of the board without vote.

9 (14) ~~Each director~~ **THE DIRECTOR OF THE DEPARTMENT** shall ~~be~~
 10 ~~appointed by the commissioner and~~ **APPOINT THE DIRECTORS. A DIRECTOR**
 11 shall serve until ~~that member's~~ **HIS OR HER** successor is selected
 12 and qualified. The **BOARD SHALL ELECT THE** chairperson of the board.
 13 ~~shall be elected by the board. A~~ **THE DIRECTOR OF THE DEPARTMENT**
 14 **SHALL FILL ANY** vacancy on the board ~~shall be filled by the~~
 15 ~~commissioner consistent with~~ **AS PROVIDED IN** the plan of operation.

16 (15) ~~After the board is appointed, the~~ **THE** board shall meet as
 17 often as the chairperson, the ~~commissioner,~~ **DIRECTOR OF THE**
 18 **DEPARTMENT**, or the plan of operation ~~shall require,~~ **REQUIRES**, or at
 19 the request of any 3 members of the board. The chairperson shall
 20 ~~retain the right to~~ **MAY** vote on all issues. Four members of the
 21 board constitute a quorum.

22 (16) ~~An~~ **THE BOARD SHALL FURNISH TO EACH MEMBER AN** annual
 23 report of the operations of the association in a form and detail as
 24 ~~may be determined by the board. shall be furnished to each member.~~

25 ~~—— (17) Not more than 60 days after the initial organizational~~
 26 ~~meeting of the board, the board shall submit to the commissioner~~
 27 ~~for approval a proposed plan of operation consistent with the~~

1 objectives and provisions of this section, which shall provide for
2 the economical, fair, and nondiscriminatory administration of the
3 association and for the prompt and efficient provision of
4 indemnity. If a plan is not submitted within this 60 day period,
5 then the commissioner, after consultation with the board, shall
6 formulate and place into effect a plan consistent with this
7 section.

8 ~~—— (18) The plan of operation, unless approved sooner in writing,~~
9 ~~shall be considered to meet the requirements of this section if it~~
10 ~~is not disapproved by written order of the commissioner within 30~~
11 ~~days after the date of its submission. Before disapproval of all or~~
12 ~~any part of the proposed plan of operation, the commissioner shall~~
13 ~~notify the board in what respect the plan of operation fails to~~
14 ~~meet the requirements and objectives of this section. If the board~~
15 ~~fails to submit a revised plan of operation that meets the~~
16 ~~requirements and objectives of this section within the 30 day~~
17 ~~period, the commissioner shall enter an order accordingly and shall~~
18 ~~immediately formulate and place into effect a plan consistent with~~
19 ~~the requirements and objectives of this section.~~

20 (17) ~~(19) The proposed plan of operation or ANY~~ amendments to
21 the plan of operation **OF THE ASSOCIATION** are subject to majority
22 approval by the board, ~~ratified~~ **RATIFICATION** by a majority of the
23 membership having a vote, with voting rights being apportioned
24 according to the premiums charged in subsection (7) (d) and ~~are~~
25 ~~subject to approval by the commissioner.~~ **DIRECTOR OF THE DEPARTMENT.**

26 (18) ~~(20) Upon approval by the commissioner and ratification~~
27 ~~by the members of the plan submitted, or upon the promulgation of a~~

1 ~~plan by the commissioner, each~~ **AN** insurer authorized to write
 2 insurance providing the security required by section 3101(1) in
 3 this state, as provided in this section, is bound by and shall
 4 formally subscribe to and participate in the plan ~~approved~~ **OF**
 5 **OPERATION** as a condition of maintaining its authority to transact
 6 insurance in this state.

7 (19) ~~(21)~~ The association is subject to all the reporting,
 8 loss reserve, and investment requirements of the ~~commissioner~~
 9 **DIRECTOR OF THE DEPARTMENT** to the same extent as ~~would a member~~ **ARE**
 10 **THE MEMBERS** of the association.

11 (20) ~~(22)~~ Premiums charged members by the association ~~shall~~
 12 **MUST** be recognized in the rate-making procedures for insurance
 13 rates in the same manner that expenses and premium taxes are
 14 recognized. **HOWEVER, THE RATES MUST NOT RESULT IN A CHARGE FOR THE**
 15 **ASSOCIATION FOR A POLICY TO WHICH THE MAXIMUM LIMIT UNDER SECTION**
 16 **3109B(1) (A) APPLIES.**

17 (21) ~~(23)~~ The ~~commissioner~~ **DIRECTOR OF THE DEPARTMENT** or an
 18 authorized representative of the ~~commissioner~~ **DIRECTOR OF THE**
 19 **DEPARTMENT** may visit the association at any time and examine any
 20 and all **OF** the association's affairs.

21 (22) ~~(24)~~ The association does not have liability for losses
 22 occurring before July 1, 1978.

23 (23) **THE ASSOCIATION DOES NOT HAVE ANY LIABILITY FOR A LOSS TO**
 24 **WHICH THE MAXIMUM LIMIT UNDER SECTION 3109B(1) (A) APPLIES.**

25 (24) ~~(25)~~ As used in this section:

26 (A) **"ASSOCIATION" MEANS THE CATASTROPHIC CLAIMS ASSOCIATION**
 27 **CREATED IN SUBSECTION (1).**

1 (B) "BOARD" MEANS THE BOARD OF DIRECTORS OF THE ASSOCIATION
2 CREATED IN SUBSECTION (9) .

3 (C) ~~(a)~~-"Consumer price index" means the percentage of change
4 in the consumer price index for all urban consumers in the United
5 States city average for all items for the 24 months ~~prior to~~**BEFORE**
6 October 1 of the year ~~prior to~~**BEFORE** the July 1 effective date of
7 the biennial adjustment under subsection ~~(2)(k)~~**(2)(N)** as reported
8 by the United States ~~department of labor, bureau of labor~~
9 ~~statistics,~~**DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS,** and as
10 certified by the ~~commissioner~~**DIRECTOR OF THE DEPARTMENT.**

11 (D) ~~(b)~~-"Motor vehicle accident policy" means a policy
12 providing the coverages required under section 3101(1) .

13 (E) ~~(c)~~-"Ultimate loss" means the actual loss amounts that a
14 member is obligated to pay and that are paid or payable by the
15 member, and do not include claim expenses. An ultimate loss is
16 incurred by the association on the date that the loss occurs.

17 Sec. 3107. (1) Except as **OTHERWISE** provided in ~~subsection (2),~~
18 **THIS SECTION,** personal protection insurance benefits are payable
19 for the following:

20 (a) Allowable expenses consisting of all reasonable charges
21 incurred, **UP TO THE MAXIMUM LIMIT SELECTED UNDER SECTION**
22 **3109B(1)(A), IF APPLICABLE,** for reasonably necessary products,
23 services, and accommodations for an injured person's care,
24 recovery, or rehabilitation. Allowable expenses within personal
25 protection insurance coverage ~~shall~~**DO** not include either of the
26 following:

27 (i) Charges for a hospital room in excess of a reasonable and

1 customary charge for semiprivate accommodations ~~except if~~ **UNLESS**
2 the injured person requires special or intensive care.

3 (ii) Funeral and burial expenses in excess of the amount set
4 forth in the policy, which shall not be less than \$1,750.00 or more
5 than \$5,000.00.

6 (b) Work loss consisting of loss of income from work an
7 injured person would have performed during the first 3 years after
8 the date of the accident if he or she had not been injured. Work
9 loss does not include any loss after the date on which the injured
10 person dies. Because the benefits received from personal protection
11 insurance for loss of income are not taxable income, the benefits
12 payable for such loss of income ~~shall~~ **MUST** be reduced 15% unless
13 the claimant presents to the insurer in support of his or her claim
14 reasonable proof of a lower value of the income tax advantage in
15 his or her case, in which case the lower value ~~shall apply~~. **MUST BE**
16 **APPLIED**. For the period beginning October 1, 2012 through September
17 30, 2013, the benefits payable for work loss sustained in a single
18 30-day period and the income earned by an injured person for work
19 during the same period together ~~shall~~ **MUST** not exceed \$5,189.00,
20 which maximum ~~shall apply~~ **MUST BE APPLIED** pro rata to any lesser
21 period of work loss. Beginning October 1, 2013, the maximum ~~shall~~
22 **MUST** be adjusted annually to reflect changes in the cost of living
23 under rules prescribed by the ~~commissioner~~ **DIRECTOR** but any change
24 in the maximum ~~shall apply~~ **APPLIES** only to benefits arising out of
25 accidents ~~occurring subsequent to~~ **THAT OCCUR AFTER** the date of
26 change in the maximum.

27 (c) Expenses not exceeding \$20.00 per day, reasonably incurred

1 in obtaining ordinary and necessary services in ~~lieu~~**PLACE** of those
 2 that, if he or she had not been injured, an injured person would
 3 have performed during the first 3 years after the date of the
 4 accident, not for income but for the benefit of himself or herself
 5 or of his or her dependent.

6 (2) ~~Both~~**ALL** of the following apply to personal protection
 7 insurance benefits payable under subsection (1):

8 (a) A person who is 60 years of age or older and in the event
 9 of an accidental bodily injury would not be eligible to receive
 10 work loss benefits under subsection (1)(b) may waive coverage for
 11 work loss benefits by signing a waiver on a form provided by the
 12 insurer. An insurer shall offer a reduced premium rate to a person
 13 who waives coverage under this ~~subsection~~**SUBDIVISION** for work loss
 14 benefits. Waiver of coverage for work loss benefits applies only to
 15 work loss benefits payable to the person or persons who have signed
 16 the waiver form.

17 (b) An insurer ~~shall~~**IS** not ~~be~~ required to provide coverage
 18 for the medical use of marihuana or for expenses related to the
 19 medical use of marihuana.

20 **SEC. 3109B. (1) AFTER THE EFFECTIVE DATE OF THIS SECTION, WHEN**
 21 **AN INDIVIDUAL WHO IS 65 YEARS OF AGE OR OLDER APPLIES FOR OR RENEWS**
 22 **AN INSURANCE POLICY THAT PROVIDES BENEFITS UNDER THIS CHAPTER, THE**
 23 **INDIVIDUAL SHALL SELECT 1 OF THE FOLLOWING LEVELS OF MAXIMUM**
 24 **PERSONAL PROTECTION INSURANCE BENEFITS:**

25 (A) A \$50,000.00 LIMIT.

26 (B) NO MAXIMUM LIMIT.

27 (2) A MAXIMUM LIMIT SELECTED UNDER SUBSECTION (1) (A) APPLIES

1 TO ALLOWABLE EXPENSES AS DESCRIBED UNDER SECTION 3107(1)(A). THE
2 MAXIMUM LIMIT SELECTED APPLIES ONLY TO BENEFITS PAYABLE BECAUSE OF
3 AN ACCIDENTAL BODILY INJURY TO THE INSURED NAMED IN THE POLICY AND
4 THE INSURED'S SPOUSE.

5 Enacting section 1. This amendatory act takes effect 90 days
6 after the date it is enacted into law.