

**SUBSTITUTE FOR
HOUSE BILL NO. 4397**

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 2105, 2106, 2108, 2109, 2110a, 2111, 2111a,
2118, 2119, 2120, 2151, 3104, 3107, and 3145 (MCL 500.2105,
500.2106, 500.2108, 500.2109, 500.2110a, 500.2111, 500.2111a,
500.2118, 500.2119, 500.2120, 500.2151, 500.3104, 500.3107, and
500.3145), section 2108 as amended by 2015 PA 141, sections 2110a,
2111, and 2119 as amended by 2012 PA 441, section 2111a as added by
2006 PA 610, sections 2118 and 2120 as amended by 2007 PA 35,
section 2151 as added by 2012 PA 165, section 3104 as amended by
2002 PA 662, and section 3107 as amended by 2012 PA 542, and by
adding sections 485, 2111f, 2116b, and 3156.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 485. (1) AN AUTOMOBILE INSURER SHALL NOT IN ANY YEAR



1 EXPEND MORE THAN 20% OF ITS PREMIUM REVENUE RECEIVED IN THE YEAR
 2 FROM WRITING NO-FAULT INSURANCE FOR THE PAYMENT OF NONCLAIMS COSTS.

3 (2) AS USED IN THIS SECTION:

4 (A) "NO-FAULT INSURANCE" MEANS INSURANCE COVERAGES THAT
 5 PROVIDE THE SECURITY REQUIRED BY SECTION 3101(1).

6 (B) "NONCLAIMS COSTS" INCLUDES SUCH EXPENSES AS THE FOLLOWING:

7 (i) MARKETING.

8 (ii) PROFITS.

9 (iii) SALARIES.

10 (iv) ADMINISTRATIVE COSTS.

11 (v) COMMISSIONS OF INSURANCE PRODUCERS.

12 Sec. 2105. (1) ~~No~~**A** policy of automobile insurance or home
 13 insurance shall be offered, bound, made, issued, delivered, or
 14 renewed in this state ~~on and after January 1, 1981, except in~~
 15 ~~conformity~~ **MUST COMPLY** with this chapter. ~~This chapter shall not~~
 16 ~~apply to policies of automobile insurance or home insurance~~
 17 ~~offered, bound, made, issued, delivered or renewed in this state~~
 18 ~~before January 1, 1981.~~

19 (2) ~~This~~ **EXCEPT AS PROVIDED IN SUBSECTION (3), THIS** chapter
 20 ~~shall~~ **DOES** not apply to insurance written on a group, franchise,
 21 blanket policy, or similar basis ~~which~~ **THAT** offers home insurance
 22 or automobile insurance to all members of the group, franchise
 23 plan, or blanket coverage who are eligible persons. **HOWEVER,**
 24 **SECTION 2111F APPLIES TO AUTOMOBILE INSURANCE WRITTEN ON A GROUP,**
 25 **FRANCHISE, BLANKET POLICY, OR SIMILAR BASIS.**

26 (3) **AN INSURER, INCLUDING, BUT NOT LIMITED TO, AN INSURER THAT**
 27 **WRITES INSURANCE AS DESCRIBED IN SUBSECTION (2) AND AN INSURER THAT**



1 IS EXEMPTED FROM ANY OF THE REQUIREMENTS OF THIS CHAPTER FOR ANY
 2 REASON, INCLUDING AN EXEMPTION UNDER SECTION 2129, SHALL NOT
 3 ESTABLISH OR MAINTAIN RATES OR RATING CLASSIFICATIONS FOR
 4 AUTOMOBILE INSURANCE BASED ON ANY FACTORS OTHER THAN AS REQUIRED
 5 UNDER SECTION 2111.

6 Sec. 2106. (1) Except as specifically provided in this
 7 chapter, ~~the provisions of chapter 24 and chapter 26 shall DO~~ not
 8 apply to automobile insurance and home insurance.

9 (2) AN INSURER SHALL FILE AND USE RATES FOR AUTOMOBILE
 10 INSURANCE IN ACCORDANCE WITH CHAPTER 24.

11 (3) An insurer may use rates for ~~automobile insurance or home~~
 12 insurance as soon as those rates are filed.

13 (4) To the extent that other provisions of this ~~code~~ ACT are
 14 inconsistent with ~~the provisions of this chapter~~, this chapter
 15 shall ~~govern~~ GOVERNS with respect to automobile insurance and home
 16 insurance.

17 Sec. 2108. (1) On the effective date of a manual of
 18 classification, manual of rules and rates, rating plan, or
 19 modification of a manual of classification, manual of rules and
 20 rates, or rating plan that an insurer proposes to use for
 21 ~~automobile insurance or home insurance~~, the insurer shall file the
 22 manual or plan with the director. **FOR AUTOMOBILE INSURANCE, AN**
 23 **INSURER SHALL FILE A MANUAL OR PLAN DESCRIBED IN THIS SUBSECTION IN**
 24 **ACCORDANCE WITH CHAPTER 24.** Each filing under this subsection must
 25 state the character and extent of the coverage contemplated. An
 26 insurer that is subject to this chapter and that maintains rates in
 27 any part of this state shall at all times maintain rates in effect



1 for all eligible persons meeting the underwriting criteria of the
2 insurer.

3 (2) An insurer may satisfy its obligation to make filings
4 under subsection (1) by becoming a member of, or a subscriber to, a
5 rating organization licensed under chapter 24 or chapter 26 that
6 makes the filings, and by filing with the director a copy of its
7 authorization of the rating organization to make the filings on its
8 behalf. This chapter does not require an insurer to become a member
9 of or a subscriber to a rating organization. An insurer may file
10 and use deviations from filings made on its behalf. The deviations
11 are subject to this chapter.

12 (3) A filing under this section must be accompanied by a
13 certification by or on behalf of the insurer that, to the best of
14 the insurer's information and belief, the filing conforms to the
15 requirements of this chapter.

16 (4) A filing under this section must include information that
17 supports the filing with respect to the requirements of section
18 2109. The information may include 1 or more of the following:

19 (a) The experience or judgment of the insurer or rating
20 organization making the filing.

21 (b) The interpretation of the insurer or rating organization
22 of any statistical data it relies on.

23 (c) The experience of other insurers or rating organizations.

24 (d) Any other relevant information.

25 (5) Except as otherwise provided in this subsection, the
26 department shall make a filing under this section and any
27 accompanying information open to public inspection on filing. An



1 insurer or a rating organization filing on the insurer's behalf may
 2 designate information included in the filing or any accompanying
 3 information as a trade secret. The insurer or the rating
 4 organization filing on behalf of the insurer shall demonstrate to
 5 the director that the designated information is a trade secret. If
 6 the director determines that the information is a trade secret, the
 7 information is not subject to public inspection and is exempt from
 8 the freedom of information act, 1976 PA 442, MCL 15.231 to 15.246.
 9 As used in this subsection, "trade secret" means that term as
 10 defined in section 2 of the uniform trade secrets act, 1998 PA 448,
 11 MCL 445.1902. However, trade secret does not include filings and
 12 information accompanying filings under this section that were
 13 subject to public inspection before ~~the effective date of the~~
 14 ~~amendatory act that added this sentence.~~ **JANUARY 11, 2016.**

15 (6) An insurer shall not make, issue, or renew a contract or
 16 policy except in accordance with filings that are in effect for the
 17 insurer under this chapter.

18 Sec. 2109. (1) All rates for automobile insurance and home
 19 insurance ~~shall~~ **MUST** be made in accordance with the following:
 20 ~~provisions:~~

21 (a) ~~Rates shall~~ **A RATE MUST** not be excessive, inadequate, or
 22 unfairly discriminatory. A rate ~~shall~~ **MUST** not be held to be
 23 excessive unless the rate is unreasonably high for the insurance
 24 coverage provided and a reasonable degree of competition does not
 25 exist for the insurance to which the rate is applicable.

26 (b) A rate ~~shall~~ **MUST** not be held to be inadequate unless the
 27 rate is unreasonably low for the insurance coverage provided and



1 the continued use of the rate endangers the solvency of the
 2 insurer; or unless the rate is unreasonably low for the insurance
 3 provided and the use of the rate has or will have the effect of
 4 destroying competition among insurers, creating a monopoly, or
 5 causing a kind of insurance to be unavailable to a significant
 6 number of applicants who are in good faith entitled to procure that
 7 insurance through ordinary methods.

8 (c) A rate for a coverage is unfairly discriminatory in
 9 relation to another rate for the same coverage if the differential
 10 between the rates is not reasonably justified by differences in
 11 losses, expenses, or both, or by differences in the uncertainty of
 12 loss, for the individuals or risks to which the rates apply. ~~A TO~~
 13 **BE HELD** reasonable **UNDER THIS SUBDIVISION, A** justification ~~shall~~
 14 **MUST** be supported by a reasonable classification system; by sound
 15 actuarial principles ~~when IF~~ applicable; and by actual and credible
 16 loss and expense statistics or, ~~in the case of FOR~~ new coverages
 17 and classifications, by reasonably anticipated loss and expense
 18 experience. ~~A SUBJECT TO THIS SUBDIVISION, A~~ rate is not unfairly
 19 discriminatory **UNDER THIS SUBDIVISION** because it reflects
 20 differences in expenses for individuals or risks with similar
 21 anticipated losses, or because it reflects differences in losses
 22 for individuals or risks with similar expenses. **A RATE IS UNFAIRLY**
 23 **DISCRIMINATORY AS TO THE PREMIUM CHARGED TO THE RISK IF THE RATE IS**
 24 **ESTABLISHED THROUGH OR IMPACTED BY PRICE OPTIMIZATION.**

25 (2) A determination concerning the existence of a reasonable
 26 degree of competition ~~with respect to UNDER~~ subsection (1) (a) ~~shall~~
 27 **MUST** take into account a reasonable spectrum of relevant economic



1 tests, including the number of insurers actively engaged in writing
 2 the insurance in question, the present availability of ~~such~~**THE**
 3 insurance compared to its availability in comparable past periods,
 4 the underwriting return of ~~that~~**THE** insurance over a period of time
 5 sufficient to assure reliability in relation to the risk associated
 6 with ~~that~~**THE** insurance, and the difficulty encountered by new
 7 insurers in entering the market ~~in order to~~ compete for the writing
 8 of ~~that~~**THE** insurance.

9 (3) BY JUNE 1, 2020, THE DIRECTOR SHALL REPORT TO THE STANDING
 10 COMMITTEES OF THE SENATE AND HOUSE OF REPRESENTATIVES WITH PRIMARY
 11 JURISDICTION OVER INSURANCE MATTERS ON THE PREVALENCE OF THE USE OF
 12 PRICE OPTIMIZATION IN THE ESTABLISHMENT OF RATES TO WHICH THIS
 13 CHAPTER APPLIES. THE REPORT MUST ALSO INCLUDE THE STEPS THE
 14 DIRECTOR HAS TAKEN TO ENFORCE THIS SECTION.

15 (4) AS USED IN THIS SECTION:

16 (A) "ENGAGE IN ACTIVITIES THAT RESULT IN INSURANCE POLICY
 17 TURNOVER" INCLUDES, BUT IS NOT LIMITED TO, ANY OF THE FOLLOWING:

18 (i) SHOPPING WITH OTHER INSURERS FOR A LOWER PREMIUM.

19 (ii) CANCELING A POLICY BEFORE THE EXPIRATION OF THE POLICY
 20 TERM.

21 (iii) FAILING TO RENEW A POLICY AT THE RENEWAL OF THE POLICY
 22 TERM.

23 (iv) COMPLAINING TO THE INSURER OR THE INSURER'S AGENT OR
 24 REPRESENTATIVE.

25 (B) "PRICE OPTIMIZATION" MEANS ESTABLISHING RATES OR VARYING
 26 PREMIUMS AT ANY TIME BASED ON FACTORS THAT ARE UNRELATED TO RISK OF
 27 LOSS, INCLUDING, BUT NOT LIMITED TO, ANY OF THE FOLLOWING:



1 (i) CHARGING EACH INSURED THE HIGHEST PRICE THAT THE MARKET
2 WILL BEAR.

3 (ii) CONSIDERING THE LIKELIHOOD THAT THE INSURED WILL ENGAGE
4 IN ACTIVITIES THAT RESULT IN INSURANCE POLICY TURNOVER.

5 (iii) ESTIMATING THE WILLINGNESS OF THE INSURED TO PAY A
6 HIGHER PREMIUM COMPARED TO OTHER INSUREDS.

7 (iv) USING ANY MEASURE OF A CONSUMER'S OR GROUP OF CONSUMERS'
8 PRICE ELASTICITY OF DEMAND.

9 Sec. 2110a. If uniformly applied to all its insureds, an
10 insurer may use factors in addition to those permitted by section
11 2111 for **HOME** insurance if the plan is consistent with the purposes
12 of this act and reflects reasonably anticipated reductions or
13 increases in losses or expenses. ~~This section does not affect~~
14 ~~benefits or obligations required under chapter 31. This section~~
15 ~~does not authorize an insurer to offer or prohibit an insurer from~~
16 ~~offering premium discount plans concerning any of the following:~~
17 ~~—— (a) Health care services, health care providers, or health~~
18 ~~care facilities.~~
19 ~~—— (b) Automobile repair providers.~~
20 ~~—— (c) Materials used in the repair of an automobile.~~

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

26 ~~—— (2) Classifications established under this section for~~
27 ~~automobile insurance shall be based only on 1 or more of the~~



1 following factors, which shall be applied by an insurer on a
2 uniform basis throughout this state:

3 ~~—— (a) With respect to all automobile insurance coverages:~~

4 ~~—— (i) Either the age of the driver, the length of driving
5 experience, or the number of years licensed to operate a motor
6 vehicle.~~

7 ~~—— (ii) Driver primacy, based on the proportionate use of each
8 vehicle insured under the policy by individual drivers insured or
9 to be insured under the policy.~~

10 ~~—— (iii) Average miles driven weekly, annually, or both.~~

11 ~~—— (iv) Type of use, such as business, farm, or pleasure use.~~

12 ~~—— (v) Vehicle characteristics, features, and options, such as
13 engine displacement, ability of the vehicle and its equipment to
14 protect passengers from injury, and other similar items, including
15 vehicle make and model.~~

16 ~~—— (vi) Daily or weekly commuting mileage.~~

17 ~~—— (vii) Number of cars insured by the insurer or number of
18 licensed operators in the household. However, number of licensed
19 operators shall not be used as an indirect measure of marital
20 status.~~

21 ~~—— (viii) Amount of insurance.~~

22 ~~—— (b) In addition to the factors prescribed in subdivision (a),
23 with respect to personal protection insurance coverage:~~

24 ~~—— (i) Earned income.~~

25 ~~—— (ii) Number of dependents of income earners insured under the
26 policy.~~

27 ~~—— (iii) Coordination of benefits.~~



1 ~~(iv) Use of a safety belt.~~

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

4 ~~(i) The anticipated cost of vehicle repairs or replacement,~~
5 ~~which may be measured by age, price, cost new, or value of the~~
6 ~~insured automobile, and other factors directly relating to that~~
7 ~~anticipated cost.~~

8 ~~(ii) Vehicle make and model.~~

9 ~~(iii) Vehicle design characteristics related to vehicle~~
10 ~~damageability.~~

11 ~~(iv) Vehicle characteristics relating to automobile theft~~
12 ~~prevention devices.~~

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

17 ~~(i) The course shall include a minimum of 8 hours of classroom~~
18 ~~instruction.~~

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

21 ~~(A) The effects of aging on driving behavior.~~

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

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

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

25 ~~(E) Accident prevention measures.~~

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

27 ~~(G) Major driving hazards.~~



1 ~~—— (H) Interaction with other highway users, such as~~
 2 ~~motorcyclists, bicyclists, and pedestrians.~~

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

10 ~~—— (a) Substantially at-fault accidents.~~

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

20 **(2) RATES AND PREMIUMS FOR AUTOMOBILE INSURANCE MUST BE**
 21 **DETERMINED BY APPLICATION OF THE FOLLOWING FACTORS AS PROVIDED IN**
 22 **SUBSECTION (3) :**

23 **(A) THE TYPE OF VEHICLE INSURED.**

24 **(B) THE NUMBER OF MILES THE INSURED DRIVES ANNUALLY.**

25 **(C) THE INSURED'S DRIVING SAFETY RECORD.**

26 **(D) ANY OTHER FACTORS THAT THE DIRECTOR ADOPTS BY RULE, AS**
 27 **PROVIDED IN SUBSECTION (4) .**



1 (3) IN APPLYING FACTORS UNDER SUBSECTION (2), AN INSURER SHALL
 2 BASE 80% OF THE RATE CALCULATION ON THE FACTORS IN SUBSECTION
 3 (2) (A) TO (C), GIVING THE GREATEST WEIGHT TO THE FACTOR IN
 4 SUBSECTION (2) (A), THE SECOND GREATEST WEIGHT TO THE FACTOR IN
 5 SUBSECTION (2) (B), AND THE THIRD GREATEST WEIGHT TO THE FACTOR IN
 6 SUBSECTION (2) (C).

7 (4) SUBJECT TO SUBSECTION (5), THE FACTORS ADOPTED BY THE
 8 DIRECTOR UNDER SUBSECTION (2) (D) MAY INCLUDE ANY FACTOR THAT IS
 9 EXPRESSLY ALLOWED FOR ESTABLISHING RATES FOR AUTOMOBILE INSURANCE
 10 UNDER ANOTHER SECTION OF THIS CHAPTER OR ANY OTHER FACTOR THAT HAS
 11 A SUBSTANTIAL RELATIONSHIP TO THE RISK OF LOSS. THE RULES
 12 PROMULGATED UNDER SUBSECTION (2) (D) MUST PRESCRIBE THE METHOD FOR
 13 MEASURING THE RESPECTIVE WEIGHT TO BE GIVEN TO EACH FACTOR IN
 14 DETERMINING AUTOMOBILE INSURANCE RATES AND PREMIUMS.

15 (5) ~~(4)~~—An insurer shall not ~~establish or maintain~~ **DETERMINE**
 16 ~~rates or rating classifications~~ **AND PREMIUMS** for automobile
 17 insurance based **IN ANY WAY** on sex or marital status.

18 ~~—— (5) Notwithstanding other provisions of this chapter,~~
 19 ~~automobile insurance risks may be grouped by territory.~~

20 (6) **NOTWITHSTANDING ANY OTHER PROVISION OF LAW TO THE**
 21 **CONTRARY, THE USE OF ANY FACTOR TO DETERMINE RATES AND PREMIUMS FOR**
 22 **AUTOMOBILE INSURANCE OTHER THAN A FACTOR LISTED IN SUBSECTION (2) (A)**
 23 **TO (C) OR A FACTOR CONTAINED IN RULES PROMULGATED UNDER SUBSECTION**
 24 **(2) (D) IS UNFAIR DISCRIMINATION FOR PURPOSES OF CHAPTER 20.**

25 (7) ~~(6)~~—This section does not limit insurers or rating
 26 organizations from establishing and maintaining statistical
 27 reporting territories. This section does not prohibit an insurer

1 from establishing or maintaining, for automobile insurance, a
 2 premium discount plan for senior citizens in this state who are 65
 3 years of age or older, **IF THE PLAN IS APPLIED IN ACCORDANCE WITH**
 4 **SUBSECTIONS (2) TO (4) AND** 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.~~ **IN ACCORDANCE**
 10 **WITH SUBSECTIONS (2) TO (4).**

11 (8) ~~(7)~~—Classifications established under this section for
 12 home insurance other than inland marine insurance provided by
 13 policy floaters or endorsements ~~shall~~ **MUST** be based only on 1 or
 14 more of the following factors:

15 (a) Amount and types of coverage.

16 (b) Security and safety devices, including locks, smoke
 17 detectors, and similar, related devices.

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

19 (d) Fire protection class.

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

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



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

7 **(10)** ~~(9)~~ An insurer may use factors in addition to those
8 permitted by this section for **HOME** insurance if the plan is
9 consistent with the purposes of this act and reflects reasonably
10 anticipated reductions or increases in losses or expenses.

11 Sec. 2111a. (1) ~~Notwithstanding~~ **IF THE DISCOUNT IS APPLIED IN**
12 **ACCORDANCE WITH** section 2111, an automobile insurer may offer a
13 premium discount to insureds 50 years of age and older who
14 successfully complete a traffic accident prevention course that ~~an~~
15 **THE** automobile insurer determines meets all of the criteria listed
16 in subsection (3).

17 (2) An automobile insurer may provide the discount under
18 subsection (1) for 3 years after successful completion of an
19 initial or refresher traffic accident prevention course.

20 (3) ~~A~~ **TO QUALIFY UNDER SUBSECTION (1), A** traffic accident
21 prevention course ~~shall provide for~~ **MUST MEET** all of the following
22 **REQUIREMENTS:**

23 (a) For an initial traffic accident prevention course,
24 ~~includes~~ **INCLUDE** not less than 8 hours of classroom instruction
25 taught by an instructor certified by the ~~entity~~ **PERSON** offering the
26 course. For a refresher traffic accident prevention course,
27 ~~includes~~ **INCLUDE** not less than 4 hours of classroom instruction



1 taught by an instructor certified by the ~~entity~~**PERSON** offering the
2 course.

3 (b) ~~Includes,~~**INCLUDE**, but ~~is not~~ **BE** limited to, instruction
4 in all of the following areas:

5 (i) The effects of aging on driving behavior.

6 (ii) The shapes, colors, and types of road signs.

7 (iii) The effects of alcohol and other drugs, including
8 medications, on older drivers.

9 (iv) Laws relating to the proper use of a motor vehicle and
10 safe driving behavior.

11 (v) Traffic crash avoidance and prevention measures.

12 (vi) The benefits and proper use of motor vehicle occupant
13 protection systems.

14 (vii) Major driving hazards and risk factors associated with
15 traffic crash prevention.

16 (viii) Interaction with other highway users, such as emergency
17 vehicles, trucks, motorcyclists, bicyclists, and pedestrians.

18 (c) ~~Provides, upon~~**PROVIDE, ON** successful completion of the
19 course, a certificate of completion that may be used in applying
20 for an automobile insurance premium discount under subsection (1).

21 **SEC. 2111F. (1) BEFORE 6 MONTHS AFTER THE EFFECTIVE DATE OF**
22 **THE AMENDATORY ACT THAT ADDED THIS SECTION, AN INSURER THAT OFFERS**
23 **AUTOMOBILE INSURANCE IN THIS STATE SHALL FILE PREMIUM RATES FOR ALL**
24 **COVERAGES FOR AUTOMOBILE INSURANCE POLICIES EFFECTIVE AFTER 6**
25 **MONTHS AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED**
26 **THIS SECTION AND BEFORE 1 YEAR AND 6 MONTHS AFTER THE EFFECTIVE**
27 **DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION.**



1 (2) SUBJECT TO SUBSECTION (3), THE PREMIUM RATES FILED UNDER
2 SUBSECTION (1), AND ANY SUBSEQUENT PREMIUM RATES FILED BY THE
3 INSURER FOR ALL COVERAGES UNDER AUTOMOBILE INSURANCE POLICIES
4 EFFECTIVE BEFORE 5 YEARS AND 6 MONTHS AFTER THE EFFECTIVE DATE OF
5 THE AMENDATORY ACT THAT ADDED THIS SECTION, MUST RESULT, AS NEARLY
6 AS PRACTICABLE, IN AN AVERAGE REDUCTION PER VEHICLE FROM THE
7 PREMIUM RATES FOR ALL COVERAGES THAT WERE IN EFFECT FOR THE INSURER
8 ON MAY 1, 2019 OF 25%.

9 (3) NOTWITHSTANDING ANYTHING IN THIS ACT TO THE CONTRARY, THE
10 PREMIUM RATES FILED UNDER SUBSECTION (1), AND ANY SUBSEQUENT
11 PREMIUM RATES FILED BY THE INSURER FOR ALL COVERAGES UNDER
12 AUTOMOBILE INSURANCE POLICIES EFFECTIVE BEFORE 5 YEARS AND 6 MONTHS
13 AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS
14 SECTION MUST NOT RESULT IN AN AVERAGE PERCENTAGE INCREASE PER
15 VEHICLE THAT EXCEEDS THE CUMULATIVE PERCENTAGE CHANGE IN THE
16 CONSUMER PRICE INDEX SINCE MAY 1, 2019. AS USED IN THIS SUBSECTION,
17 "CONSUMER PRICE INDEX" MEANS THE MOST COMPREHENSIVE INDEX OF
18 CONSUMER PRICES AVAILABLE FOR THIS STATE FROM THE UNITED STATES
19 DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

20 (4) THE DIRECTOR SHALL REVIEW PREMIUM RATES FILED BY AN
21 INSURER UNDER SUBSECTIONS (1) TO (3) FOR COMPLIANCE WITH
22 SUBSECTIONS (1) TO (3). THE DIRECTOR SHALL DISAPPROVE A FILING THAT
23 DOES NOT COMPLY WITH SUBSECTIONS (1) TO (3).

24 (5) IF THE DIRECTOR DISAPPROVES A PREMIUM RATE FILING UNDER
25 SUBSECTION (4), THE INSURER SHALL SUBMIT A REVISED PREMIUM RATE
26 FILING TO THE DIRECTOR WITHIN 15 DAYS OF THE DISAPPROVAL. THE
27 PREMIUM RATE FILING IS SUBJECT TO REVIEW IN THE SAME MANNER AS AN



1 ORIGINAL PREMIUM RATE FILING UNDER SUBSECTION (4) .

2 (6) AFTER 6 MONTHS AFTER THE EFFECTIVE DATE OF THE AMENDATORY
3 ACT THAT ADDED THIS SECTION AND BEFORE 5 YEARS AND 6 MONTHS AFTER
4 THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION,
5 AN INSURER SHALL NOT ISSUE OR RENEW AN AUTOMOBILE INSURANCE POLICY
6 IN THIS STATE UNLESS THE PREMIUM RATES FILED BY THE INSURER FOR
7 PERSONAL PROTECTION INSURANCE COVERAGE ARE APPROVED UNDER THIS
8 SECTION.

9 (7) FOR PURPOSES OF CALCULATING A PERSONAL PROTECTION
10 INSURANCE PREMIUM OR PREMIUM RATE UNDER THIS SECTION, THE PREMIUM
11 INCLUDES THE CATASTROPHIC CLAIMS ASSESSMENT IMPOSED UNDER SECTION
12 3104.

13 SEC. 2116B. (1) SUBJECT TO SUBSECTION (2), AN AUTOMOBILE
14 INSURER SHALL NOT REFUSE TO INSURE, REFUSE TO CONTINUE TO INSURE,
15 LIMIT COVERAGE AVAILABLE TO, CHARGE A REINSTATEMENT FEE FOR, OR
16 INCREASE THE PREMIUMS FOR AUTOMOBILE INSURANCE FOR AN ELIGIBLE
17 PERSON SOLELY BECAUSE THE PERSON PREVIOUSLY FAILED TO MAINTAIN
18 INSURANCE REQUIRED BY SECTION 3101 FOR A VEHICLE OWNED BY THE
19 PERSON.

20 (2) THIS SECTION ONLY APPLIES TO AN ELIGIBLE PERSON THAT
21 APPLIES FOR AUTOMOBILE INSURANCE WITHIN 1 YEAR AFTER THE EFFECTIVE
22 DATE OF THIS SECTION.

23 Sec. 2118. (1) As a condition of maintaining its certificate
24 of authority, an insurer shall not refuse to insure, refuse to
25 continue to insure, or limit coverage available to an eligible
26 person for automobile insurance, except in accordance with
27 underwriting rules established pursuant to ~~AS PROVIDED IN~~ this



1 section and sections 2119 and 2120.

2 (2) The underwriting rules that an insurer may establish for
3 automobile insurance ~~shall~~**MUST** be based only on the following:

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

6 (b) The insurance eligibility point accumulation in excess of
7 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 use
10 of a vehicle insured or to be insured. For purposes of this
11 subdivision, a person who is the principal driver for 1 automobile
12 insurance policy ~~shall be~~**IS** 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,
16 substantial modifications from the vehicle's original manufactured
17 state for purposes of increasing the speed or acceleration
18 capabilities of the vehicle.

19 (d) Except as otherwise provided in section 2116a **OR 2116B**,
20 failure by the person to provide proof that insurance required by
21 section 3101 was maintained in force with respect to any vehicle
22 that was both owned by the person and driven or moved by the person
23 or by a member of the household of the person during the 6-month
24 period immediately preceding application. ~~Such~~**THE** proof ~~shall~~**MUST**
25 take the form of a certification by the person on a form provided
26 by the insurer that the vehicle was not driven or moved without
27 maintaining the insurance required by section 3101 during the 6-



1 month period immediately preceding application.

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

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

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

8 (iii) The vehicle represents exposure to extraordinary expense
9 for repair or replacement under comprehensive or collision
10 coverage.

11 (f) Use of a vehicle insured or to be insured for
12 transportation of passengers for hire, for rental purposes, or for
13 commercial purposes. Rules under this subdivision ~~shall~~**MUST** not be
14 based on the use of a vehicle for volunteer or charitable purposes
15 or for which reimbursement for normal operating expenses is
16 received.

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

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

25 (i) Total abstinence from the consumption of alcoholic
26 beverages except if such beverages are consumed as part of a
27 religious ceremony. However, an insurer shall not ~~utilize~~**USE** an



1 underwriting rule based on this subdivision unless the insurer ~~has~~
2 ~~been~~ **WAS** authorized to transact automobile insurance in this state
3 ~~prior to~~ **BEFORE** January 1, 1981, and has consistently ~~utilized~~ **USED**
4 such an underwriting rule as part of the insurer's automobile
5 insurance underwriting since being authorized to transact
6 automobile insurance in this state.

7 (j) One or more incidents involving a threat, harassment, or
8 physical assault by the insured or applicant for insurance on an
9 insurer employee, agent, or agent employee while acting within the
10 scope of his or her employment, ~~so long as~~ **IF** a report of the
11 incident was filed with an appropriate law enforcement agency.

12 Sec. 2119. (1) ~~Each~~ **AN** insurer subject to this chapter shall
13 put in writing all underwriting rules used by the insurer. An
14 insurer shall not transact automobile or home insurance
15 inconsistently with its underwriting rules.

16 (2) An insurer shall apply its underwriting rules uniformly
17 and without exception throughout this state, so that every
18 applicant or insured conforming with the underwriting rules will be
19 insured or renewed, and so that every applicant or insured not
20 conforming with the underwriting rules will be refused insurance or
21 nonrenewed, when the information becomes available to the insurer.

22 (3) An insurer with more than 1 rating plan for automobile
23 insurance contracts providing identical coverages shall not adopt
24 underwriting rules that would permit a person to be insured, for
25 automobile insurance, under more than 1 of the rating plans.

26 (4) An insurer may establish underwriting rules for new
27 applicants that are different than rules for renewals of existing



1 insureds only if the applicants or existing insureds are not
 2 eligible persons. Underwriting rules pertaining to renewals of
 3 existing insureds who are not eligible persons may be based on a
 4 contractual obligation of the insurer not to cancel or nonrenew.

5 (5) For informational purposes, an insurer shall file with the
 6 ~~commissioner~~**DIRECTOR** its underwriting rules before their use in
 7 this state. ~~All~~**THE DIRECTOR SHALL MAKE ALL** filed underwriting
 8 rules ~~shall be~~ available for public inspection. If the ~~commissioner~~
 9 **DIRECTOR** finds that an underwriting rule is inconsistent with this
 10 chapter, the ~~commissioner~~**DIRECTOR**, after a hearing held under the
 11 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
 12 24.328, shall by order prohibit further use of the underwriting
 13 rule.

14 (6) This section does not prohibit an insurer from insuring
 15 persons who are not eligible persons under underwriting rules
 16 established under this section and sections 2117, 2118, and 2120.

17 **(7) AN INSURER SHALL NOT ESTABLISH ITS UNDERWRITING RULES**
 18 **THROUGH PRICE OPTIMIZATION AS THAT TERM IS DEFINED IN SECTION 2109.**

19 Sec. 2120. (1) Affiliated insurers may establish underwriting
 20 rules so that each affiliate will provide automobile insurance only
 21 to certain eligible persons. This subsection ~~shall apply~~**APPLIES**
 22 only if an eligible person can obtain automobile insurance from 1
 23 of the affiliates. The underwriting rules ~~shall~~**MUST** be in
 24 compliance with this section and sections 2118 and 2119.

25 (2) An insurer may establish separate rating plans so that
 26 certain eligible persons are provided automobile insurance under 1
 27 rating plan and other eligible persons are provided automobile



1 insurance under another rating plan. This subsection ~~shall apply~~
2 **APPLIES** only if all eligible persons can obtain automobile
3 insurance under a rating plan of the insurer. Underwriting rules
4 consistent with this section and sections 2118 and 2119 ~~shall~~**MUST**
5 be established to define the rating plan applicable to each
6 eligible person.

7 (3) Underwriting rules under this section ~~shall~~**MUST** be based
8 only on the following:

9 (a) With respect to a vehicle insured or to be insured,
10 substantial modifications from the vehicle's original manufactured
11 state for purposes of increasing the speed or acceleration
12 capabilities of the vehicle.

13 (b) Except as otherwise provided in section 2116a **OR 2116B**,
14 failure of the person to provide proof that insurance required by
15 section 3101 was maintained in force with respect to any vehicle
16 owned and operated by the person or by a member of the household of
17 the person during the 6-month period immediately preceding
18 application or renewal of the policy. ~~Such~~**THE** proof ~~shall~~**MUST**
19 take the form of a certification by the person that the required
20 insurance was maintained in force for the 6-month period with
21 respect to ~~such~~**THE** vehicle.

22 (c) For purposes of insuring persons who have refused a
23 deductible lawfully required under section 2118(2)(h), the claim
24 experience of the person with respect to comprehensive coverage.

25 (d) Refusal of the person to pay a minimum deposit required
26 under section 2118(2)(g).

27 (e) A person's insurance eligibility point accumulation under



1 section 2103(1)(h), or the total insurance eligibility point
2 accumulation of all persons who account for 10% or more of the use
3 of 1 or more vehicles insured or to be insured under the policy.

4 (f) The type of vehicle insured or to be insured as provided
5 in section 2118(2)(e).

6 Sec. 2151. As used in this chapter:

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

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

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

24 (d) "Credit report" means any written, oral, or other
25 communication of information by a consumer reporting agency bearing
26 on a consumer's credit worthiness, credit standing, or credit
27 capacity that is used or expected to be used or collected in whole



1 or in part for the purpose of serving as a factor in the rating of
2 personal insurance.

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

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

15 Sec. 3104. (1) ~~An~~ **THE CATASTROPHIC CLAIMS ASSOCIATION IS**
16 **CREATED AS AN** unincorporated, nonprofit association. ~~to be known as~~
17 ~~the catastrophic claims association, hereinafter referred to as the~~
18 ~~association, is created.~~ Each insurer engaged in writing insurance
19 coverages that provide the security required by section 3101(1)
20 ~~within~~ **IN** this state, as a condition of its authority to transact
21 insurance in this state, shall be a member of the association and
22 ~~shall be~~ **IS** bound by the plan of operation of the association. ~~Each~~
23 **AN** insurer engaged in writing insurance coverages that provide the
24 security required by section 3103(1) ~~within~~ **IN** this state, as a
25 condition of its authority to transact insurance in this state,
26 ~~shall be~~ **IS** considered **TO BE** a member of the association, but only
27 for purposes of premiums under subsection (7) (d). Except as



1 expressly provided in this section, the association is not subject
2 to any laws of this state with respect to insurers, but in all
3 other respects the association is subject to the laws of this state
4 to the extent that the association would be if it were an insurer
5 organized and subsisting under chapter 50.

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

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

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

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

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

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

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

22 (g) For a motor vehicle accident policy issued or renewed
23 during the period July 1, 2007 to June 30, 2008, \$420,000.00.

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

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



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

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

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

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

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

11 **(O) FOR A MOTOR VEHICLE ACCIDENT POLICY ISSUED OR RENEWED**
12 **DURING THE PERIOD JULY 1, 2019 TO JUNE 30, 2021, \$580,000.00.**

13 Beginning July 1, 2013, ~~2021~~, this ~~\$500,000.00~~ **\$580,000.00** amount
14 ~~shall~~ **MUST** be increased biennially on July 1 of each odd-numbered
15 year, for policies issued or renewed before July 1 of the following
16 odd-numbered year, by the lesser of 6% or the ~~consumer price index,~~
17 **CONSUMER PRICE INDEX**, and rounded to the nearest \$5,000.00. ~~This~~
18 **THE ASSOCIATION SHALL CALCULATE THE** biennial adjustment ~~shall be~~
19 ~~calculated by the association by~~ January 1 of the year of its July
20 1 effective date.

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

24 (4) An insurer whose membership in the association has been
25 terminated by withdrawal ~~shall continue~~ **CONTINUES** to be bound by
26 the plan of operation, and ~~upon~~ **ON** withdrawal, all unpaid premiums
27 that have been charged to the withdrawing member are payable as of

1 the effective date of the withdrawal.

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

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

13 (7) The association shall do all of the following on behalf of
14 the members of the association:

15 (a) Assume 100% of all liability as provided in subsection
16 (2).

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

26 (c) Maintain relevant loss and expense data relative to all
27 liabilities of the association and require each member to furnish



1 statistics, in connection with liabilities of the association, at
2 the times and in the form and detail as ~~may be~~ required by the plan
3 of operation.

4 (d) In a manner provided for in the plan of operation,
5 calculate and charge to members of the association a total premium
6 sufficient to cover the expected losses and expenses of the
7 association that the association will likely incur during the
8 period for which the premium is applicable. The premium ~~shall~~ **MUST**
9 include an amount to cover incurred but not reported losses for the
10 period and may be adjusted for any excess or deficient premiums
11 from previous periods. Excesses or deficiencies from previous
12 periods may be fully adjusted in a single period or may be adjusted
13 over several periods in a manner provided for in the plan of
14 operation. Each member ~~shall~~ **MUST** be charged an amount equal to
15 that member's total written car years of insurance providing the
16 security required by section 3101(1) or 3103(1), or both, written
17 in this state during the period to which the premium applies,
18 multiplied by the average premium per car. The average premium per
19 car ~~shall be~~ **IS** the total premium calculated divided by the total
20 written car years of insurance providing the security required by
21 section 3101(1) or 3103(1) written in this state of all members
22 during the period to which the premium applies. A member ~~shall~~ **MUST**
23 be charged a premium for a historic vehicle that is insured with
24 the member of 20% of the premium charged for a car insured with the
25 member. As used in this subdivision:

26 (i) "Car" includes a motorcycle but does not include a
27 historic vehicle.



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

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

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

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

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

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

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

24 (a) Sue and be sued in the name of the association. A judgment
25 against the association ~~shall~~ **DOES** not create any direct liability
26 against the individual members of the association. The association
27 may provide for the indemnification of its members, members of the



1 board of directors of the association, and officers, employees, and
2 other persons lawfully acting on behalf of the association.

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

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

9 (d) Pursuant to the plan of operation, adopt reasonable rules
10 for the administration of the association, enforce those rules, and
11 delegate authority, as the board considers necessary to assure the
12 proper administration and operation of the association consistent
13 with the plan of operation.

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

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

20 (g) Perform other acts not specifically enumerated in this
21 section that are necessary or proper to accomplish the purposes of
22 the association and that are not inconsistent with this section or
23 the plan of operation.

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



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

3 (a) The establishment of necessary facilities.

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

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

7 (d) Procedures governing the actual payment of premiums to the
8 association.

9 (e) Reimbursement of each member of the board by the
10 association for actual and necessary expenses incurred on
11 association business.

12 (f) The investment policy of the association.

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

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

20 (12) As part of the plan of operation, the board shall adopt
21 rules providing for the composition ~~and term of successor boards to~~
22 the ~~initial~~ board **AND THE TERMS OF BOARD MEMBERS**, consistent with
23 the membership composition requirements in subsections (11) and
24 (13). Terms of the directors ~~shall~~**MUST** be staggered so that the
25 terms of all the directors do not expire at the same time and so
26 that a director does not serve a term of more than 4 years.

27 (13) The board ~~shall~~**MUST** consist of 5 directors ~~7~~ and the



1 ~~commissioner~~ **DIRECTOR OF THE DEPARTMENT, WHO** shall ~~be~~ **SERVE AS** an
 2 ex officio member of the board without vote.

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

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

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

19 ~~—— (17) Not more than 60 days after the initial organizational~~
 20 ~~meeting of the board, the board shall submit to the commissioner~~
 21 ~~for approval a proposed plan of operation consistent with the~~
 22 ~~objectives and provisions of this section, which shall provide for~~
 23 ~~the economical, fair, and nondiscriminatory administration of the~~
 24 ~~association and for the prompt and efficient provision of~~
 25 ~~indemnity. If a plan is not submitted within this 60-day period,~~
 26 ~~then the commissioner, after consultation with the board, shall~~
 27 ~~formulate and place into effect a plan consistent with this~~



1 section.

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

14 (17) ~~(19) The proposed plan of operation or ANY~~ amendments to
 15 the plan of operation **OF THE ASSOCIATION** are subject to majority
 16 approval by the board, ~~ratified~~ **RATIFICATION** by a majority of the
 17 membership having a vote, with voting rights being apportioned
 18 according to the premiums charged in subsection (7) (d), and ~~are~~
 19 ~~subject to approval by the commissioner.~~ **DIRECTOR OF THE DEPARTMENT.**

20 (18) ~~(20) Upon approval by the commissioner and ratification~~
 21 ~~by the members of the plan submitted, or upon the promulgation of a~~
 22 ~~plan by the commissioner, each AN~~ insurer authorized to write
 23 insurance providing the security required by section 3101(1) in
 24 this state, as provided in this section, is bound by and shall
 25 formally subscribe to and participate in the plan ~~approved~~ **OF**
 26 **OPERATION** as a condition of maintaining its authority to transact
 27 insurance in this state.



1 (19) ~~(21)~~—The association is subject to all the reporting,
 2 loss reserve, and investment requirements of the ~~commissioner~~
 3 **DIRECTOR OF THE DEPARTMENT** to the same extent as ~~would a member~~ **ARE**
 4 **THE MEMBERS** of the association.

5 (20) ~~(22)~~—Premiums charged members by the association ~~shall~~
 6 **MUST** be recognized in the rate-making procedures for insurance
 7 rates in the same manner that expenses and premium taxes are
 8 recognized.

9 (21) ~~(23)~~—The ~~commissioner~~ **DIRECTOR OF THE DEPARTMENT** or an
 10 authorized representative of the ~~commissioner~~ **DIRECTOR OF THE**
 11 **DEPARTMENT** may visit the association at any time and examine any
 12 and all **OF** the association's affairs.

13 (22) ~~(24)~~—The association does not have liability for losses
 14 occurring before July 1, 1978.

15 (23) **ANNUALLY, WITHIN 15 DAYS AFTER THE ASSOCIATION CHARGES**
 16 **MEMBERS THE TOTAL PREMIUM UNDER SUBSECTION (7) (D), THE ASSOCIATION**
 17 **SHALL DISCLOSE TO THE PUBLIC ON ITS WEBSITE ALL DATA USED IN**
 18 **COMPUTING THE PREMIUM AND EXPECTED LOSSES AND EXPENSES, INCLUDING**
 19 **THE AMOUNT THAT COVERS INCURRED BUT NOT REPORTED LOSSES FOR THE**
 20 **PERIOD AND ANY ADJUSTMENT FOR ANY EXCESS OR DEFICIENT PREMIUMS FROM**
 21 **PREVIOUS PERIODS AND THE ACTUARIAL COMPUTATION USED IN MAKING THESE**
 22 **DETERMINATIONS, INCLUDING ESTIMATES AND ASSUMPTIONS. THE DISCLOSURE**
 23 **MUST INCLUDE, BUT NOT BE LIMITED TO, ALL OF THE FOLLOWING:**

24 (A) **THE ACTUARIAL COMPUTATION USED IN MAKING DETERMINATIONS OF**
 25 **UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES.**

26 (B) **ALL DOCUMENTS USED IN ESTABLISHING THE FOLLOWING:**

27 (i) **THE CALCULATION OF THE PRESENT VALUE OF DISBURSEMENTS**



1 EXPECTED TO BE MADE IN THE ULTIMATE SETTLEMENT OF THE CLAIMS
2 REPORTED.

3 (ii) THE ACTUARIAL TABLES USED TO REFLECT THE PROBABILITIES OF
4 EACH CLAIMANT SURVIVING TO INCUR THE COSTS PROJECTED.

5 (iii) THE CALCULATION OF INCURRED BUT NOT REPORTED LOSSES.

6 (iv) THE ACTUARIAL ASSUMPTIONS AND CALCULATIONS USED IN
7 PRODUCING THE SHORT-TERM DISCOUNT RATE AND THE LONG-TERM DISCOUNT
8 RATE.

9 (v) THE FORECASTS PRODUCING THE ECONOMIC ASSUMPTIONS FOR CLAIM
10 COST INFLATION AND INVESTMENT RETURNS USED.

11 (vi) THE CURRENT ECONOMIC DATA AND HISTORICAL LONG-TERM
12 CONSUMER PRICE INDEX DATA FOR ANY COST COMPONENT CATEGORIES USED IN
13 PRODUCING INFLATION ASSUMPTIONS.

14 (vii) THE LOSS DEVELOPMENT ANALYSIS UNDERTAKEN IN CONNECTION
15 WITH THE PROVISION FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES.

16 (viii) THE TREND ANALYSIS FOR BOTH FREQUENCY AND SEVERITY
17 UNDERTAKEN IN CONNECTION WITH THE PROVISION FOR UNPAID LOSSES AND
18 LOSS ADJUSTMENT EXPENSES.

19 (C) THE ANNUAL ACTUARIAL EVALUATION USED IN ESTABLISHING THE
20 PREMIUM.

21 (D) THE ANNUAL ASSESSMENT REPORTS OF MEMBERS USED IN
22 ESTABLISHING THE PREMIUM.

23 (E) THE ANNUITY MODEL USED BY THE OPINING ACTUARY IN HIS OR
24 HER ACTUARIAL OPINION PROJECTING FUTURE PAYMENT STREAMS AT THE
25 CLAIMANT LEVEL AND THE MORTALITY ADJUSTMENT APPLIED.

26 (F) ANY EXPLANATORY MEMORANDUM EXPLAINING THE VARIOUS
27 COMPONENTS OF THE PREMIUM AND THE JUDGMENTS MADE TO PRODUCE THE

1 **PREMIUM.**2 (24) ~~(25)~~ As used in this section:3 (A) "ASSOCIATION" MEANS THE CATASTROPHIC CLAIMS ASSOCIATION
4 CREATED IN SUBSECTION (1).5 (B) "BOARD" MEANS THE BOARD OF DIRECTORS OF THE ASSOCIATION
6 CREATED IN SUBSECTION (9).7 (C) ~~(a)~~ "Consumer price index" **PRICE INDEX** means the
8 percentage of change in the ~~consumer price index~~ **CONSUMER PRICE**
9 **INDEX** for all urban consumers in the United States city average for
10 all items for the 24 months ~~prior to~~ **BEFORE** October 1 of the year
11 ~~prior to~~ **BEFORE** the July 1 effective date of the biennial
12 adjustment under subsection ~~(2) (k)~~ **(2) (O)** as reported by the United
13 States ~~department of labor, bureau of labor statistics,~~ **DEPARTMENT**
14 **OF LABOR, BUREAU OF LABOR STATISTICS,** and as certified by the
15 ~~commissioner.~~ **DIRECTOR OF THE DEPARTMENT.**16 (D) ~~(b)~~ "Motor vehicle accident policy" means a policy
17 providing the coverages required under section 3101(1).18 (E) ~~(c)~~ "Ultimate loss" means the actual loss amounts that a
19 member is obligated to pay and that are paid or payable by the
20 member, and do not include claim expenses. An ultimate loss is
21 incurred by the association on the date that the loss occurs.22 Sec. 3107. (1) Except as provided in subsection (2), personal
23 protection insurance benefits are payable for the following:24 (a) Allowable expenses consisting of all reasonable charges
25 incurred for reasonably necessary products, services and
26 accommodations for an injured person's care, recovery, or
27 rehabilitation. Allowable expenses within personal protection

1 insurance coverage ~~shall~~**DO** not include either of the following:

2 (i) Charges for a hospital room in excess of a reasonable and
3 customary charge for semiprivate accommodations, ~~except if~~**UNLESS**
4 the injured person requires special or intensive care.

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

8 (b) Work loss consisting of loss of income from work an
9 injured person would have performed during the first 3 years after
10 the date of the accident if he or she had not been injured. Work
11 loss does not include any loss after the date on which the injured
12 person dies. Because the benefits received from personal protection
13 insurance for loss of income are not taxable income, the benefits
14 payable for such loss of income ~~shall~~**MUST** be reduced 15% unless
15 the claimant presents to the insurer in support of his or her claim
16 reasonable proof of a lower value of the income tax advantage in
17 his or her case, in which case the lower value ~~shall apply~~.

18 **APPLIES**. For the period beginning October 1, 2012 through September
19 30, 2013, the benefits payable for work loss sustained in a single
20 30-day period and the income earned by an injured person for work
21 during the same period together ~~shall~~**MUST** not exceed \$5,189.00,
22 which maximum ~~shall apply~~**APPLIES** pro rata to any lesser period of
23 work loss. Beginning October 1, 2013, the maximum ~~shall~~**MUST** be
24 adjusted annually to reflect changes in the cost of living under
25 rules prescribed by the ~~commissioner~~**DIRECTOR**, but any change in
26 the maximum ~~shall apply~~**APPLIES** only to benefits arising out of
27 accidents occurring ~~subsequent to~~**AFTER** the date of change in the



1 maximum.

2 (c) Expenses not exceeding \$20.00 per day, reasonably incurred
3 in obtaining ordinary and necessary services in lieu of those that,
4 if he or she had not been injured, an injured person would have
5 performed during the first 3 years after the date of the accident,
6 not for income but for the benefit of himself or herself or of his
7 or her dependent.

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

10 **(A) A PERSON WHO IS 62 YEARS OF AGE OR OLDER MAY WAIVE**
11 **COVERAGE FOR PERSONAL PROTECTION INSURANCE BENEFITS UNDER THIS**
12 **CHAPTER OTHER THAN COVERAGE FOR CHARGES INCURRED FOR REASONABLY**
13 **NECESSARY PRODUCTS, SERVICES, AND ACCOMMODATIONS THAT WOULD BE**
14 **PAYABLE UNDER LONG-TERM CARE INSURANCE, AS THAT TERM IS DEFINED IN**
15 **SECTION 701, OR THAT ARE NECESSARY FOR THE INJURED PERSON'S**
16 **REHABILITATION. AN INSURER SHALL OFFER A REDUCED PREMIUM RATE TO A**
17 **PERSON WHO WAIVES BENEFITS IN PART UNDER THIS SUBDIVISION. A PERSON**
18 **WAIVING BENEFITS IN PART UNDER THIS SUBDIVISION SHALL DO SO ON A**
19 **FORM PROVIDED BY THE INSURER. WAIVER OF BENEFITS IN PART UNDER THIS**
20 **SUBDIVISION APPLIES ONLY TO BENEFITS PAYABLE TO THE PERSON OR**
21 **PERSONS WHO HAVE SIGNED THE WAIVER FORM.**

22 **(B) (a)**—A person who is 60 years of age or older and in the
23 event of an accidental bodily injury would not be eligible to
24 receive work loss benefits under subsection (1)(b) may waive
25 coverage for work loss benefits by signing a waiver on a form
26 provided by the insurer. An insurer shall offer a reduced premium
27 rate to a person who waives coverage under this ~~subsection~~



1 **SUBDIVISION** for work loss benefits. Waiver of coverage for work
 2 loss benefits applies only to work loss benefits payable to the
 3 person or persons who have signed the waiver form.

4 (C) ~~(b)~~ An insurer ~~shall~~ **IS** not ~~be~~ required to provide
 5 coverage for the medical use of marihuana or for expenses related
 6 to the medical use of marihuana.

7 Sec. 3145. (1) An action for recovery of personal protection
 8 insurance benefits payable under this chapter for accidental bodily
 9 injury may not be commenced later than ~~1 year~~ **3 YEARS** after the
 10 date of the accident causing the injury unless written notice of
 11 injury as provided ~~herein~~ **IN THIS SUBSECTION** has been given to the
 12 insurer within ~~1 year~~ **3 YEARS** after the accident or unless the
 13 insurer has previously made a payment of personal protection
 14 insurance benefits for the injury. If the notice has been given or
 15 a payment has been made, the action may be commenced at any time
 16 within ~~1 year~~ **3 YEARS** after the most recent allowable expense, work
 17 loss or survivor's loss has been incurred. However, the claimant
 18 may not recover benefits for any portion of the loss incurred more
 19 than ~~1 year~~ **3 YEARS** before the date on which the action was
 20 commenced. The notice of injury required by this subsection may be
 21 given to the insurer or any of its authorized agents by a person
 22 claiming to be entitled to benefits ~~therefor~~, **FOR THE INJURY**, or by
 23 someone in ~~his~~ **THE PERSON'S** behalf. The notice ~~shall~~ **MUST** give the
 24 name and address of the claimant and indicate in ordinary language
 25 the name of the person injured and the time, place, and nature of
 26 ~~his~~ **THE PERSON'S** injury.

27 (2) An action for recovery of property protection insurance



1 benefits shall ~~MAY~~ not be commenced later than ~~1 year~~ **3 YEARS** after
2 the accident.

3 **SEC. 3156. (1) AN INSURER THAT ISSUES INSURANCE POLICIES THAT**
4 **PROVIDE COVERAGE FOR THE SECURITY REQUIRED UNDER SECTION 3101(1)**
5 **MAY CONTRACT WITH ANOTHER PERSON TO DO 1 OR MORE OF THE FOLLOWING**
6 **IN CONNECTION WITH PROVIDING TREATMENT AS REQUIRED BY THIS CHAPTER:**

7 (A) NEGOTIATE, BEFORE THE PROVISION OF TREATMENT OR SUBMISSION
8 OF A CLAIM FOR PAYMENT, WITH A PROVIDER TO ESTABLISH AMOUNTS THAT
9 THE PROVIDER WILL CHARGE THE INSURER FOR PROVIDING TREATMENT
10 COVERED BY THE INSURER'S POLICIES.

11 (B) NEGOTIATE, AFTER THE PROVISION OF TREATMENT OR SUBMISSION
12 OF A CLAIM FOR PAYMENT, WITH A PROVIDER TO ESTABLISH AMOUNTS THAT
13 THE PROVIDER WILL ACCEPT FROM THE INSURER FOR TREATMENT RENDERED TO
14 AN INJURED PERSON COVERED BY THE INSURER'S POLICY.

15 (C) ON BEHALF OF THE INSURER, ADMINISTER ALL OR A PORTION OF
16 THE ACCEPTANCE, REVIEW, NEGOTIATION, AND PAYMENT OF CLAIMS FOR
17 PAYMENT FOR TREATMENT COVERED BY THE INSURER'S POLICIES.

18 (2) AS USED IN THIS SECTION:

19 (A) "PROVIDER" MEANS A PERSON THAT PROVIDES TREATMENT.

20 (B) "TREATMENT" INCLUDES TREATMENT, PRODUCTS, SERVICES, AND
21 TRAINING PROVIDED FOR AN INJURED PERSON FOR AN ACCIDENTAL BODILY
22 INJURY COVERED BY PERSONAL PROTECTION INSURANCE.

23 Enacting section 1. Sections 2106 and 2108 of the insurance
24 code of 1956, 1956 PA 218, MCL 500.2106 and 500.2108, as amended by
25 this amendatory act, apply to insurance policies issued or renewed
26 on or after 90 days after the effective date of this amendatory
27 act.

