

SENATE BILL No. 1023

January 22, 2008, Introduced by Senators SCOTT, JACOBS, CLARK-COLEMAN, ANDERSON, BRATER, THOMAS, GLEASON, SCHAUER, SWITALSKI, BASHAM, HUNTER, CHERRY and CLARKE and referred to the Committee on Economic Development and Regulatory Reform.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 2109 (MCL 500.2109).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2109. ~~(1)~~ All rates for automobile insurance and home
2 insurance shall be made in accordance with the following
3 provisions:

4 (a) Rates shall not be excessive, inadequate, or unfairly
5 discriminatory. A rate shall not be held to be excessive unless the
6 rate is unreasonably high for the insurance coverage provided. ~~and~~
7 ~~a reasonable degree of competition does not exist for the insurance~~
8 ~~to which the rate is applicable.~~

9 (b) A rate shall not be held to be inadequate unless the rate
10 is unreasonably low for the insurance coverage provided and the

1 continued use of the rate endangers the solvency of the insurer; or
2 unless the rate is unreasonably low for the insurance provided and
3 the use of the rate has or will have the effect of destroying
4 competition among insurers, creating a monopoly, or causing a kind
5 of insurance to be unavailable to a significant number of
6 applicants who are in good faith entitled to procure that insurance
7 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
13 reasonable justification shall be supported by a reasonable
14 classification system; by sound actuarial principles when
15 applicable; and by actual and credible loss and expense statistics
16 or, in the case of new coverages and classifications, by reasonably
17 anticipated loss and expense experience. A rate is not unfairly
18 discriminatory because it reflects differences in expenses for
19 individuals or risks with similar anticipated losses, or because it
20 reflects differences in losses for individuals or risks with
21 similar expenses.

22 ~~—— (2) A determination concerning the existence of a reasonable~~
23 ~~degree of competition with respect to subsection (1)(a) shall take~~
24 ~~into account a reasonable spectrum of relevant economic tests,~~
25 ~~including the number of insurers actively engaged in writing the~~
26 ~~insurance in question, the present availability of such insurance~~
27 ~~compared to its availability in comparable past periods, the~~

~~underwriting return of that insurance over a period of time
sufficient to assure reliability in relation to the risk associated
with that insurance, and the difficulty encountered by new insurers
in entering the market in order to compete for the writing of that
insurance.~~

Enacting section 1. This amendatory act does not take effect
unless all of the following bills of the 94th Legislature are
enacted into law:

(a) Senate Bill No. 1024.

(b) Senate Bill No. 1025.

(c) Senate Bill No. 1026.