

# HOUSE BILL No. 5628

December 1, 2009, Introduced by Reps. Valentine, Liss, Haugh, Slaven, Geiss, Huckleberry, Constan, Tlaib, Robert Jones, Durhal, Cushingberry, Womack, Young, Lemmons, Nathan, Lisa Brown, Roberts, Gonzales, Leland and Lipton and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled  
"The insurance code of 1956,"  
(MCL 500.100 to 500.8302) by adding chapter 32A.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

### CHAPTER 32A

#### LOW-COST INSURANCE PILOT PROGRAM

#### SEC. 3275. AS USED IN THIS CHAPTER:

(A) "AUTOMOBILE INSURANCE" MEANS THAT TERM AS DEFINED IN  
SECTION 3303 (A) .

(B) "QUALIFIED APPLICANT" MEANS AN INDIVIDUAL WHO MEETS ALL OF  
THE FOLLOWING:

(i) RESIDES IN A HOUSEHOLD WITH A GROSS ANNUAL HOUSEHOLD INCOME  
THAT DOES NOT EXCEED 250% OF THE FEDERAL POVERTY LEVEL.

1           (ii) IS NOT LESS THAN 19 YEARS OF AGE AND HAS BEEN CONTINUOUSLY  
2 LICENSED TO DRIVE AN AUTOMOBILE FOR THE PRECEDING 3 YEARS.

3           (iii) HAS NOT MORE THAN 1 OF EITHER OF THE FOLLOWING, BUT NOT  
4 BOTH, WITHIN THE PRECEDING 3 YEARS:

5           (A) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH HE OR SHE WAS  
6 SUBSTANTIALLY AT-FAULT.

7           (B) AN INSURANCE ELIGIBILITY POINT FOR A MOVING VIOLATION.

8           (iv) HAS NOT, WITHIN THE PRECEDING 3 YEARS, HAD A SUBSTANTIALLY  
9 AT-FAULT ACCIDENT INVOLVING BODILY INJURY OR DEATH.

10          (v) HAS NOT HAD A CONVICTION FOR DRIVING UNDER THE INFLUENCE.

11          (vi) HAS NOT HAD A CONVICTION FOR A MOVING VIOLATION IN A WORK  
12 ZONE.

13          (vii) HAS NOT HAD ON HIS OR HER MOTOR VEHICLE RECORD A FELONY  
14 OR MISDEMEANOR CONVICTION RELATING TO THE OPERATION OF A MOTOR  
15 VEHICLE.

16          (viii) IS NOT A COLLEGE STUDENT CLAIMED AS A DEPENDENT OF  
17 ANOTHER PERSON FOR FEDERAL OR STATE INCOME TAX PURPOSES.

18          SEC. 3276. (1) THE COMMISSIONER SHALL ESTABLISH A LOW-COST  
19 AUTOMOBILE INSURANCE PILOT PROGRAM IN NOT LESS THAN 2 OR MORE THAN  
20 4 REGIONS IN THE STATE THAT SATISFIES ALL OF THE FOLLOWING:

21           (A) INCLUDES NOT LESS THAN AN ENTIRE COUNTY AND MAY INCLUDE  
22 MORE THAN 1 COUNTY SO LONG AS THE COUNTIES ARE CONTIGUOUS.

23           (B) HAS A POPULATION SIZE SUFFICIENT TO ESTABLISH CREDIBLE  
24 RESULTS IN THE LOW-COST AUTOMOBILE INSURANCE PILOT PROGRAM.

25           (C) HAS AVERAGE AUTOMOBILE INSURANCE RATES IN THE REGION THAT  
26 EXCEED THE STATEWIDE AVERAGE.

27          (2) THE COMMISSIONER, AFTER A PUBLIC HEARING, SHALL APPROVE OR

1    ISSUE A REASONABLE PLAN FOR THE EQUITABLE APPORTIONMENT AMONG  
2    INSURERS PARTICIPATING IN THE PILOT PROGRAM ESTABLISHED UNDER THIS  
3    CHAPTER OF QUALIFIED APPLICANTS. THE PILOT PROGRAM MAY BE CONDUCTED  
4    IN CONJUNCTION WITH THE AUTOMOBILE PLACEMENT FACILITY ESTABLISHED  
5    UNDER CHAPTER 33.

6           (3) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE  
7    COMMISSIONER MAY EMPLOY LEGAL, ACTUARIAL, ACCOUNTING, OR OTHER  
8    COUNSEL AS HE OR SHE CONSIDERS NECESSARY TO ASSIST IN HIS OR HER  
9    RESPONSIBILITIES UNDER THIS CHAPTER.

10           SEC. 3277. A LOW-COST AUTOMOBILE INSURANCE POLICY FOR PURPOSES  
11    OF THE PILOT PROGRAM ESTABLISHED UNDER THIS CHAPTER SHALL HAVE ALL  
12    OF THE FOLLOWING ATTRIBUTES:

13           (A) PROVIDE RESIDUAL LIABILITY COVERAGE AS REQUIRED UNDER  
14    SECTION 3131.

15           (B) HAVE AN INITIAL TERM OF 1 YEAR, RENEWABLE ON AN ANNUAL  
16    BASIS THEREAFTER.

17           (C) COVER THE INDIVIDUAL NAMED IN THE POLICY AND ANY OTHER  
18    INDIVIDUAL USING THE AUTOMOBILE PROVIDED THE USE IS WITH HIS OR HER  
19    PERMISSION, EXPRESS OR IMPLIED, AND WITHIN THE SCOPE OF THAT  
20    PERMISSION, EXCEPT THAT THE POLICY SHALL NOT COVER MEMBERS OF THE  
21    NAMED INSURED'S HOUSEHOLD WHO DO NOT SATISFY THE REQUIREMENTS IN  
22    SECTION 3275(B).

23           (D) PROVIDE COVERAGE FOR AN AUTOMOBILE WITH A VALUE, AT THE  
24    TIME OF PURCHASE BY THE INSURED, OF \$20,000.00 OR LESS, AS  
25    EVIDENCED BY THE VALUE GIVEN TO THE AUTOMOBILE BY THE SECRETARY OF  
26    STATE IN ASSESSING VEHICLE REGISTRATION FEES.

27           (E) PROVIDE PERSONAL PROTECTION INSURANCE COVERAGE FOR

1 ALLOWABLE EXPENSES AS REQUIRED UNDER SECTION 3107(1)(A) AND (B).

2 (F) PROVIDE PERSONAL PROTECTION INSURANCE COVERAGE FOR WORK  
3 LOSS AS REQUIRED IN SECTION 3107(1)(B) EXCEPT THAT THE BENEFITS  
4 PAYABLE FOR WORK LOSS SHALL NOT EXCEED 250% OF THE MONTHLY FEDERAL  
5 POVERTY LEVEL FOR A FAMILY OF 4 AND THE PREMIUM SHALL BE  
6 APPROPRIATELY REDUCED TO REFLECT THAT LOWER BENEFIT.

7 SEC. 3278. (1) THE ANNUAL RATE OFFERED INITIALLY UNDER THE  
8 PILOT PROGRAM FOR THE LOW-COST AUTOMOBILE INSURANCE POLICY, UNTIL  
9 THE TIME THAT THE RATE IS ADJUSTED, SHALL NOT EXCEED \$600.00.

10 (2) THE PLAN SHALL MAKE AVAILABLE TO AN INSURED UNDER THE  
11 PILOT PROGRAM A PREMIUM INSTALLMENT OPTION UNDER WHICH AN INSURED  
12 MAY PAY A SPECIFIED PORTION OR PORTIONS OF THE LOW-COST AUTOMOBILE  
13 INSURANCE POLICY ON A PERIODIC BASIS. NO OTHER PREMIUM FINANCING  
14 ARRANGEMENT IS PERMITTED.

15 (3) RATES FOR POLICIES ISSUED UNDER THE PILOT PROGRAM SHALL BE  
16 REVIEWED AND REVISED AS FOLLOWS:

17 (A) RATES SHALL BE SUFFICIENT TO COVER BOTH LOSSES INCURRED  
18 UNDER POLICIES ISSUED UNDER THE PILOT PROGRAM AND EXPENSES THAT  
19 INCLUDE, BUT ARE NOT LIMITED TO, ALL REASONABLE AND NECESSARY COSTS  
20 OF ADMINISTRATION, UNDERWRITING, TAXES, COMMISSIONS, CLAIMS  
21 ADJUSTING, AND RELATED EXPENSES THAT ARE INCURRED DUE TO  
22 PARTICIPATION IN THIS PILOT PROGRAM. FOR PURPOSES OF THIS  
23 SUBDIVISION, LOSSES INCURRED MEAN CLAIMS PAID, CLAIMS INCURRED AND  
24 REPORTED, AND CLAIMS INCURRED BUT NOT YET REPORTED. IN ASSESSING  
25 LOSS RESERVES, THE COMMISSIONER SHALL ONLY ALLOW LOSS RESERVES THAT  
26 ARE ESTIMATED FROM ACTUAL LOSSES IN THE PILOT PROGRAM OR COMPARABLE  
27 DATA BY A STATISTICAL AGENT, AS ADJUSTED TO REFLECT COVERAGE

1 PROVIDED UNDER THIS PILOT PROGRAM.

2 (B) RATES SHALL BE SET SO AS TO RESULT IN NO PROJECTED SUBSIDY  
3 OF THE PILOT PROGRAM BY THOSE POLICYHOLDERS OF AUTOMOBILE INSURERS  
4 ISSUING POLICIES UNDER THE PILOT PROGRAM WHO ARE NOT PARTICIPANTS  
5 IN THE PILOT PROGRAM.

6 (4) COMMENCING ON APRIL 1, 2010, AND ANNUALLY THEREAFTER, THE  
7 PARTICIPANT AUTOMOBILE INSURERS SHALL SUBMIT THE LOSS AND EXPENSE  
8 DATA, TOGETHER WITH A PROPOSED RATE FOR THE LOW-COST AUTOMOBILE  
9 INSURANCE POLICY FOR THE PILOT PROGRAM, TO THE COMMISSIONER FOR  
10 APPROVAL IN ACCORDANCE WITH THIS CHAPTER. THE COMMISSIONER SHALL  
11 MAKE A RATE DETERMINATION WITHIN 90 DAYS.

12 SEC. 3279. (1) APPLICATION MAY BE SUBMITTED THROUGH ANY  
13 AUTOMOBILE INSURER PARTICIPATING IN THE PILOT PROGRAM.

14 (2) THE QUALIFIED APPLICANT, IN ORDER TO DEMONSTRATE FINANCIAL  
15 ELIGIBILITY TO PURCHASE A LOW-COST AUTOMOBILE INSURANCE POLICY  
16 UNDER THE PILOT PROGRAM, SHALL PRESENT AT THE TIME OF APPLYING FOR  
17 THE POLICY A COPY OF THE QUALIFIED APPLICANT'S FEDERAL OR STATE  
18 INCOME TAX RETURN FOR THE PREVIOUS YEAR OR OTHER EVIDENCE  
19 CONSIDERED RELIABLE BY THE COMMISSIONER FROM A GOVERNMENTAL AGENCY  
20 OR GOVERNMENTAL MEANS-TESTED PROGRAM OF THE QUALIFIED APPLICANT'S  
21 GROSS ANNUAL HOUSEHOLD INCOME.

22 (3) THE QUALIFIED APPLICANT SHALL CERTIFY THAT THE  
23 REPRESENTATIONS MADE IN THE DOCUMENTS SUBMITTED AS PROOF OF  
24 FINANCIAL ELIGIBILITY AND IN THE APPLICATION FOR THE LOW-COST  
25 AUTOMOBILE INSURANCE POLICY ARE TRUE AND CORRECT AND CONTAIN NO  
26 MATERIAL MISREPRESENTATIONS OR OMISSIONS OF FACT TO THE BEST  
27 KNOWLEDGE AND BELIEF OF THE APPLICANT.

(4) THE AUTOMOBILE INSURER SHALL FORWARD THE APPLICATION,  
SUPPORTING DOCUMENTS, AND THE APPLICANT'S CERTIFICATION TO THE  
PERSON DESIGNATED BY THE COMMISSIONER TO REVIEW THE APPLICATIONS.

SEC. 3280. (1) AN AUTOMOBILE INSURER SHALL PROVIDE TO A  
QUALIFIED APPLICANT FOR A LOW-COST AUTOMOBILE INSURANCE POLICY  
UNDER THIS CHAPTER A NOTICE RELATING TO COVERAGE UNDER THE POLICY.  
THE NOTICE SHALL BE PROVIDED IN A SEPARATE DOCUMENT AT THE TIME OF  
APPLICATION AND INCLUDE THE FOLLOWING STATEMENT IN 14-POINT  
BOLDFACED TYPE OR FONT:

"NOTICE

INSURANCE COVERAGE PROVIDED IN THE POLICY YOU ARE BUYING  
CONTAINS WORK LOSS COVERAGE WITH A REDUCED MAXIMUM.

THIS POLICY DOES NOT COVER ANY OTHER DRIVER IN YOUR HOUSEHOLD  
WHO:

(A) IS UNDER 19 YEARS OF AGE.

(B) HAS LESS THAN 3 YEARS OF CONTINUOUSLY LICENSED DRIVING  
EXPERIENCE.

(C) HAS MORE THAN ONE OF EITHER, OR BOTH, OF THE FOLLOWING:

(I) A PROPERTY-DAMAGE-ONLY ACCIDENT IN WHICH THE DRIVER WAS  
SUBSTANTIALLY AT-FAULT.

(II) AN INSURANCE ELIGIBILITY POINT FOR A MOVING VIOLATION.

(D) HAS IN THE PREVIOUS 3 YEARS A SUBSTANTIALLY AT-FAULT  
ACCIDENT INVOLVING BODILY INJURY OR DEATH.

(E) HAS A CONVICTION FOR DRIVING UNDER THE INFLUENCE.

(F) HAS A CONVICTION FOR A MOVING VIOLATION IN A WORK ZONE.

(G) HAS A FELONY OR MISDEMEANOR CONVICTION FROM A VIOLATION OF  
THE VEHICLE CODE ON HIS OR HER MOTOR VEHICLE RECORD."

1           (2) THE OBTAINING OF THE SIGNATURE OF THE APPLICANT AND  
2   INSURED ON THE DISCLOSURE FORM SPECIFIED IN SUBSECTION (1) CREATES  
3   A CONCLUSIVE PRESUMPTION THAT THE INSURER HAS COMPLIED WITH THE  
4   DISCLOSURE REQUIREMENTS OF THIS SECTION.

5           SEC. 3281. THE SALE OF A LOW-COST AUTOMOBILE INSURANCE POLICY  
6   UNDER THIS CHAPTER SHALL NOT BE CONDITIONED ON THE PURCHASE OF ANY  
7   OTHER PRODUCT OR SERVICE.

8           SEC. 3282. (1) A LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED  
9   PURSUANT TO THE PILOT PROGRAM MAY BE CANCELED ONLY FOR THE  
10  FOLLOWING REASONS:

11           (A) NONPAYMENT OF PREMIUM.

12           (B) FRAUD OR MATERIAL MISREPRESENTATION AFFECTING THE POLICY  
13  OR THE INSURED.

14           (2) A POLICY IS SUBJECT TO NONRENEWAL ONLY FOR THE FOLLOWING  
15  REASONS:

16           (A) A SUBSTANTIAL INCREASE IN THE HAZARD INSURED AGAINST.

17           (B) THE INSURED IS NO LONGER A QUALIFIED APPLICANT.

18           SEC. 3283. (1) AN INSURED UNDER THE PILOT PROGRAM MAY PURCHASE  
19  ANY OTHER ADDITIONAL TYPE OF AUTOMOBILE INSURANCE COVERAGE SUCH AS  
20  UNINSURED MOTORISTS COVERAGE OR COLLISION COVERAGE THAT IS NOT  
21  AVAILABLE UNDER THE LOW-COST AUTOMOBILE INSURANCE POLICY.

22           (2) AN INSURED UNDER THE PILOT PROGRAM SHALL NOT PURCHASE OR  
23  MAINTAIN ANY AUTOMOBILE PERSONAL PROTECTION INSURANCE COVERAGE  
24  OTHER THAN A LOW-COST AUTOMOBILE INSURANCE POLICY FOR ANY  
25  ADDITIONAL VEHICLES IN THE INSURED'S HOUSEHOLD.

26           (3) NOT MORE THAN 2 LOW-COST AUTOMOBILE INSURANCE POLICIES ARE  
27  PERMITTED IN AN INSURED'S HOUSEHOLD.

1        SEC. 3284. (1) THE PILOT PROGRAM IS AUTHORIZED TO COMMENCE  
2        OPERATIONS ON JANUARY 1, 2010, AND SHALL BE FULLY OPERATIONAL NOT  
3        LATER THAN AUGUST 1, 2010.

4        (2) THE COMMISSIONER MAY ISSUE AN ORDER OR PROMULGATE RULES  
5        UNDER THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL  
6        24.201 TO 24.328, TO IMPLEMENT THE PROVISIONS OF THIS CHAPTER.

7        SEC. 3285. A LOW-COST AUTOMOBILE INSURANCE POLICY ISSUED UNDER  
8        THE PILOT PROGRAM SHALL SATISFY ALL FINANCIAL RESPONSIBILITY  
9        REQUIREMENTS IMPOSED UNDER THIS ACT.

10       SEC. 3286. THE COMMISSIONER SHALL REPORT ON AN ANNUAL BASIS TO  
11       THE LEGISLATURE ON THE STATUS OF THE PILOT PROGRAM.

12       SEC. 3287. THIS CHAPTER DOES NOT APPLY ON AND AFTER JANUARY 1,  
13       2016.

14       Enacting section 1. This amendatory act does not take effect  
15       unless all of the following bills of the 95th Legislature are  
16       enacted into law:

17       (a) Senate Bill No.\_\_\_\_ or House Bill No. 5629(request no.  
18       01660'09 \*\*).

19       (b) Senate Bill No.\_\_\_\_ or House Bill No. 5627(request no.  
20       01661'09 \*\*).

21       (c) Senate Bill No.\_\_\_\_ or House Bill No. 5630(request no.  
22       01669'09 \*\*\*).