

DEPARTMENT OF LABOR AND ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

CLARIFICATION OF REASONABLE CLASSIFICATION SYSTEM UNDER INSURANCE CODE

(By authority conferred on the commissioner of the Office of Financial and Insurance Services by section 210 of the Insurance code of 1956, 1956 PA 218, MCL 500.210)

R 500.2151 Definitions.

Rule 1. As used in these rules:

(1) "Insurance score" means a number, rating, or grouping of risks that is based in whole or in part on credit information for the purposes of predicting the future loss exposure of an individual applicant or insured.

(2) "Personal insurance" means private passenger automobile, homeowners, motorcycle, boat, personal watercraft, snowmobile, recreational vehicle, mobile-homeowners and non-commercial dwelling fire insurance policies.

"Personal insurance" only includes policies underwritten on an individual or group basis for personal, family, or household use.

History: 2005 AACS.

R 500.2152 Scope.

Rule 2. These rules apply to personal insurance.

History: 2005 AACS.

R 500.2153 Use prohibited.

Rule 3. (1) For new or renewal policies effective on and after July 1, 2005, an insurer in the conduct of its business or activities shall not use an insurance score as a rating factor.

(2) For new and renewal policies effective on and after July 1, 2005, an insurer in the conduct of its business or activities shall not use an insurance score as a basis to refuse to insure, refuse to continue to insure, or limit coverage available.

History: 2005 AACS.

R 500.2154 Filing requirements.

Rule 4. (1) For new and renewal policies effective on or after July 1, 2005, an insurer shall adjust base rates in the following manner:

(a) Calculate the sum of earned premium at current rate level for the period January 1, 2004 through December 31, 2004.

(b) Calculate the sum of earned premium at current rate level with all insurance score discounts eliminated for the period January 1, 2004 through December 31, 2004.

(c) Reduce base rates by the factor created from the difference of the number 1 and the ratio of the amount of subdivision (a) to the amount of subdivision (b).

(2) The insurer shall file with the commissioner a certification that it has made the base rate adjustment and documentation describing the calculation of the base rates adjustment. The insurer shall file the certificate and documentation not later than May 1, 2005.

History: 2005 AACS.

R 500.2155 Failure to make required filing.

Rule 5. If an insurer fails to make the filing required under R 500.2154, in any proceeding challenging a related rate filing, then the insurer shall be subject to the presumption that the rate filing does not conform to rate standards.

History: 2005 AACS.