

Bulletin No. 80-22

Automobile and homeowner's insurance: chapter 21 exemptions for group, franchise, or blanket policies

Issued and entered December 29, 1980 by Nancy A. Baerwaldt, Commissioner of Insurance

Section 2105(2) of Public Act 145 of 1979 (Act), which took effect January 1, 1980, provides that Chapter 21 of the Act shall not apply to insurance written on a group, franchise, blanket policy, or similar basis which offers home insurance or automobile insurance to all members of the group, franchise plan, or blanket coverage who are eligible persons, MCLA 500.2105(2); MSA 24.12105(2). This bulletin explains the provisions of this section and provides guidelines for review of group, franchise and blanket policies by the Commissioner of Insurance (Commissioner).

GUIDELINES

1. Group, franchise and blanket policies offer coverage to persons who are members of a designated group. Membership in the designated group must be primarily for reasons or purposes other than the purchase of insurance.
2. Group policy -- The Commissioner shall consider a home insurance or auto insurance policy to be a group policy under Section 2105 if a master policy is issued under which members of the group are insured. The underwriting unit is the group, rather than each individual in the group, and members of the group receive certificates of participation in the group plan.
3. Franchise policy -- The Commissioner shall consider a home insurance or auto insurance policy to be a franchise policy under Section 2105 if individual contracts are issued to each member of a designated group who is an eligible person. The underwriting unit is each individual in the group. A franchise policy is individual insurance which is mass marketed like group insurance and which therefore realizes certain expense reductions from mass underwriting and marketing.
4. Blanket policy -- The Commissioner shall consider a home insurance or auto insurance policy to be a blanket policy if a master policy is issued to cover a group consisting of a changing mix of people. The underwriting unit is the group, rather than each individual in the group, and the covered members of the group are not individually identified by the insurer.
5. Section 2105(2) exempts group, franchise and blanket policies from Chapter 21 of the Act, provided these policies offer home insurance or auto insurance to all members of the designated group who are eligible persons. An eligible person for home insurance is defined in Section 2103(2) of the Act, MCLA 500.2103(2); MSA 24.12103(2). An eligible person for auto insurance is defined in Section 2103(1) of the Act, MCLA 500.2103(1); MSA 24.12103(1).

The Commissioner shall not consider a group, franchise or blanket policy to be exempt from the provisions of Chapter 21 if an insurer underwrites the group or blanket policy, or underwrites individual group members under a franchise policy, in a way which would deny home insurance or auto insurance to any eligible person within that group. An insurer may offer insurance under a group, franchise or blanket policy to ineligible persons.

6. Group, franchise or blanket policies which are exempt from Chapter 21 pursuant to Section 2105(2) of the Act remain subject to all other applicable provisions of the Michigan Insurance Code, including Chapter 20, Chapter 24 and Chapter 26 of the Code, MCLA 500.2001 et seq, 500.2401 et seq and 500.2601 et seq; MSA 24.12001 et seq, 24.12401 et seq and 24.12601 et seq.

RIGHTS AND PROCEDURES

The guidelines in this bulletin are effective immediately. In conformity with Section 3(6) of the Administrative Procedures Act of 1969, MCLA 24.203(6); MSA 3.560(103)(6), the guidelines are a

statement of policy which the agency intends to follow, which does not have the force or effect of law, and which binds the agency, but does not bind any other person.

The Insurance Bureau shall use these guidelines in reviewing all filings of group, franchise or blanket policies for home insurance and auto insurance which claim exemption from the provisions of Chapter 21 pursuant to Section 2105(2) of the Act. The operation of this bulletin does not suspend operation of any guidelines currently in effect.