

**STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**Bulletin 2011-10-INS**

**In the matter of**

“Pay as you Drive” Automobile Insurance

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**Issued and entered  
this 23<sup>rd</sup> day of March 2011  
by Ken Ross  
Commissioner**

This bulletin is intended to make Michigan insurers and consumers aware of the availability of “pay as you drive” or mileage based insurance rates.

In recent months, a number of states have authorized, and in some instances required, automobile insurers to offer policies with rates determined either primarily or solely, by the number of miles driven in the insured vehicle. In fact, Michigan law already permits insurers to use mileage as the primary or sole factor in rating automobile policies. Under MCL 500.2111(2), an insurance company is permitted to use one or more of the following factors in determining base rates for individual automobile insurance: the average miles driven weekly, annually, or both; and daily or weekly commuting mileage. Similarly, MCL 500.2109, MCL 500.2403, and MCL 500.2603 do not prohibit the use of mileage as a sole rating criterion as long as rates are not excessive, inadequate, or unfairly discriminatory. Michigan law does not specify whether mileage should be calculated on an estimated or actual basis, and both methods are permissible.

Accordingly, insurers may write automobile insurance policies with premiums based primarily, or solely, upon average miles driven weekly, annually, or both; and/or on daily or weekly commuting mileage. Policies utilizing a mileage rating plan are permissible so long as they comply with all applicable laws and regulations, including but not limited to the underwriting requirements set forth in MCL 500.2105(2), MCL 500.2118, and/or MCL 500.2119.

In summary, Michigan law does not prohibit insurers from using mileage-based criteria as the sole or primary criteria for automobile insurance rates. However, insurers who write policies in Michigan are not required to offer mileage-based insurance rates, so OFIR encourages consumers to shop around for the rate and coverage that best fit their needs.

Any questions regarding this bulletin should be directed to:

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Ken Ross  
Commissioner