

HOUSE BILL No. 4127

February 3, 2015, Introduced by Reps. Gay-Dagnogo, Sarah Roberts, Banks, Byrd, Yanez, Singh, Hovey-Wright, Robinson, Wittenberg, Derek Miller, Lane, Love, Garrett, Talabi, Smiley, Rutledge, Neeley, Phelps, Durhal, Faris and Cochran and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending sections 2151 and 2153 (MCL 500.2151 and 500.2153),
section 2151 as added by 2012 PA 165 and section 2153 as added by
2012 PA 206; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2151. As used in this chapter:

2 ~~— (a) "Adverse action" means an increase in any charge for, or a~~
3 ~~reduction or other adverse or unfavorable change in the terms of~~
4 ~~coverage or amount of, any personal insurance, existing or applied~~
5 ~~for.~~

6 **(A)** ~~(b)~~ "Consumer reporting agency" means ~~any~~ **A** person ~~which,~~
7 **THAT**, for monetary fees or dues or on a cooperative nonprofit
8 basis, regularly engages in whole or in part in the practice of
9 assembling or evaluating consumer credit information or other

1 information on consumers for the purpose of furnishing consumer
2 reports to third parties.

3 (B) ~~(e)~~—"Credit information" means any credit-related
4 information derived from a credit report, found on a credit report
5 itself, or provided on an application for personal insurance.
6 Information that is not credit-related ~~shall~~ **IS** not ~~be~~ considered
7 credit information, regardless of whether it is contained in a
8 credit report or in an application, or is used to calculate an
9 insurance score.

10 (C) ~~(d)~~—"Credit report" means any written, oral, or other
11 communication of information by a consumer reporting agency bearing
12 on a consumer's credit worthiness, credit standing, or credit
13 capacity that is used or expected to be used or collected in whole
14 or in part for the purpose of serving as a factor in the rating of
15 personal insurance.

16 (D) ~~(e)~~—"Insurance score" means a number or rating that is
17 derived from an algorithm, computer application, model, or other
18 process that is based in whole or in part on credit information for
19 the purposes of predicting the future insurance loss exposure of an
20 individual applicant or insured.

21 (E) ~~(f)~~—"Personal insurance" means property/casualty insurance
22 written for personal, family, or household use, including
23 automobile, home, motorcycle, mobile home, noncommercial dwelling
24 fire, boat, personal watercraft, snowmobile, and recreational
25 vehicle, whether written on an individual, group, franchise,
26 blanket policy, or similar basis.

27 Sec. 2153. An insurer shall not use credit information or an

1 insurance score as any part of a decision to deny, cancel, or
2 nonrenew a personal insurance policy under chapters 21, 24, and 26.

3 ~~However, AN INSURER SHALL NOT USE credit information and OR an~~
4 ~~insurance score may be used to determine premium installment~~
5 ~~payment options and availability. An insurer shall not apply credit~~
6 ~~information or a credit based insurance score that is otherwise~~
7 ~~permitted under this act unless all of the following are met:~~

8 ~~—— (a) The insurer or its producer discloses, either on the~~
9 ~~insurance application or at the time the application is taken, that~~
10 ~~it may obtain credit information in connection with the~~
11 ~~application. This disclosure shall be either written or provided to~~
12 ~~an applicant in the same medium as the application for insurance.~~
13 ~~An insurer may use the following disclosure statement:~~

14 ~~—— "In connection with this application for insurance, we may~~
15 ~~review your credit report or obtain or use a credit based insurance~~
16 ~~score based on the information contained in that credit report. We~~
17 ~~may use a third party in connection with the development of your~~
18 ~~insurance score.".~~

19 ~~—— (b) The insurer or a third party on behalf of the insurer does~~
20 ~~not use income, gender, address, zip code, ethnic group, religion,~~
21 ~~marital status, or nationality of the insured or insurance~~
22 ~~applicant in calculating an insurance score.~~

23 ~~—— (c) The insurer does not take an adverse action against a~~
24 ~~consumer because he or she does not have a credit card account.~~
25 ~~However, an insurer may take an adverse action against that insured~~
26 ~~if it is based on any other applicable factor that is independent~~
27 ~~of the fact that the consumer does not have a credit card account.~~

~~1 (d) The insurer or a third party on behalf of the insurer does
2 not consider an absence of credit information or an inability to
3 calculate an insurance score in the rating of personal insurance
4 unless any resulting rate differential is filed with and not
5 disapproved by the office of financial and insurance regulation.
6 The office of financial and insurance regulation shall not
7 disapprove a filing under this subdivision if it meets 1 of the
8 following:~~

~~9 (i) Is reasonably justified by differences in losses, expenses,
10 or both.~~

~~11 (ii) Provides the insured or insurance applicant with a
12 discount that is not less, on average, than the average credit
13 based discount received by the insurer's insureds in this state.~~

~~14 (e) The insurer or a third party on the insurer's behalf uses
15 a credit report issued within 90 days before the date an insurance
16 score based on that credit report is first applied to the insured.~~

~~17 (f) Upon the insured's request or with the insured's
18 permission the insured's producer's request at annual renewal, or
19 upon the insured's request during the course of the policy, an
20 insurer or a third party on the insurer's behalf shall obtain a new
21 credit report or insurance score and rerate the insured. An insurer
22 or a third party on the insurer's behalf is not required to obtain
23 a new credit report or recalculate the insurance score more
24 frequently than once in a 12-month period. An insurer or a third
25 party on the insurer's behalf may order a credit report upon any
26 renewal if the insurer does so using a consistent methodology with
27 all its insureds.~~

~~1 (g) For insurance scores calculated or recalculated on or~~
~~2 after the effective date of the amendatory act that added this~~
~~3 section, the insurer or a third party on the insurer's behalf does~~
~~4 not use the following as a negative factor in any insurance score~~
~~5 or in reviewing credit information.~~

~~6 (i) Credit inquiries not initiated by the consumer or requested~~
~~7 by the consumer for his or her own credit information.~~

~~8 (ii) Credit inquiries relating to insurance coverage, if so~~
~~9 identified on an insured's or insurance applicant's credit report.~~

~~10 (iii) Multiple lender inquiries, if coded by the consumer~~
~~11 reporting agency on the credit report as being from the home~~
~~12 mortgage industry and made within 30 days of one another, unless~~
~~13 only 1 inquiry is considered.~~

~~14 (iv) Multiple lender inquiries, if coded by the consumer~~
~~15 reporting agency on the credit report as being from the automobile~~
~~16 lending industry and made within 30 days of one another, unless~~
~~17 only 1 inquiry is considered.~~

~~18 (v) Collection accounts with a medical industry code, if so~~
~~19 identified on the consumer's credit report.~~

20 Enacting section 1. Sections 2154 to 2161 of the insurance
21 code of 1956, 1956 PA 218, MCL 500.2154 to 500.2161, are repealed.