

SUBSTITUTE FOR
HOUSE BILL NO. 4594

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
(MCL 500.100 to 500.8302) by adding sections 2153 and 2156.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 2153. AN INSURER SHALL NOT USE CREDIT INFORMATION OR AN
2 INSURANCE SCORE AS ANY PART OF A DECISION TO DENY, CANCEL, OR
3 NONRENEW A PERSONAL INSURANCE POLICY UNDER CHAPTERS 21, 24, AND 26.
4 HOWEVER, CREDIT INFORMATION AND AN INSURANCE SCORE MAY BE USED TO
5 DETERMINE PREMIUM INSTALLMENT PAYMENT OPTIONS AND AVAILABILITY. AN
6 INSURER SHALL NOT APPLY CREDIT INFORMATION OR A CREDIT-BASED
7 INSURANCE SCORE THAT IS OTHERWISE PERMITTED UNDER THIS ACT UNLESS
8 ALL OF THE FOLLOWING ARE MET:

9 (A) THE INSURER OR ITS PRODUCER DISCLOSES, EITHER ON THE
10 INSURANCE APPLICATION OR AT THE TIME THE APPLICATION IS TAKEN, THAT

1 IT MAY OBTAIN CREDIT INFORMATION IN CONNECTION WITH THE
2 APPLICATION. THIS DISCLOSURE SHALL BE EITHER WRITTEN OR PROVIDED TO
3 AN APPLICANT IN THE SAME MEDIUM AS THE APPLICATION FOR INSURANCE.
4 AN INSURER MAY USE THE FOLLOWING DISCLOSURE STATEMENT:

5 "IN CONNECTION WITH THIS APPLICATION FOR INSURANCE, WE MAY
6 REVIEW YOUR CREDIT REPORT OR OBTAIN OR USE A CREDIT-BASED INSURANCE
7 SCORE BASED ON THE INFORMATION CONTAINED IN THAT CREDIT REPORT. WE
8 MAY USE A THIRD PARTY IN CONNECTION WITH THE DEVELOPMENT OF YOUR
9 INSURANCE SCORE."

10 (B) THE INSURER OR A THIRD PARTY ON BEHALF OF THE INSURER DOES
11 NOT USE INCOME, GENDER, ADDRESS, ZIP CODE, ETHNIC GROUP, RELIGION,
12 MARITAL STATUS, OR NATIONALITY OF THE INSURED OR INSURANCE
13 APPLICANT IN CALCULATING AN INSURANCE SCORE.

14 (C) THE INSURER DOES NOT TAKE AN ADVERSE ACTION AGAINST A
15 CONSUMER BECAUSE HE OR SHE DOES NOT HAVE A CREDIT CARD ACCOUNT.
16 HOWEVER, AN INSURER MAY TAKE AN ADVERSE ACTION AGAINST THAT INSURED
17 IF IT IS BASED ON ANY OTHER APPLICABLE FACTOR THAT IS INDEPENDENT
18 OF THE FACT THAT THE CONSUMER DOES NOT HAVE A CREDIT CARD ACCOUNT.

19 (D) THE INSURER OR A THIRD PARTY ON BEHALF OF THE INSURER DOES
20 NOT CONSIDER AN ABSENCE OF CREDIT INFORMATION OR AN INABILITY TO
21 CALCULATE AN INSURANCE SCORE IN THE RATING OF PERSONAL INSURANCE
22 UNLESS ANY RESULTING RATE DIFFERENTIAL IS FILED WITH AND NOT
23 DISAPPROVED BY THE OFFICE OF FINANCIAL AND INSURANCE REGULATION.
24 THE OFFICE OF FINANCIAL AND INSURANCE REGULATION SHALL NOT
25 DISAPPROVE A FILING UNDER THIS SUBDIVISION IF IT MEETS 1 OF THE
26 FOLLOWING:

27 (i) IS REASONABLY JUSTIFIED BY DIFFERENCES IN LOSSES, EXPENSES,

1 OR BOTH.

2 (ii) PROVIDES THE INSURED OR INSURANCE APPLICANT WITH A
3 DISCOUNT THAT IS NOT LESS, ON AVERAGE, THAN THE AVERAGE CREDIT
4 BASED DISCOUNT RECEIVED BY THE INSURER'S INSUREDS IN THIS STATE.

5 (E) THE INSURER OR A THIRD PARTY ON THE INSURER'S BEHALF USES
6 A CREDIT REPORT ISSUED WITHIN 90 DAYS BEFORE THE DATE AN INSURANCE
7 SCORE BASED ON THAT CREDIT REPORT IS FIRST APPLIED TO THE INSURED.

8 (F) UPON THE INSURED'S REQUEST OR WITH THE INSURED'S
9 PERMISSION THE INSURED'S PRODUCER'S REQUEST AT ANNUAL RENEWAL, OR
10 UPON THE INSURED'S REQUEST DURING THE COURSE OF THE POLICY, AN
11 INSURER OR A THIRD PARTY ON THE INSURER'S BEHALF SHALL OBTAIN A NEW
12 CREDIT REPORT OR INSURANCE SCORE AND RERATE THE INSURED. AN INSURER
13 OR A THIRD PARTY ON THE INSURER'S BEHALF IS NOT REQUIRED TO OBTAIN
14 A NEW CREDIT REPORT OR RECALCULATE THE INSURANCE SCORE MORE
15 FREQUENTLY THAN ONCE IN A 12-MONTH PERIOD. AN INSURER OR A THIRD
16 PARTY ON THE INSURER'S BEHALF MAY ORDER A CREDIT REPORT UPON ANY
17 RENEWAL IF THE INSURER DOES SO USING A CONSISTENT METHODOLOGY WITH
18 ALL ITS INSUREDS.

19 (G) FOR INSURANCE SCORES CALCULATED OR RECALCULATED ON OR
20 AFTER JANUARY 1, 2012, THE INSURER OR A THIRD PARTY ON THE
21 INSURER'S BEHALF DOES NOT USE THE FOLLOWING AS A NEGATIVE FACTOR IN
22 ANY INSURANCE SCORE OR IN REVIEWING CREDIT INFORMATION:

23 (i) CREDIT INQUIRIES NOT INITIATED BY THE CONSUMER OR REQUESTED
24 BY THE CONSUMER FOR HIS OR HER OWN CREDIT INFORMATION.

25 (ii) CREDIT INQUIRIES RELATING TO INSURANCE COVERAGE, IF SO
26 IDENTIFIED ON AN INSURED'S OR INSURANCE APPLICANT'S CREDIT REPORT.

27 (iii) MULTIPLE LENDER INQUIRIES, IF CODED BY THE CONSUMER

1 REPORTING AGENCY ON THE CREDIT REPORT AS BEING FROM THE HOME
2 MORTGAGE INDUSTRY AND MADE WITHIN 30 DAYS OF ONE ANOTHER, UNLESS
3 ONLY 1 INQUIRY IS CONSIDERED.

4 (iv) MULTIPLE LENDER INQUIRIES, IF CODED BY THE CONSUMER
5 REPORTING AGENCY ON THE CREDIT REPORT AS BEING FROM THE AUTOMOBILE
6 LENDING INDUSTRY AND MADE WITHIN 30 DAYS OF ONE ANOTHER, UNLESS
7 ONLY 1 INQUIRY IS CONSIDERED.

8 (v) THE NUMBER, IF UNDER 2, OF CREDIT OR CHARGE CARD ACCOUNTS
9 OPENED BY A CONSUMER IN THE IMMEDIATELY PRECEDING 12 MONTHS.

10 (vi) COLLECTION ACCOUNTS WITH A MEDICAL INDUSTRY CODE, IF SO
11 IDENTIFIED ON THE CONSUMER'S CREDIT REPORT.

12 SEC. 2156. IF AN INSURER TAKES AN ADVERSE ACTION BASED UPON
13 CREDIT INFORMATION, THE INSURER SHALL NOTIFY THE INSURED OR
14 APPLICANT FOR INSURANCE IN ACCORDANCE WITH 15 USC 1681M(A), THAT AN
15 ADVERSE ACTION HAS BEEN TAKEN. THE INSURER SHALL PROVIDE NOTICE IN
16 CLEAR AND SPECIFIC LANGUAGE OF THE REASONS FOR THE ADVERSE ACTION,
17 INCLUDING A DESCRIPTION OF ALL FACTORS THAT WERE THE PRIMARY OR
18 MOST SIGNIFICANT INFLUENCES FOR THE ADVERSE ACTION AND THE
19 INSURED'S OR THE APPLICANT'S INSURANCE SCORE IF NOT OTHERWISE
20 PROVIDED. HOWEVER, NOT MORE THAN 4 FACTORS FOR THE ADVERSE ACTION
21 NEED TO BE GIVEN. THE USE OF GENERALIZED TERMS SUCH AS "POOR CREDIT
22 HISTORY", "POOR CREDIT RATING", OR "POOR INSURANCE SCORE" DOES NOT
23 MEET THE DESCRIPTION REQUIREMENTS OF THIS SECTION. STANDARDIZED
24 CREDIT EXPLANATIONS PROVIDED BY CONSUMER REPORTING AGENCIES OR
25 OTHER THIRD PARTY VENDORS MEET THE DESCRIPTION REQUIREMENTS OF THIS
26 SECTION.

27 Enacting section 1. This amendatory act does not take effect

1 unless all of the following bills of the 96th Legislature are
2 enacted into law:

3 (a) House Bill No. 4593.

4 (b) House Bill No. 4595.

5 (c) House Bill No. 4596.