

HOUSE BILL No. 4594

April 28, 2011, Introduced by Reps. Opsommer, Glardon, Howze, Shaughnessy, Roy Schmidt, Johnson, Hooker, Rendon, Kandrevas and LeBlanc and referred to the Committee on Insurance.

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 AN INSURER SHALL NOT APPLY CREDIT INFORMATION OR A CREDIT-BASED
5 INSURANCE SCORE THAT IS OTHERWISE PERMITTED UNDER THIS ACT UNLESS
6 ALL OF THE FOLLOWING ARE MET:

7 (A) THE INSURER OR ITS PRODUCER DISCLOSES, EITHER ON THE
8 INSURANCE APPLICATION OR AT THE TIME THE APPLICATION IS TAKEN, THAT
9 IT MAY OBTAIN CREDIT INFORMATION IN CONNECTION WITH THE
10 APPLICATION. THIS DISCLOSURE SHALL BE EITHER WRITTEN OR PROVIDED TO
11 AN APPLICANT IN THE SAME MEDIUM AS THE APPLICATION FOR INSURANCE.

1 AN INSURER MAY USE THE FOLLOWING DISCLOSURE STATEMENT:

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

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

11 (C) THE INSURER DOES NOT TAKE AN ADVERSE ACTION AGAINST A
12 CONSUMER BECAUSE HE OR SHE DOES NOT HAVE A CREDIT CARD ACCOUNT.
13 HOWEVER, AN INSURER MAY TAKE AN ADVERSE ACTION AGAINST THAT INSURED
14 IF IT IS BASED ON CREDIT INFORMATION THAT IS INDEPENDENT OF THE
15 FACT THAT THE CONSUMER DOES NOT HAVE A CREDIT CARD ACCOUNT.

16 (D) THE INSURER OR A THIRD PARTY ON BEHALF OF THE INSURER DOES
17 NOT CONSIDER AN ABSENCE OF CREDIT INFORMATION OR AN INABILITY TO
18 CALCULATE AN INSURANCE SCORE IN THE RATING OF PERSONAL INSURANCE
19 UNLESS ANY RESULTING RATE DIFFERENTIAL IS APPROVED BY THE OFFICE OF
20 FINANCIAL AND INSURANCE REGULATION AS REASONABLY JUSTIFIED BY
21 DIFFERENCES IN LOSSES, EXPENSES, OR BOTH, OR THE INSURED OR
22 INSURANCE APPLICANT RECEIVES A DISCOUNT THAT IS NOT LESS THAN THE
23 AVERAGE CREDIT BASED DISCOUNT RECEIVED BY THE INSURER'S INSURED IN
24 THIS STATE.

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

1 (F) UPON REQUEST OF AN INSURED OR THE INSURED'S PRODUCER AT
2 ANNUAL RENEWAL, OR UPON REQUEST OF AN INSURED DURING THE COURSE OF
3 THE POLICY, AN INSURER OR A THIRD PARTY ON THE INSURER'S BEHALF
4 SHALL REEXAMINE A CURRENT CREDIT REPORT OR INSURANCE SCORE. AN
5 INSURER OR A THIRD PARTY ON THE INSURER'S BEHALF IS NOT REQUIRED TO
6 RECALCULATE THE INSURANCE SCORE OR OBTAIN A NEW CREDIT REPORT MORE
7 FREQUENTLY THAN ONCE IN A 12-MONTH PERIOD. AN INSURER OR A THIRD
8 PARTY ON THE INSURER'S BEHALF MAY ORDER A CREDIT REPORT UPON ANY
9 RENEWAL IF THE INSURER DOES SO USING A CONSISTENT METHODOLOGY WITH
10 ALL ITS INSUREDS.

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

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

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

19 (iii) MULTIPLE LENDER INQUIRIES, IF CODED BY THE CONSUMER
20 REPORTING AGENCY ON THE CREDIT REPORT AS BEING FROM THE HOME
21 MORTGAGE INDUSTRY AND MADE WITHIN 30 DAYS OF ONE ANOTHER, UNLESS
22 ONLY 1 INQUIRY IS CONSIDERED.

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

27 (v) THE NUMBER, IF UNDER 2, OF CREDIT OR CHARGE CARD ACCOUNTS

1 OPENED BY A CONSUMER IN THE IMMEDIATELY PRECEDING 12 MONTHS THAT
2 HAVE CREDIT LIMITS UNDER \$1,001.00.

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

5 SEC. 2156. IF AN INSURER TAKES AN ADVERSE ACTION BASED UPON
6 CREDIT INFORMATION, THE INSURER SHALL NOTIFY THE INSURED OR
7 APPLICANT FOR INSURANCE IN ACCORDANCE WITH 15 USC 1681M(A), THAT AN
8 ADVERSE ACTION HAS BEEN TAKEN AND SHALL PROVIDE NOTICE IN CLEAR AND
9 SPECIFIC LANGUAGE OF THE REASONS FOR THE ADVERSE ACTION, INCLUDING
10 A DESCRIPTION OF ALL FACTORS THAT WERE THE PRIMARY INFLUENCES FOR
11 THE ADVERSE ACTION AND THE NAMES OF ALL CREDIT REPORTS USED.
12 HOWEVER, NOT MORE THAN 5 FACTORS FOR THE ADVERSE ACTION NEED TO BE
13 GIVEN. THE USE OF GENERALIZED TERMS SUCH AS "POOR CREDIT HISTORY",
14 "POOR CREDIT RATING", OR "POOR INSURANCE SCORE" DOES NOT MEET THE
15 DESCRIPTION REQUIREMENTS OF THIS SECTION. STANDARDIZED CREDIT
16 EXPLANATIONS PROVIDED BY CONSUMER REPORTING AGENCIES OR OTHER THIRD
17 PARTY VENDORS MEET THE DESCRIPTION REQUIREMENTS OF THIS SECTION.

18 Enacting section 1. This amendatory act does not take effect
19 unless all of the following bills of the 96th Legislature are
20 enacted into law:

21 (a) Senate Bill No.____ or House Bill No. 4593(request no.
22 01364'11).

23 (b) Senate Bill No.____ or House Bill No. 4596(request no.
24 01985'11).

25 (c) Senate Bill No.____ or House Bill No. 4595(request no.
26 02442'11).