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BILL ANALYSIS

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Senate Bill 233 (as introduced)
Sponsor: Senator Michael D. Bishop

CONTENT

The bill would amend the Insurance Code to provide that proposed administrative rules R 500.2151 through R 500.2155 (which would prohibit insurance credit scoring) would be rescinded upon their effective date, pursuant to Section 45a(3)(a) of the Administrative Procedures Act (APA).

Proposed rules R 500.2151 to R 500.2155, "Clarification of Reasonable Classification System under Insurance Code", would prohibit insurers from using an "insurance score" as a rating factor or underwriting factor for new or renewal policies effective on or after July 1, 2005. ("Insurance score" would mean a number, rating, or grouping of risks based entirely or partly on credit information for the purposes of predicting the future loss exposure of an individual applicant or insured.) Each insurer using insurance credit scoring would have to reduce base rates, according to a calculation in the rules, and file certification with the Commissioner of the Office of Financial and Insurance Services, by May 1, 2005, that the insurer had made the adjustment. The rules would apply to private passenger automobile, homeowners, motorcycle, boat, personal watercraft, snowmobile, recreational vehicle, mobile-homeowners, and noncommercial dwelling fire insurance policies.

(Under Section 45a(3) of the APA, if the Joint Committee on Administrative Rules files a notice of objection to a proposed rule, bills must be introduced in each house of the Legislature and placed directly on the calendar. The bills must (a) rescind the rule upon its effective date; (b) repeal the statutory provision under which the rule was authorized; or (c) stay the effective date of the proposed rule for up to one year. If the legislation is defeated in either house or is not adopted by both houses within 15 session days after the notice of objection is filed, the Office of Regulatory Reform may file the rule with the Secretary of State. If the legislation is approved and presented to the Governor within the 15-day period, the rule does not become effective unless the Governor vetoes the legislation.)

Proposed MCL 500.2111a Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce costs to the Department of Labor and Economic Growth by an unknown amount by eliminating the need for the one-time review of rate filings under the proposed rules. The bill would have no fiscal impact on local government.

Date Completed: 2-22-05 Fiscal Analyst: Elizabeth Pratt