

HOUSE BILL No. 4412

March 6, 2007, Introduced by Reps. Melton, Virgil Smith, Johnson, Sheltroun, Gillard, Hood, Polidori, Kathleen Law, Young, Espinoza, Byrnes, Wojno, Garfield, Scott, Condino, Angerer, Jackson, Gonzales, Warren, Alma Smith and Cheeks 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 chapter 21A.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

CHAPTER 21A

CREDIT-BASED INSURANCE SCORING FOR PERSONAL INSURANCE

SEC. 2151. AS USED IN THIS CHAPTER:

(A) "INSURANCE SCORE" MEANS A NUMBER, RATING, CLASSIFICATION, OR COMPARATIVE GROUPING OF RISKS THAT IS BASED IN WHOLE OR IN PART ON CREDIT INFORMATION, A CREDIT SCORE, OR ON ITEMS OF INFORMATION INCLUDED IN A CREDIT REPORT MAINTAINED BY A CONSUMER REPORTING AGENCY THAT AN INSURER USES FOR THE PURPOSES OF PREDICTING THE FUTURE LOSS EXPOSURE OF AN INDIVIDUAL APPLICANT OR INSURED, FOR

1 CLASSIFYING RISK, OR FOR SETTING THE PREMIUM CHARGED AN INDIVIDUAL
2 APPLICANT OR INSURED.

3 (B) "PERSONAL INSURANCE" MEANS POLICIES UNDERWRITTEN ON AN
4 INDIVIDUAL OR GROUP BASIS FOR PERSONAL, FAMILY, OR HOUSEHOLD USE,
5 SUBJECT TO CHAPTER 21, 24, OR 26, AND INCLUDES PRIVATE PASSENGER
6 AUTOMOBILE, HOMEOWNERS, MOTORCYCLE, BOAT, PERSONAL WATERCRAFT,
7 SNOWMOBILE, RECREATIONAL VEHICLE, MOBILE HOMEOWNERS, AND ALL OTHER
8 NONCOMMERCIAL VEHICULAR AND NONCOMMERCIAL DWELLING FIRE INSURANCE
9 POLICIES.

10 SEC. 2153. THIS CHAPTER APPLIES ONLY TO PERSONAL INSURANCE. IF
11 ANY PROVISION OF THIS CHAPTER IS FOUND TO BE INCONSISTENT WITH A
12 PROVISION OF CHAPTER 21, 24, OR 26, THIS CHAPTER CONTROLS WITH
13 RESPECT TO THE USE OF INSURANCE SCORES IN THE RATING OR
14 UNDERWRITING OF PERSONAL INSURANCE.

15 SEC. 2155. (1) FOR NEW OR RENEWAL POLICIES EFFECTIVE ON AND
16 AFTER JULY 1, 2007, AN INSURER IN THE CONDUCT OF ITS BUSINESS OR
17 ACTIVITIES SHALL NOT USE AN INSURANCE SCORE AS A RATING FACTOR.

18 (2) FOR NEW AND RENEWAL POLICIES EFFECTIVE ON AND AFTER JULY
19 1, 2007, AN INSURER IN THE CONDUCT OF ITS BUSINESS OR ACTIVITIES
20 SHALL NOT USE AN INSURANCE SCORE AS A BASIS TO REFUSE TO INSURE,
21 REFUSE TO CONTINUE TO INSURE, OR LIMIT COVERAGE AVAILABLE.

22 SEC. 2157. (1) FOR NEW AND RENEWAL POLICIES EFFECTIVE ON OR
23 AFTER JULY 1, 2007, AN INSURER SHALL ADJUST BASE RATES IN THE
24 FOLLOWING MANNER:

25 (A) CALCULATE THE SUM OF EARNED PREMIUM AT CURRENT RATE LEVEL
26 FOR THE PERIOD JANUARY 1, 2006 THROUGH DECEMBER 31, 2006.

27 (B) CALCULATE THE SUM OF EARNED PREMIUM AT CURRENT RATE LEVEL

1 WITH ALL INSURANCE SCORE DISCOUNTS ELIMINATED FOR THE PERIOD
2 JANUARY 1, 2006 THROUGH DECEMBER 31, 2006.

3 (C) REDUCE BASE RATES BY THE FACTOR CREATED FROM THE
4 DIFFERENCE OF THE NUMBER 1 AND THE RATIO OF THE AMOUNT OF
5 SUBDIVISION (A) TO THE AMOUNT OF SUBDIVISION (B).

6 (2) THE INSURER SHALL FILE WITH THE COMMISSIONER A
7 CERTIFICATION THAT IT HAS MADE THE BASE RATE ADJUSTMENT AND
8 DOCUMENTATION DESCRIBING THE CALCULATION OF THE BASE RATES
9 ADJUSTMENT. THE INSURER SHALL FILE THE CERTIFICATE AND
10 DOCUMENTATION NOT LATER THAN MAY 1, 2007.

11 SEC. 2159. IF AN INSURER FAILS TO MAKE THE FILING REQUIRED
12 UNDER SECTION 2157, THEN THE INSURER IN ANY PROCEEDING TO DETERMINE
13 THE VALIDITY OF A PERSONAL INSURANCE RATE FILING SHALL BE SUBJECT
14 TO THE PRESUMPTION THAT THE RATE FILING DOES NOT CONFORM TO RATE
15 STANDARDS UNDER THIS CHAPTER OR CHAPTER 21, 24, OR 26.