

Legislative Analysis



RESCIND CREDIT SCORING RULES

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4374

Sponsor: Rep. James Marleau

Committee: None — Placed Directly on House Calendar

Complete to 2-23-05

A SUMMARY OF HOUSE BILL 4374 AS INTRODUCED 2-22-05 AND PLACED DIRECTLY ON THE HOUSE CALENDAR

The bill would amend the Insurance Code (MCL 500.2111a) to rescind proposed rules that would prohibit the use of "credit scoring" by insurance companies to determine rates for personal insurance lines, including automobile insurance and homeowners insurance. The rules were promulgated by the commissioner of the Office of Financial and Insurance Services (OFIS), within the Department of Labor and Economic Growth (DLEG).

The bill contains an enacting section that reads: This bill was introduced following the filing of a notice of objection by the Joint Committee on Administrative Rules under Section 45a of the Administrative Procedures Act (MCL 24.245a), and was placed directly on the House and Senate calendars.

The bill specifies that it is rescinding proposed rules R500.2151, R500.2152, R500.2153, R500.2154, and R500.2155 on their effective date. These rules, in brief, would do the following:

**** Prohibit an insurer from using an insurance score as a rating factor for new and renewal policies effective on and after July 1, 2005;**

**** Prohibit an insurer as of that date from using an insurance score as a basis to refuse to insure, refuse to continue to insure, or limit coverage.**

**** Require insurance companies to adjust base rates for new and renewed policies effective after July 1, 2005, essentially to factor out insurance score discounts used from January 1, 2004 through December 31, 2004.**

**** Require insurance companies to file with the commissioner by May 1, 2005, a certification that it has made the base rate adjustment, along with documentation describing the calculation of the adjustment.**

**** Specify that the failure to make the required filing would subject an insurer to the presumption in any proceeding challenging a related rate filing that a rate does not conform to rate standards.**

The term "insurance score" is defined in the rules as "a number, rating, or grouping of risks that is based in whole or in part on credit information for the purposes of predicting the future loss exposure of an individual applicant or insured."

FISCAL IMPACT:

The bill would have no fiscal impact on the State of Michigan or local units of government.

Legislative Analyst: Chris Couch
Fiscal Analyst: Richard Child

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.