

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956
Chapter 21a
CREDIT INFORMATION AND CREDIT SCORES

500.2151 Definitions.

Sec. 2151.

As used in this chapter:

- (a) "Adverse action" means an increase in any charge for, or a reduction or other adverse or unfavorable change in the terms of coverage or amount of, any personal insurance, existing or applied for.
- (b) "Consumer reporting agency" means any person that, for monetary fees or dues or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties.
- (c) "Credit information" means any credit-related information derived from a credit report, found on a credit report itself, or provided on an application for personal insurance. Information that is not credit-related must not be considered credit information, regardless of whether it is contained in a credit report or in an application, or is used to calculate an insurance score.
- (d) "Credit report" means any written, oral, or other communication of information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, or credit capacity that is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in the rating of personal insurance.
- (e) "Credit score" means the numerical score ranging from 300 to 850 assigned by a consumer reporting agency to measure credit risk and includes FICO credit score.
- (f) "Insurance score" means a number or rating that is derived from an algorithm, computer application, model, or other process that is based in whole or in part on credit information for the purposes of predicting the future insurance loss exposure of an individual applicant or insured.
- (g) "Personal insurance" means property/casualty insurance written for personal, family, or household use, including automobile, home, motorcycle, mobile home, noncommercial dwelling fire, boat, personal watercraft, snowmobile, and recreational vehicle, whether written on an individual, group, franchise, blanket policy, or similar basis.

History: Add. 2012, Act 165, Eff. Mar. 28, 2013 ;-- Am. 2019, Act 21, Imd. Eff. June 11, 2019
Popular Name: Act 218

500.2153 Credit information or insurance score; use.

Sec. 2153.

An insurer shall not use credit information or an insurance score as any part of a decision to deny, cancel, or nonrenew a personal insurance policy under chapters 21, 24, and 26. However, credit information and an insurance score may be used to determine premium installment payment options and availability. An insurer shall not apply credit information or a credit-based insurance score that is otherwise permitted under this act unless all of the following are met:

- (a) The insurer or its producer discloses, either on the insurance application or at the time the application is taken, that it may obtain credit information in connection with the application. This disclosure shall be either written or provided to an applicant in the same medium as the application for insurance. An insurer may use the following disclosure statement:

"In connection with this application for insurance, we may review your credit report or obtain or use a credit-based insurance score based on the information contained in that credit report. We may use a third party in connection with the development of your insurance score."

- (b) The insurer or a third party on behalf of the insurer does not use income, gender, address, zip code, ethnic group, religion, marital status, or nationality of the insured or insurance applicant in calculating an insurance score.
- (c) The insurer does not take an adverse action against a consumer because he or she does not have a credit card account. However, an insurer may take an adverse action against that insured if it is based on any other applicable factor that is independent of the fact that the consumer does not have a credit card account.
- (d) The insurer or a third party on behalf of the insurer does not consider an absence of credit information or an

inability to calculate an insurance score in the rating of personal insurance unless any resulting rate differential is filed with and not disapproved by the office of financial and insurance regulation. The office of financial and insurance regulation shall not disapprove a filing under this subdivision if it meets 1 of the following:

- (i) Is reasonably justified by differences in losses, expenses, or both.
- (ii) Provides the insured or insurance applicant with a discount that is not less, on average, than the average credit based discount received by the insurer's insureds in this state.
- (e) The insurer or a third party on the insurer's behalf uses a credit report issued within 90 days before the date an insurance score based on that credit report is first applied to the insured.
- (f) Upon the insured's request or with the insured's permission the insured's producer's request at annual renewal, or upon the insured's request during the course of the policy, an insurer or a third party on the insurer's behalf shall obtain a new credit report or insurance score and re-rate the insured. An insurer or a third party on the insurer's behalf is not required to obtain a new credit report or recalculate the insurance score more frequently than once in a 12-month period. An insurer or a third party on the insurer's behalf may order a credit report upon any renewal if the insurer does so using a consistent methodology with all its insureds.
- (g) For insurance scores calculated or recalculated on or after the effective date of the amendatory act that added this section, the insurer or a third party on the insurer's behalf does not use the following as a negative factor in any insurance score or in reviewing credit information:
 - (i) Credit inquiries not initiated by the consumer or requested by the consumer for his or her own credit information.
 - (ii) Credit inquiries relating to insurance coverage, if so identified on an insured's or insurance applicant's credit report.
 - (iii) Multiple lender inquiries, if coded by the consumer reporting agency on the credit report as being from the home mortgage industry and made within 30 days of one another, unless only 1 inquiry is considered.
 - (iv) Multiple lender inquiries, if coded by the consumer reporting agency on the credit report as being from the automobile lending industry and made within 30 days of one another, unless only 1 inquiry is considered.
 - (v) Collection accounts with a medical industry code, if so identified on the consumer's credit report.

History: Add. 2012, Act 206, Eff. Mar. 28, 2013

Popular Name: Act 218

500.2154 Reasonable exceptions.

Sec. 2154.

(1) Notwithstanding any other law, rule, or regulation, an insurer that uses credit information shall, on written request from an insured or insurance applicant, provide reasonable exceptions to the application of that credit information on the insurer's rates, rating classifications, or company or tier placement for an insured or insurance applicant who has experienced and whose credit information has been directly influenced by any of the following events:

- (a) Catastrophic event, as declared by the federal or state government.
 - (b) Serious illness or injury, or serious illness or injury to an immediate family member.
 - (c) Death of a spouse, child, or parent.
 - (d) Divorce or involuntary interruption of legally owed alimony or support payments.
 - (e) Identity theft.
 - (f) Temporary loss of employment for a period of 3 months or more, if it results from involuntary termination.
 - (g) Military deployment overseas.
 - (h) Predatory lending resulting in the foreclosure of, or commencement of proceedings or an action to foreclose, a mortgage of real property owned by the insured or insurance applicant.
 - (i) Other events, as determined by the insurer.
- (2) If an insured or insurance applicant submits a request for an exception under subsection (1), an insurer may, but is not required to do, any of the following:
- (a) Require a reasonable written and independently verifiable documentation of the event.
 - (b) Require the insured or insurance applicant to demonstrate that the event had direct and meaningful impact on the insured's or insurance applicant's credit information.
 - (c) Require a request to be made no more than 60 days from the date of the application for insurance or the policy renewal.
 - (d) Grant an exception even if the insured or insurance applicant did not provide an initial request for an

exception in writing.

(e) Grant an exception where the insured or insurance applicant asks for consideration of repeated events or the insurer has considered this event previously.

(3) A law, rule, or regulation relating to underwriting, rating, or rate filing is not violated by any insurer as a result of granting an exception under this section.

(4) The insurer shall provide notice to insureds and insurance applicants that reasonable exceptions are available and information about how to inquire further.

(5) Within 30 days of the insurer's receipt of sufficient documentation of an event described in subsection (1), the insurer shall inform the insured or insurance applicant of the outcome of his or her request for a reasonable exception. This communication shall be in writing or provided in the same medium as the request for a reasonable exception.

History: Add. 2012, Act 207, Eff. Mar. 28, 2013

Popular Name: Act 218

500.2156 Notice of adverse action.

Sec. 2156.

If an insurer takes an adverse action based upon credit information, the insurer shall notify the insured or applicant for insurance in accordance with 15 USC 1681m(a), that an adverse action has been taken. The insurer shall provide notice in clear and specific language of the reasons for the adverse action, including a description of all factors that were the primary or most significant influences for the adverse action and the insured's or the applicant's insurance score if not otherwise provided. However, not more than 4 factors for the adverse action need to be given. The use of generalized terms such as "poor credit history", "poor credit rating", or "poor insurance score" does not meet the description requirements of this section. Standardized credit explanations provided by consumer reporting agencies or other third party vendors meet the description requirements of this section.

History: Add. 2012, Act 206, Eff. Mar. 28, 2013

Popular Name: Act 218

500.2157 Incorrect or incomplete credit information; adjustments.

Sec. 2157.

If it is determined through the dispute resolution process set forth in 15 USC 1681i(a) that the credit information of a current insured was incorrect or incomplete and if the insurer receives notice of this determination from either the consumer reporting agency or from the insured, the insurer shall reevaluate the insured within 30 days of receiving the notice. After reevaluating the insured, the insurer shall make any adjustments necessary, consistent with this act and the insurer's underwriting, rating guidelines, and premium discount plan. If an insurer determines that the insured has overpaid premium, the insurer shall refund to the insured the amount of overpayment calculated back to the shorter of either the last 12 months of coverage or the actual policy period.

History: Add. 2012, Act 208, Eff. Mar. 28, 2013

Popular Name: Act 218

500.2159 Cause of action; construction of chapter.

Sec. 2159.

Nothing in this chapter shall be construed to provide an insured or applicant for insurance with a cause of action that does not exist in the absence of this chapter.

History: Add. 2012, Act 205, Eff. Mar. 28, 2013

Popular Name: Act 218

500.2161 Use of credit information or insurance scores; liability, fees, and costs arising out of actions, errors, or omissions.

Sec. 2161.

An insurer shall indemnify, defend, and hold harmless producers from and against all liability, fees, and costs arising out of or relating to the actions, errors, or omissions of a producer resulting from the use of credit information or insurance scores for the insurer, provided that the producer follows the procedures and instructions established by the insurer and complies with all applicable laws and regulations.

History: Add. 2012, Act 205, Eff. Mar. 28, 2013

Popular Name: Act 218

500.2162 Use of credit score to establish rates or rating classification for automobile insurance; prohibition.

Sec. 2162.

An insurer shall not use an individual's credit score to establish or maintain rates or rating classifications for automobile insurance.

History: Add. 2019, Act 21, Imd. Eff. June 11, 2019

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