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## **Consumer Groups Praise Governor Granholm's Action To Stop Insurance Credit Scoring**

*Michigan Consumers to See Lower Premiums If Willing to Shop Around*

The Public Interest Research Group in Michigan (PIRGIM), the Consumer Federation of America (CFA) and the Center for Economic Justice (CEJ) today hailed Governor Granholm's decision to halt insurers' use of credit scoring in Michigan. Insurance credit scoring is the practice by insurers of using a consumer's credit history to determine how much to charge a consumer for auto and homeowners insurance and what terms of coverage to offer.

"Auto and homeowners insurance will become more available and affordable for Michigan consumers once the ban on insurance credit scoring is in place," said Birny Birnbaum, Executive Director of the Center for Economic Justice and a national expert on insurance credit scoring. "Insurance credit scoring is an unfair practice that, at best, punishes consumers who are the victims of economic or medical catastrophes and, at worst, is a high-tech approach to redlining that eliminates access to critical insurance coverage for many consumers."

PIRGIM Field Director Megan Owens thanked Governor Granholm for enforcing Michigan laws that require that risk classification factors – "discounts" – to be associated with lower losses or expenses. Owens said, "Insurance credit scoring does not lead to lower insurance losses – it simply redistributes premium among consumers and adds overall cost to the system."

Owens added, "Consumers should not be penalized with higher auto or homeowners insurance rates because they borrow from a certain type of lender, are late on a payment, shop around for the best interest rates or have a credit card from a department store."

CFA Director of Insurance and former Texas Insurance Commission J. Robert Hunter said, "We greatly appreciate Governor Granholm's leadership on behalf of insurance consumers and her political courage for taking on the insurance industry. We know that insurers will spend millions of dollars – dollars from premiums paid by consumers – to fight Governor Granholm and Commissioner Watters. Legislators and insurance regulators in most other states have caved in to insurance industry threats."

Birnbaum warned about the misinformation campaign that is sure to come from the insurance industry. “We have seen insurers engage in scare tactics around the country whenever someone speaks up against or tries to stop the abuses of credit scoring. Insurers will try to play one group of consumers off against another by falsely claiming that consumers’ rates will go up when credit scoring is banned.”

“The fact is that a ban on credit scoring does not force any insurer to raise rates for any consumer. Rather, if consumers are willing to shop around, consumers will be able to find lower rates after credit scoring is banned,” Birnbaum added.

Hunter added, “We hope other states will follow the lead of Michigan in adopting this important consumer protection.”

PIRGIM is a non-profit, non-partisan public interest advocacy group, working throughout Michigan to protect consumers, preserve the environment and promote good government. PIRGIM’s web site is [www.PIRGIM.org](http://www.PIRGIM.org).

CFA is a non-profit association of 300 organizations that, since 1968, has sought to advance the consumer interest through research, advocacy and education. CFA’s work on behalf of consumers can be found at [www.consumerfed.org](http://www.consumerfed.org).

CEJ is an Austin, Texas-based non-profit organization that advocates on behalf of low-income and minority consumers on insurance credit and utility matters. CEJ’s website has a number of documents on insurance credit scoring – [www.cej-online.org](http://www.cej-online.org).