

Michigan Allows Insurance Companies to Impose Highest Credit Score Penalties in the Nation, Insurance Expert Says

Michigan insurance companies average a 263 percent penalty on safe drivers with poor credit compared to equally safe drivers with excellent credit.

LANSING, MI, UNITED STATES, September 23, 2025 /EINPresswire.com/ -- Despite legislative promises to end unfair pricing practices in Michigan's auto insurance market, the state continues to allow insurance companies to impose the highest credit score penalties in the nation on safe drivers, according to testimony delivered in the state Senate.

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If the government requires residents to purchase auto insurance, there's a special obligation to ensure insurers don't abuse their market power to exploit vulnerable consumers.”

Doug Heller, Consumer Federation of America

Doug Heller, Director of Insurance for the Consumer Federation of America and a longtime consultant for CPAN, said that Michigan insurance companies are averaging a 263 percent penalty on safe drivers with poor credit compared to equally safe drivers with excellent credit, more than twice the national average for such penalties.

"Some aspects included in the 2019 reform law were deeply cynical and deceptive," said Heller, who testified before the Senate Finance, Insurance and Consumer Protection Committee. "While it claimed to prohibit insurance companies from using credit scores for pricing, it explicitly preserved the use of 'credit-based insurance scores,' which is functionally the same thing."

Heller's research, based on a review of over 200 rate filings by insurance carriers in Michigan, found that the supposed credit score ban was "window dressing" that left the underlying discriminatory practice completely intact.

Heller added the 2019 law's ban on ZIP code pricing has actually made geographic discrimination worse. Insurance companies now divide areas into even smaller "micro territories" based on census tracts or block groups.

In one example from Detroit's 48208 ZIP code area, Heller found that residents in a low-income,

97 percent Black census tract block group pay approximately five times more than residents just blocks away in a majority-white neighborhood with four times higher median income.

"If the government requires residents to purchase auto insurance, there's a special obligation to ensure insurers don't abuse their market power to exploit vulnerable consumers," Heller said.

In addition to Heller, the committee heard testimony from consumers who expressed frustration with the state's auto insurance law. Margaret Kroese, CPAN President, applauded the committee for its work.

"We are grateful to the Michigan Senate Finance, Insurance and Consumer Protection Committee for shining a light on insurance company abuses that are harming Michigan families," Kroese said. "These cases demonstrate that Michigan needs stronger penalties and enforcement mechanisms on insurance companies in order to stop these bad practices. It is clear the reforms did not result in the promised cost savings or the consumer protections needed. It is way past time to address these issues and make sure consumers are getting the promise of their policy when they need it."

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