

Consumer Counselor

Insurance Information for Michigan Consumers

How Does an Insurance Company Decide Whether It Will Accept You as a Policyholder?

Most people buy insurance at some point in their lives, either auto insurance, homeowners or renters insurance, life or health insurance. This sheet describes how a company decides whether it wants to insure you. For a more complete explanation, you should talk to your insurance agent or company.

Applying For Insurance

When you fill out an insurance application, you will be required to answer a number of questions. The insurance company may also order an independent investigation to obtain additional information. If you are applying for auto insurance, the insurance company probably will obtain a copy of your driving record. The company uses the information it collects to decide whether to issue a policy and what the cost will be.

CAUTION: It is important that you fill out the application truthfully and completely. If you make a false statement on the application or leave out important information, the company may be able to say later that your policy is void and refuse to pay claims. **IF AN AGENT FILLS OUT AN APPLICATION FOR YOU, DO NOT SIGN IT UNLESS IT IS CORRECT.**

What Kinds of Information Does a Company Consider?

This depends on the type of insurance. If you are applying for life or health insurance the company will want to know such things as your age, your medical history, and whether you have a dangerous occupation or hobby. For auto insurance, some of the things the company will ask about are the driving records of the people who live in your household who drive the auto; the age, make and model of the vehicle; the

purposes for which it is used; how many miles it is driven; and where you live. If you are applying for insurance on your house, the company will want to know such things as the value of your house, the type of construction and the distance from the nearest fire station.

How Does the Company Use This Information?

The company reviews the information and decides whether you meet its qualifications for the particular type of insurance you are requesting. Companies do considerable research to determine which characteristics show that a loss is more likely to occur. If a company believes that you, because of your characteristics, are more likely to have a loss, they may charge you and other people with similar characteristics a higher than average rate to cover the higher losses that are expected.

It is against the law for a company to refuse to insure you because of race, color, creed, marital status or national origin. In addition, a company cannot refuse to insure you because of residence, age, handicap, lawful occupation, or location of the risk, unless the company can show that there is a reasonable relationship between any of these characteristics and the chances of having a loss.

Shop Around For Insurance

Rates vary from one company to another, so it is a good idea to shop around. If you are refused insurance or charged a high rate, check with other companies or try several agents. Be sure you are comparing the same limits of insurance and the same general coverages.



The Michigan Legislature established two programs to provide insurance to Michigan residents who cannot obtain auto insurance or property insurance from any insurance company in the regular market.

Michigan Automobile Insurance Placement Facility

Michigan's no-fault auto insurance law requires that all people who own and drive their vehicles on the highway must have Personal Injury Protection, Property Protection and Residual Liability coverages for their vehicle. Since auto insurance is required by law, the state provides this opportunity for all insureds to be able to buy the needed coverages. If you do not qualify for these coverages from a regular auto insurer because of tickets, at-fault accidents or other underwriting rules, then you can ask any agent representing an auto insurer to submit an application for you to the Michigan Automobile Insurance Placement Facility (MAIPF). For more information on the MAIPF, see the Insurance Counselor titled "Michigan Automobile Insurance Placement Facility."

Michigan Basic Property Insurance Association

Because most mortgage companies require some form of property insurance on a mortgaged home, property insurance is considered an essential insurance for families wanting to purchase a home in Michigan. If you have tried to purchase home insurance from a home insurance company in Michigan and have been told that you do not meet their underwriting or eligibility standards, then you can ask any property insurance agent to submit an application for you to the Michigan Basic Property Insurance Association (MBPIA). MBPIA writes insurance for those people who do not qualify for insurance in the regular market. If you meet MBPIA's standards, which are less stringent than private insurers, you should be able to get a policy with coverages similar to those found in a regular company's named perils policy (HO-2). For more information on the MBPIA, see the Insurance Counselor titled

"Michigan Basic Property Insurance Association."

What Are Your Rights When an Investigation Is Made?

As previously mentioned, a company can conduct an investigation before deciding whether to accept you as a policyholder or whether to keep you as a policyholder. An investigation can confirm the information in your application, or can provide additional information to the company.

If a company performs an investigation, you have certain rights under the Fair Credit Reporting Act passed by the U.S. Congress:

1. The company must notify you if there is going to be an investigation. Many companies include a notice in the insurance application form. In that case, the notice will say that there may be an investigation.
2. You have the right to find out what information was obtained as a result of an investigation.
3. If an insurance company turns you down because of information obtained in an investigation, the company must tell you and give you the name and address of the reporting agency that did the investigation. It is to your advantage to find out what information was contained in the investigation report in case the information was not accurate.

Fair Credit Reporting Act

For more information about the Fair Credit Reporting Act, contact the Federal Trade Commission's Consumer Response Center, toll free, at 1-877-382-4357.

What Can You Do If You Have a Problem or Question About Insurance?

First, contact your agent or company. If they cannot help, contact the Department of Insurance and Financial Services (DIFS) at the address or telephone number listed below. DIFS is the state government department that regulates insurance in Michigan.

