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MICHIGAN HOUSE OF REPRESENTATIVES

DONNA LASINSKI
STATE REPRESENTATIVE

COMMITTEES:
ENERGY POLICY,
MINORITY VICE CHAIR
COMMUNICATIONS
AND TECHNOLOGY
INSURANCE

November 28, 2018

Dear Director McPharlin,

At the beginning of 2018, the insurance companies serving Michigan consumers began to receive a windfall as a result of the federal tax reform enacted last December. Tax relief for insurance companies should lead directly to rate relief for Michigan residents. I and the undersigned Representatives are interested in the measures that DIFS has taken to ensure that policyholders are not paying excessive rates for auto, home and renter's coverage.

While companies and industries of all types realized the impact of the federal tax reduction in the corporate tax rate from 35% to 21%, the impact on insurance companies is unique because it directly interacts with the premiums they charge consumers. If insurers have not adjusted their rates to account for the lower tax, their rates have likely become excessive, leaving Michigan residents overpaying for the auto, home, and renters coverage they need.

The Consumer Federation of America (CFA) sent you and all of the nation's insurance commissioners a letter concerning the implications of tax reform on January 23, 2018. We have attached it for your reference.

As the CFA explained, the profit provision of an insurance rate filing incorporates the anticipated taxes, so the profit provision in the rate filing should drop in the wake of a corporate tax cut while still allowing the insurer to maintain the same target after-tax rate of return. When the profit provision is reduced, the rate charged to policyholders will also be reduced. Additionally, lower taxes on insurance companies' investment income will increase the investment income of the firm, which should also result in lower rates for customers.

The CFA asked DIFS to share the actions you are taking in the next month to require insurers to reduce rates to reflect the windfall from tax changes. On January 23, 2018 the California Department of Insurance, noting the CFA's letter, issued a statement under the headline "California looks to pass on insurer tax savings to consumers; Consumer Federation prompts all states to do so."¹

¹ <http://www.insurance.ca.gov/0400-news/0100-press-releases/2018/release010-18.cfm>



As we understand it, neither you nor your staff responded to the CFA's query. More important than your lack of response to the CFA, however, is the apparent lack of response to the underlying problem. We are not aware of any systematic DIFS effort to ensure that insurance companies have appropriately reduced their rates in response to changes in federal tax law. If there has been such an effort, we request that you provide a detailed account of the actions DIFS has taken to ensure equitable rates. If you have not required insurance companies to file new rates and pass their tax savings on to Michigan policyholders, we would like to know why not.

As you know, the State of Michigan requires that every driver purchase auto insurance and lenders require all homeowners with a mortgage to purchase homeowners insurance. These insurance policies, especially given the extremely high auto insurance premiums in urban areas, are a central financial burden to the lives of our constituents. If tax relief for insurance companies should have led to rate relief for Michigan residents, we want to make sure that consumers get that benefit.

Please provide me and the undersigned representatives a description of any steps you have taken to ensure that insurance companies pass along the tax savings that should be benefitting all of our constituents.

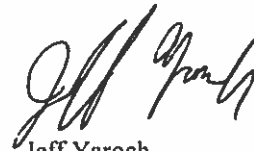
Sincerely,



Donna Lasinski
State Representative
52nd District



Sherry Gay-Dagnogo
State Representative
8th District



Jeff Yaroch
State Representative
33rd District



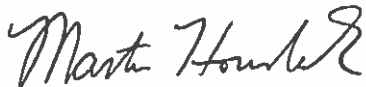
Tim Greimel
State Representative
29nd District



Abdullah Hammoud
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27th District



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41st District



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