

HB 1474 -- Use of Credit Scores by Insurance Companies

Sponsor: Hughes

This bill changes the laws regarding the use of credit information when underwriting insurance contracts. In its main provisions, the bill:

(1) Revises the definition of "adverse action" to have the same meaning as in the federal Fair Credit Reporting Act including the cancellation, denial, or nonrenewal of personal insurance coverage and creating an unfavorable change in the terms of coverage, including charging higher premiums;

(2) Revises the definition of "contract" as it relates to automobile and property insurance policies to include motorcycle, manufactured homes, and personal inland marine coverage; mechanical breakdown coverage for autos and home appliances; noncommercial dwelling fire insurance; and boat, personal watercraft, snow mobile, and recreational vehicle policies;

(3) Prohibits insurers from using an insurance credit score derived from using a person's income, gender, address, ethnic group, religion, marital status, education level, or nationality. No insurer may use loss information in calculating its insurance credit score if it also uses loss information separately to calculate its rates. The absence of credit information or an inability to calculate a score cannot be considered when underwriting insurance;

(4) Prohibits insurers from using credit information to underwrite a policy after it has been in force for more than 36 months, unless there is a substantial change in the risk based on other factors excluding credit information;

(5) Allows the consumer, at his or her annual renewal, to request the insurer re-underwrite the policy based on a current credit report or insurance score;

(6) Prohibits insurers and credit reporting agencies from using as a negative factor in underwriting:

(a) Credit inquiries not initiated by the insured;

(b) Medical collection accounts and inquiries relating to insurance coverage;

(c) Multiple lender inquiries;

(d) Absence of credit history or the inability to determine the

history;

(e) Use of a particular credit, charge, or debit cards; or

(f) Consumer's total available line of credit; and

(7) Requires insurers to file their insurance credit scoring models or other scoring processes with the Department of Insurance, Financial Institutions and Professional Registration.