

SENATE BILL REPORT

SB 6665

As of April 19, 2006

Title: An act relating to victims of personal information security breaches.

Brief Description: Aiding victims of personal information security breaches.

Sponsors: Senators Kohl-Welles, Benton, Fairley, Schmidt and Rasmussen.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 1/26/06;
2/1/06.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Staff: Joanne Conrad (786-7472)

Background: Identity theft is the fastest-growing crime in America, and Washington State ranks 8th (2004). Because it is a complex, multifaceted crime, there are many approaches under consideration to help deal with it. Some approaches focus on prevention, and on helping victims to recover from the damage done to their financial lives.

Recently, an Identity Theft Summit was convened by the Attorney General and featured law enforcement, prosecutors, victims, legislators, financial and retail institutions, government agencies and consumer advocacy organizations, searching for solutions. Among the recommendations resulting from the Summit was the idea that Washington State's "credit freeze" law, allowing victims of identity theft or security data breaches to "freeze" access to their credit histories, be extended to include all consumers. Current law provides that only Washingtonians who are identity theft victims, or who are victims of security data breaches, may place a "security freeze" ("credit freeze") on their credit histories.

"Credit scores" are extensive consumer records kept by credit reporting agencies, and reflect the credit-worthiness of individuals, based upon a variety of factors. These scores are relied upon, not only for credit-granting decisions, but as an element of an "insurance score," that may affect a consumer's insurance premium or availability of coverage. Under Washington law, several types of financial events are not allowed to be used as to deny insurance coverage (as a negative part of a credit score), including such things as absence of credit history, number of credit inquiries, or use of a particular type of credit/debit card.

Summary of Substitute Bill: Regarding credit scores, this measure adds identity theft victim status to the factors that cannot be used to deny insurance coverage.

In addition, a statutory right is provided for all consumers in Washington to place a credit freeze.

Consumer credit reporting agencies with websites must provide easily-accessible information to consumers regarding how to implement and use a credit freeze, and include a toll-free number for information.

Credit reporting agencies annually report data to the Attorney General, regarding the number of Washingtonians utilizing the credit freeze. The Attorney General makes this information available to the Legislature and the public.

Substitute Bill Compared to Substitute Bill: The bill as referred to committee was not considered.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Credit freeze would provide important protection for consumers, and needs to be available to everyone. Identity theft and security breaches are serious problems, and a credit freeze can allow a consumer to be proactive.

Testimony Against: There are technical and substantive issues with this bill. Current law should be given a chance to work. Credit freeze in California is not utilized much. If increased access to credit freeze is enacted, nonvictims should be charged a fee.

Who Testified: PRO: Sen. Kohl-Welles, prime sponsor; Rob McKenna, Attorney General; Lauren Moughan, AARP. CON: Cliff Webster, Consumer Data Industry Assn.