
SUBSTITUTE HOUSE BILL 2544

State of Washington

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By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Cooper, Benson, Santos, Clements, Simpson, McIntire, Armstrong, Hunt, Romero, Dickerson, Upthegrove, Chase, Ogden, Haigh, Conway, Kenney, Campbell and Linville; by request of Governor Locke, Insurance Commissioner and Attorney General)

Read first time 02/08/2002. Referred to Committee on .

1 AN ACT Relating to using credit history for insurance purposes;
2 adding a new section to chapter 48.30 RCW; adding a new section to
3 chapter 48.19 RCW; creating a new section; and providing an effective
4 date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.30 RCW
7 to read as follows:

8 UNFAIR PRACTICES--UNDERWRITING RESTRICTIONS THAT APPLY TO PERSONAL
9 INSURANCE. (1) For the purposes of this section:

10 (a) "Adverse action" has the same meaning as defined in the fair
11 credit reporting act, 15 U.S.C. Sec. 1681 et seq. Adverse actions
12 include, but are not limited to:

13 (i) Cancellation, denial, or nonrenewal of personal insurance
14 coverage;

15 (ii) Any increase in any charge for personal insurance that results
16 in a higher premium charged or billed to a consumer. An increase in
17 premium can occur:

18 (A) By application of a rating rule;

1 (B) By assignment to a rating tier that does not have the lowest
2 available rates; or

3 (C) By placement with an affiliated company that does not offer the
4 lowest rates available within the affiliated group of insurance
5 companies; or

6 (iii) Any reduction, adverse, or unfavorable change in the terms of
7 coverage or amount of any personal insurance. A reduction, adverse, or
8 unfavorable change in the terms of coverage occurs when:

9 (A) Coverage provided to the consumer is not as broad in scope as
10 coverage available to other insureds of the insurer or any affiliate;
11 or

12 (B) The consumer is not eligible for benefits such as dividends
13 that are available through affiliated insurers.

14 (b) "Affiliate" has the same meaning as defined in RCW
15 48.31B.005(1).

16 (c) "Consumer" means an individual.

17 (d) "Consumer report" has the same meaning as defined in the fair
18 credit reporting act, 15 U.S.C. Sec. 1681 et seq.

19 (e) "Credit history" means any written, oral, or other
20 communication of any information by a consumer reporting agency bearing
21 on a consumer's creditworthiness, credit standing, or credit capacity
22 that is used or expected to be used, or collected in whole or in part,
23 for the purpose of serving as a factor in determining personal
24 insurance premiums or eligibility for coverage.

25 (f) "Insurance score" means a number or rating that is derived from
26 an algorithm, computer application, model, or other process that is
27 based in whole or in part on credit history.

28 (g) "Personal insurance" means:

29 (i) Private passenger automobile coverage, including motorcycle and
30 recreational vehicle coverage;

31 (ii) Homeowner's coverage, including mobile homeowners,
32 manufactured homeowners, condominium owners, and renter's coverage;

33 (iii) Dwelling property coverage;

34 (iv) Earthquake coverage for a residence or personal property;

35 (v) Personal umbrella coverage;

36 (vi) Personal liability and theft coverage;

37 (vii) Personal inland marine coverage;

38 (viii) Boat owner's coverage; and

1 (ix) Mechanical breakdown coverage for personal auto or home
2 appliances.

3 (h) "Tier" means a category within a single insurer into which
4 insureds with substantially like insuring, risk or exposure factors,
5 and expense elements are placed for purposes of determining rate or
6 premium.

7 (2) An insurer that takes adverse action against a consumer based
8 in whole or in part on credit history shall provide written notice to
9 the named insured. The notice must state the true and actual reason
10 for the adverse action in clear and simple language. Specific reasons
11 why the consumer does not meet underwriting standards must be provided,
12 including the credit history elements that resulted in the adverse
13 action. The insurer shall also inform the consumer that the consumer
14 is entitled to a free copy of the consumer report or information and
15 where that report or information can be obtained.

16 (3) An insurer shall not cancel or nonrenew personal insurance
17 based in whole or in part on a consumer's credit history.

18 (4) An insurer shall not use a consumer's credit history as the
19 principal determinant upon which a consumer is denied personal
20 insurance coverage. Under this subsection, an insurer may reject an
21 application where coverage is not bound or cancel an insurance contract
22 within the first sixty days after the contract has gone into effect.
23 Placement with an affiliated insurer does not constitute denial of
24 coverage under this section. This subsection does not apply to the
25 renewal or replacement of a policy.

26 (5) Insurers shall not take adverse action based on:

27 (a) The absence of credit history or the inability to determine the
28 consumer's credit history;

29 (b) The number of credit inquiries;

30 (c) Medical or health-related credit history;

31 (d) The consumer's purchase or finance of a specific item, such as
32 a vehicle or house;

33 (e) The consumer's use of a particular type of credit card, charge
34 card, or debit card;

35 (f) The consumer's total available line of credit;

36 (g) Disputed credit information, while the dispute is under review
37 by the credit reporting agency; or

1 (h) Any factor that the commissioner determines results in unfair
2 discrimination or discrimination against a protected class. This
3 determination shall be made by rule.

4 (6) The commissioner may adopt rules to implement this section.

5 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.19 RCW
6 to read as follows:

7 MAKING OF RATES--PERSONAL INSURANCE. (1) For the purposes of this
8 section:

9 (a) "Consumer" means an individual.

10 (b) "Credit history" means any written, oral, or other
11 communication of any information by a consumer reporting agency bearing
12 on a consumer's creditworthiness, credit standing, or credit capacity
13 that is used or expected to be used, or collected in whole or in part,
14 for the purpose of serving as a factor in determining personal
15 insurance premiums or eligibility for coverage.

16 (c) "Insurance score" means a number or rating that is derived from
17 an algorithm, computer application, model, or other process that is
18 based in whole or in part on credit history.

19 (d) "Personal insurance" means:

20 (i) Private passenger automobile coverage, including motorcycle and
21 recreational vehicle coverage;

22 (ii) Homeowner's coverage, including mobile homeowners,
23 manufactured homeowners, condominium owners, and renter's coverage;

24 (iii) Dwelling property coverage;

25 (iv) Earthquake coverage for a residence or personal property;

26 (v) Personal umbrella coverage;

27 (vi) Personal liability and theft coverage;

28 (vii) Personal inland marine coverage;

29 (viii) Boat owner's coverage; and

30 (ix) Mechanical breakdown coverage for personal auto or home
31 appliances.

32 (2) Credit history shall not be used to determine personal
33 insurance rates, premiums, or eligibility for coverage unless the
34 insurance scoring models are filed with the commissioner. Insurance
35 scoring models include all attributes and factors used in the
36 calculation of an insurance score. All information required to be
37 filed under this subsection shall be kept confidential by the
38 commissioner. This information shall not be made public or be subject

1 to subpoena, other than by the commissioner and then only for the
2 purpose of enforcement actions taken by the commissioner.

3 (3) Insurers shall not use the following types of credit history to
4 calculate a personal insurance score, determine personal insurance
5 premiums, or determine eligibility for personal insurance coverage:

6 (a) The absence of credit history or the inability to determine the
7 consumer's credit history;

8 (b) The number of credit inquiries;

9 (c) Medical or health-related credit history;

10 (d) The consumer's purchase or finance of a specific item, such as
11 a vehicle or house;

12 (e) The consumer's use of a particular type of credit card, charge
13 card, or debit card;

14 (f) The consumer's total available line of credit;

15 (g) Disputed credit information, while the dispute is under review
16 by the credit reporting agency; or

17 (h) Any factor that the commissioner determines results in unfair
18 discrimination or discrimination against a protected class. This
19 determination shall be made by rule.

20 (4) The commissioner may adopt rules to implement this section.

21 (5) This section applies to all personal insurance policies issued
22 or renewed on or after January 1, 2003.

23 NEW SECTION. **Sec. 3.** Captions used in this act are not any part
24 of the law.

25 NEW SECTION. **Sec. 4.** This act takes effect January 1, 2003.

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