

CERTIFICATION OF ENROLLMENT

HOUSE BILL 2727

58th Legislature
2004 Regular Session

Passed by the House March 9, 2004
Yeas 94 Nays 0

Speaker of the House of Representatives

Passed by the Senate March 4, 2004
Yeas 44 Nays 0

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2727** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

**Secretary of State
State of Washington**

HOUSE BILL 2727

AS AMENDED BY THE SENATE

Passed Legislature - 2004 Regular Session

State of Washington 58th Legislature 2004 Regular Session

By Representatives Simpson, D., Benson and Schual-Berke; by request of Insurance Commissioner

Read first time 01/20/2004. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to requiring all insurers to file credit based
2 rating plans; and amending RCW 48.19.035.

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

4 **Sec. 1.** RCW 48.19.035 and 2002 c 360 s 2 are each amended to read
5 as follows:

6 (1) For the purposes of this section:

7 (a) "Affiliate" has the same meaning as defined in RCW
8 48.31B.005(1).

9 (b) "Consumer" means an individual policyholder or applicant for
10 insurance.

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

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

1 (~~(d)~~) (e) "Personal insurance" means:
2 (i) Private passenger automobile coverage;
3 (ii) Homeowner's coverage, including mobile homeowners,
4 manufactured homeowners, condominium owners, and renter's coverage;
5 (iii) Dwelling property coverage;
6 (iv) Earthquake coverage for a residence or personal property;
7 (v) Personal liability and theft coverage;
8 (vi) Personal inland marine coverage; and
9 (vii) Mechanical breakdown coverage for personal auto or home
10 appliances.

11 (2)(a) Credit history shall not be used to determine personal
12 insurance rates, premiums, or eligibility for coverage unless the
13 insurance scoring models are filed with the commissioner. Insurance
14 scoring models include all attributes and factors used in the
15 calculation of an insurance score. RCW 48.19.040(5) does not apply to
16 any information filed under this subsection, and the information shall
17 be withheld from public inspection and kept confidential by the
18 commissioner. All information filed under this subsection shall be
19 considered trade secrets under RCW 48.02.120(3). Information filed
20 under this subsection may be made public by the commissioner for the
21 sole purpose of enforcement actions taken by the commissioner.

22 (b) Each insurer that uses credit history or an insurance score to
23 determine personal insurance rates, premiums, or eligibility for
24 coverage must file all rates and rating plans for that line of coverage
25 with the commissioner. This requirement applies equally to a single
26 insurer and two or more affiliated insurers. RCW 48.19.040(5) applies
27 to information filed under this subsection except that any eligibility
28 rules or guidelines shall be withheld from public inspection under RCW
29 48.02.120(3) from the date that the information is filed and after it
30 becomes effective.

31 (3) Insurers shall not use the following types of credit history to
32 calculate a personal insurance score or determine personal insurance
33 premiums or rates:

34 (a) The absence of credit history or the inability to determine the
35 consumer's credit history, unless the insurer has filed actuarial data
36 segmented by demographic factors in a manner prescribed by the
37 commissioner that demonstrates compliance with RCW 48.19.020;

38 (b) The number of credit inquiries;

1 (c) Credit history or an insurance score based on collection
2 accounts identified with a medical industry code;

3 (d) The initial purchase or finance of a vehicle or house that adds
4 a new loan to the consumer's existing credit history, if evident from
5 the consumer report; however, an insurer may consider the bill payment
6 history of any loan, the total number of loans, or both;

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

9 (f) The consumer's total available line of credit; however, an
10 insurer may consider the total amount of outstanding debt in relation
11 to the total available line of credit.

12 (4) If a consumer is charged higher premiums due to disputed credit
13 history, the insurer shall rerate the policy retroactive to the
14 effective date of the current policy term. As rerated, the consumer
15 shall be charged the same premiums they would have been charged if
16 accurate credit history was used to calculate an insurance score. This
17 subsection applies only if the consumer resolves the dispute under the
18 process set forth in the fair credit reporting act and notifies the
19 insurer in writing that the dispute has been resolved.

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

21 (6) This section applies to all personal insurance policies issued
22 or renewed on or after June 30, 2003.

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