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SENATE BILL 6381

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State of Washington

58th Legislature

2004 Regular Session

By Senators Prentice and Keiser; by request of Insurance Commissioner

Read first time 01/19/2004. Referred to Committee on Financial Services, Insurance & Housing.

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 with the commissioner.  
25 This requirement applies equally to a single insurer and two or more  
26 affiliated insurers. RCW 48.19.040(5) applies to information filed  
27 under this subsection.

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

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

35       (b) The number of credit inquiries;

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

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

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

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

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

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

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

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