
HOUSE BILL 1212

State of Washington

63rd Legislature

2013 Regular Session

By Representatives Condotta, Kirby, Haigh, and Santos

Read first time 01/21/13. Referred to Committee on Business & Financial Services.

1 AN ACT Relating to prohibiting the use of credit history in
2 insurance coverage related to a residence; and amending RCW 48.18.545
3 and 48.19.035.

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

5 **Sec. 1.** RCW 48.18.545 and 2002 c 360 s 1 are each amended to read
6 as follows:

7 (1) For the purposes of this section:

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

11 (i) Cancellation, denial, or nonrenewal of personal insurance
12 coverage;

13 (ii) Charging a higher insurance premium for personal insurance
14 than would have been offered if the credit history or insurance score
15 had been more favorable, whether the charge is by:

16 (A) Application of a rating rule;

17 (B) Assignment to a rating tier that does not have the lowest
18 available rates; or

1 (C) Placement with an affiliate company that does not offer the
2 lowest rates available to the consumer within the affiliate group of
3 insurance companies; or

4 (iii) Any reduction, adverse, or unfavorable change in the terms of
5 coverage or amount of any personal insurance due to a consumer's credit
6 history or insurance score. A reduction, adverse, or unfavorable
7 change in the terms of coverage occurs when:

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

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

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

15 (c) "Consumer" means an individual policyholder or applicant for
16 insurance.

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) "Deny" means an insurer refuses to offer insurance coverage to
26 a consumer.

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

30 ~~((g))~~ (h) "Personal insurance" means:

31 (i) Private passenger automobile coverage;

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

34 ~~(iii) Dwelling property coverage;~~

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

36 ~~(v))~~ Personal liability and theft coverage;

37 ~~((vi))~~ (iii) Personal inland marine coverage; and

1 (~~(vii)~~) (iv) Mechanical breakdown coverage for personal auto or
2 home appliances.

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

7 (2) An insurer that takes adverse action against a consumer based
8 in whole or in part on credit history or insurance score shall provide
9 written notice to the applicant or named insured. The notice must
10 state the significant factors of the credit history or insurance score
11 that resulted in the adverse action. The insurer shall also inform the
12 consumer that the consumer is entitled to a free copy of their consumer
13 report under the fair credit reporting act.

14 (3) An insurer shall not cancel or nonrenew personal insurance
15 based in whole or in part on a consumer's credit history or insurance
16 score. An offer of placement with an affiliate insurer does not
17 constitute cancellation or nonrenewal under this section.

18 (4) An insurer may use credit history to deny personal insurance
19 only in combination with other substantive underwriting factors. For
20 the purposes of this subsection:

21 (a) (~~"Deny" means an insurer refuses to offer insurance coverage~~
22 ~~to a consumer;~~

23 ~~(b)~~) An offer of placement with an affiliate insurer does not
24 constitute denial of coverage; and

25 (~~(e)~~) (b) An insurer may reject an application when coverage is
26 not bound or cancel an insurance contract within the first sixty days
27 after the effective date of the contract.

28 (5) Insurers shall not deny personal insurance coverage based on:

29 (a) The absence of credit history or the inability to determine the
30 consumer's credit history, if the insurer has received accurate and
31 complete information from the consumer;

32 (b) The number of credit inquiries;

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

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

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

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

6 (6)(a) If disputed credit history is used to determine eligibility
7 for coverage and a consumer is placed with an affiliate that charges
8 higher premiums or offers less favorable policy terms:

9 (i) The insurer shall reissue or rerate the policy retroactive to
10 the effective date of the current policy term; and

11 (ii) The policy, as reissued or rerated, shall provide premiums and
12 policy terms the consumer would have been eligible for if accurate
13 credit history had been used to determine eligibility.

14 (b) This subsection only applies if the consumer resolves the
15 dispute under the process set forth in the fair credit reporting act
16 and notifies the insurer in writing that the dispute has been resolved.

17 (7) An insurer may not use credit history to deny, cancel, or
18 nonrenew homeowners insurance, dwelling property coverage, or
19 earthquake coverage for a residence. This subsection applies to all
20 insurance policies applied for, issued, or renewed after the effective
21 date of this section and to all insurance policies in force after
22 January 1, 2014.

23 (8) The commissioner may adopt rules to implement this section.

24 (~~(8) This section applies to all personal insurance policies~~
25 ~~issued or renewed after January 1, 2003.~~)

26 **Sec. 2.** RCW 48.19.035 and 2004 c 86 s 1 are each amended to read
27 as follows:

28 (1) For the purposes of this section:

29 (a) "Affiliate" has the same meaning as defined in RCW
30 48.31B.005(1).

31 (b) "Consumer" means an individual policyholder or applicant for
32 insurance.

33 (c) "Credit history" means any written, oral, or other
34 communication of any information by a consumer reporting agency bearing
35 on a consumer's creditworthiness, credit standing, or credit capacity
36 that is used or expected to be used, or collected in whole or in part,

1 for the purpose of serving as a factor in determining personal
2 insurance premiums or eligibility for coverage.

3 (d) "Insurance score" means a number or rating that is derived from
4 an algorithm, computer application, model, or other process that is
5 based in whole or in part on credit history.

6 (e) "Personal insurance" means:

7 (i) Private passenger automobile coverage;

8 (ii) ~~((Homeowner's coverage, including mobile homeowners,
9 manufactured homeowners, condominium owners, and renter's coverage;~~

10 ~~(iii) Dwelling property coverage;~~

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

12 ~~(v))~~ Personal liability and theft coverage;

13 ~~((vi))~~ (iii) Personal inland marine coverage; and

14 ~~((vii))~~ (iv) Mechanical breakdown coverage for personal auto or
15 home appliances.

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

27 (b) Each insurer that uses credit history or an insurance score to
28 determine personal insurance rates, premiums, or eligibility for
29 coverage must file all rates and rating plans for that line of coverage
30 with the commissioner. This requirement applies equally to a single
31 insurer and two or more affiliated insurers. RCW 48.19.040(5) applies
32 to information filed under this subsection except that any eligibility
33 rules or guidelines shall be withheld from public inspection under RCW
34 48.02.120(3) from the date that the information is filed and after it
35 becomes effective.

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

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

5 (b) The number of credit inquiries;

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

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

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

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

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

25 (5) Credit history may not be used to determine rates, premiums, or
26 eligibility for homeowners insurance, dwelling property coverage, or
27 earthquake coverage for a residence. This subsection applies to all
28 insurance policies applied for, issued, or renewed after the effective
29 date of this section and to all insurance policies in force after
30 January 1, 2014.

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

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

--- END ---