Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Consumer Protection & Business Committee

HB 1351

Brief Description: Concerning reasonable exceptions to insurance rates for consumers whose credit information is influenced by extraordinary life circumstances.

Sponsors: Representatives Kirby, Vick, Shewmake, Ryu, Sutherland, Duerr, Hackney, Walen, Young, Santos and Harris-Talley.

Brief Summary of Bill

- Requires an insurer to provide reasonable exceptions to personal insurance rates and underwriting rules when a consumer's credit history is impacted by certain events.

Hearing Date: 2/1/21

Staff: Serena Dolly (786-7150).

Background:

Personal Insurance.
Personal insurance refers to the following types of insurance policies:
- private passenger automobile coverage;
- homeowner's coverage, including mobile homeowner's, manufactured homeowner's, condominium owners, and renter's coverage;
- dwelling property coverage;
- earthquake coverage for residence and personal property;
- personal liability and theft coverage;
- personal inland marine coverage; and
- mechanical breakdown coverage for personal auto or home appliances.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Credit History and Insurance Scores.
Credit history is any information provided by a consumer reporting agency on a consumer's creditworthiness, credit standing, or credit capacity. The term "insurance score" is defined to mean a number or rating that is derived from an algorithm, computer application, model, or other process that is based in whole or in part on credit history. Credit history may only be used if the insurance scoring models are filed with the Office of the Insurance Commissioner (OIC) by the insurer.

Use of Credit History in Insurance.
Insurers are prohibited from canceling or refusing to renew personal insurance based in whole or in part on a consumer's credit history or insurance score. Additionally, an insurer may use credit history to deny personal insurance only in combination with other substantive underwriting factors. Insurers also are prohibited from denying insurance coverage or determining premiums or rates based on: (1) the absence of credit history or the inability to determine the consumer's credit history; (2) the number of credit inquiries; (3) credit history or an insurance score based on collection accounts identified with a medical industry code; (4) the initial purchase or finance of a vehicle or house that adds a new loan to the consumer's existing credit history, if evident from the consumer report; (5) the consumer's use of a particular type of credit card, charge card, or debit card; or (6) the consumer's total available line of credit.

Written Notifications to Insureds.
Renewing Insurance Policies.
If an insurer wishes to renew an insured's insurance policy, then at least 20 days before the insurance policy's expiration date the insurer must communicate, either directly or through its agent, the insurer's willingness to renew in writing to the insured and include in that writing a statement of the amount of the premium or portion of the premium required to be paid by the insured to renew the policy. This 20-day notice to the insured must also include the amount of any increased premium resulting from a change of rates and, generally, an explanation of any change in the contract provisions. If the 20-day notice to the insured does not include the amount of any increased premium resulting from a change of rates and an explanation of any change in the contract provisions, the insurer must generally renew the policy according to the rates and contract provisions applicable to the expiring policy.

Adverse Actions.
An insurer that takes adverse action against a consumer based in whole or in part on credit history or insurance score must provide written notice to the applicant or named insured. Adverse actions include: (1) cancellation, denial, or nonrenewal of personal insurance coverage; (2) charging a higher premium for personal insurance than would have been offered if the credit history or insurance score had been more favorable; or (3) any reduction, adverse, or unfavorable change in the terms of coverage or amounts of any personal insurance due to a consumer's credit history or insurance score. The required adverse action notice must state the significant factors of the credit history or insurance score that resulted in the adverse action. The insurer must inform the consumer that the consumer is entitled to a free copy of the consumer's credit report

under the federal Fair Credit Reporting Act.

Summary of Bill:

Upon written request from a consumer, an insurer must provide reasonable exceptions to insurance rates, rating classifications, company or tier placement, or underwriting rules and guidelines for a consumer whose credit information has been directly influenced by any of the following:

- a catastrophic event declared by the state or federal government;
- the death of a spouse, child, or parent;
- divorce or involuntary interruption of alimony or child support payments;
- identity theft;
- involuntary loss of employment for three or more months;
- overseas military deployment; or
- any other events determined by the insurer.

An insurer must provide notice to consumers that reasonable exceptions are available. An insurer may require a consumer to provide written and independently verifiable documentation of the event and demonstrate that it had direct and meaningful impact on the consumer's credit information. An insurer must notify the consumer whether the request has been approved within 30 days of the insurer's receipt of the written documentation.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.