

SENATE BILL REPORT

SB 5409

As of February 8, 2021

Title: An act relating to requiring insurers who use credit information to provide reasonable exceptions to insurance rates for consumers experiencing extraordinary life circumstances.

Brief Description: Requiring insurers who use credit information to provide reasonable exceptions to insurance rates for consumers experiencing extraordinary life circumstances.

Sponsors: Senators Dozier and Braun.

Brief History:

Committee Activity: Business, Financial Services & Trade: 2/09/21.

Brief Summary of Bill

- Requires insurers to provide reasonable exceptions to insurance rates for consumers experiencing extraordinary life circumstances if contacted in writing.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: Extraordinary Life Circumstances and Insurance. The National Council of Insurance Legislators (NCOIL) developed the Model Act Regarding Use of Credit Information in Personal Insurance (Model Act) in 2002. It has been readopted multiple times, most recently in November 2015. The Model Act allows insurance rates, where credit information is used, to be reconsidered in the event of an extraordinary life circumstance (ELC). More than 20 states have adopted some form of the Model Act, including ELC language.

Summary of Bill: An insurer who uses credit information must provide reasonable exceptions to their rates, rating classification, company or tier placement, or underwriting

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rules or guidelines for consumers whose credit has been affected by certain events. The insured or insurance applicant must request the reasonable exception in writing.

ELCs or events include:

- a catastrophic event, as declared by the federal or state government;
- serious illness or injury of themselves or an immediate family member;
- death of a spouse, child, or parent;
- divorce or involuntary interruption or legally owed alimony or support payments;
- identity theft;
- temporary loss of employment for three months or more, if involuntary terminated;
- military deployment overseas; or
- other events determined by the insurer.

Information and notice to consumers about the availability of these exceptions must be provided by the insurer.

No more than 60 days from the date of the insurance application or policy renewal, the insurer may request:

- written and independently verifiable documentation of the event;
- demonstration that the event had a direct and meaningful impact on the consumer's credit information;
- grant an exception without a written consumer request; and
- grant an exception for a repeated or previously considered event.

Within 30 days of receipt of sufficient documentation of an event, the insurer must inform the consumer of the outcome.

Appropriation: None.

Fiscal Note: Requested on February 2, 2021.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.