

SENATE BILL REPORT

SB 5623

As of January 6, 2022

Title: An act relating to protecting consumers by limiting the ability of insurers to use credit histories to increase personal insurance premiums at renewal, but not prohibiting the use of credit history by insurers.

Brief Description: Protecting consumers by limiting the ability of insurers to use credit histories to increase personal insurance premiums at renewal, but not prohibiting the use of credit history by insurers.

Sponsors: Senator Mullet.

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/11/22.

Brief Summary of Bill

- Prohibits the use of credit history to increase rates or premiums at renewal for any personal insurance policy holder beginning on July 1, 2023.
- Allows insurers to resume the use of credit history effective immediately.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: 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. An insurance score is derived from an algorithm or model 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.

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.

Using credit history or an insurance score to determine rates, premiums, or eligibility depends on the insurer and the regulator. Personal information, such as gender, age, or marital status, cannot be used in a credit-based insurance score.

Since 2002, credit-based insurance scores (CBIS) in Washington State have been controlled by state law. Under that law, credit history may only be used to deny personal insurance in combination with other substantive underwriting factors. Certain debts and parts of a credit history—such as medical debt and lack of credit—cannot be used in insurance scores. CBIS may be used by insurers for new insurance applicants and for current policy holders at renewal.

Emergency Rule Prohibiting the Use of Credit History in Insurance Scores. On March 22, 2021, the OIC filed an emergency rule-making order to temporarily prohibit the use of credit history in determining premiums and eligibility for coverage in certain personal insurance products—namely private automobile, homeowners, and renter's insurance. On June 20, 2021, the prohibitions in this rule were required for all new policies, and those up for renewal on or after that date.

In October 2021, the emergency rule was overturned by Thurston County Superior Court. Normal rule-making has begun to make this emergency rule permanent, with the most recent rule-making hearing on November 23, 2021.

Personal Insurance. Personal insurance includes the following:

- private passenger automobile coverage;
- homeowner's coverage, including mobile homeowner's, manufactured homeowner's, condominium owner's, 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.

Summary of Bill: Beginning July 1, 2023, the use of credit history to increase rates or premiums at renewal for any personal insurance policy holder is prohibited. Thereafter credit history may only be used for new applicants or for improving an insured's score that results in a lower premium, and policyholders may request, no more than annually, that the insurer rerate the policy holders' insurance score, and use the rerated score if the result is a lower premium at renewal.

Effective immediately, insurers may resume the use of credit history. An insurer is not required to update insurance scores more frequently than upon a consumer's request.

Any rule that may conflict with this law, must comply with this law. Additionally, any rule adopted to implement the laws prohibiting discrimination in insurance must comply.

Appropriation: None.

Fiscal Note: Requested on January 4, 2022.

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

Effective Date: The bill contains several effective dates. Please refer to the bill.