
HOUSE BILL 2544

State of Washington

57th Legislature

2002 Regular Session

By Representatives Cooper, Benson, Santos, Clements, Simpson, McIntire, Armstrong, Hunt, Romero, Dickerson, Upthegrove, Chase, Ogden, Haigh, Conway, Kenney, Campbell and Linville; by request of Governor Locke, Insurance Commissioner and Attorney General

Read first time 01/21/2002. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to using credit history for insurance purposes;
2 adding a new section to chapter 48.18 RCW; adding a new section to
3 chapter 48.19 RCW; creating a new section; and providing an effective
4 date.

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

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 48.18 RCW
7 to read as follows:

8 RESTRICTIONS THAT APPLY TO PERSONAL INSURANCE UNDERWRITING. (1)
9 For the purposes of this section:

10 (a) "Affiliated" has the same meaning as defined in RCW
11 48.31B.005(1).

12 (b) "Credit history" means any written, oral, or other
13 communication of any information by a consumer reporting agency bearing
14 on a consumer's credit worthiness, credit standing, or credit capacity,
15 which is used, or expected to be used, or collected in whole or in part
16 for the purpose of serving as a factor in establishing personal
17 insurance premiums or eligibility for coverage.

1 (c) "Personal insurance" means property and casualty insurance to
2 be used primarily for personal, family, or household purposes, such as
3 homeowner and private passenger auto insurance.

4 (2) An insurer shall not deny, cancel, or refuse to renew personal
5 insurance due in whole or in part to an insured's credit history.
6 Placement with an affiliated insurer does not constitute denial of
7 coverage under this section.

8 NEW SECTION. **Sec. 2.** A new section is added to chapter 48.19 RCW
9 to read as follows:

10 DEFINITIONS--MAKING OF RATES--PERSONAL INSURANCE. (1) For the
11 purposes of this section:

12 (a) "Affiliated" has the same meaning as defined in RCW
13 48.31B.005(1).

14 (b) "Credit history" means any written, oral, or other
15 communication of any information by a consumer reporting agency bearing
16 on a consumer's credit worthiness, credit standing, or credit capacity,
17 which is used, or expected to be used, or collected in whole or in part
18 for the purpose of serving as a factor in establishing personal
19 insurance premiums or eligibility for coverage.

20 (c) "Insurance score" means a number or rating that is derived from
21 an algorithm, computer application, model, or other process that is
22 based in whole or in part on credit history.

23 (d) "Personal insurance" means property and casualty insurance to
24 be used primarily for personal, family, or household purposes, such as
25 homeowner and private passenger auto insurance.

26 (e) "Tier" means a category within a single insurer into which
27 insureds with substantially like insuring, risk, or exposure factors
28 and expense elements are placed for the purposes of determining rate or
29 premium.

30 (2)(a) In the case of personal insurance, premium rates are subject
31 to this subsection. An insurer may adjust rates based on credit
32 history, in combination with other objective criteria, to create an
33 insurance score to consider substantiated statistical differences in
34 risk or exposure. The maximum premium differential based on credit
35 history shall be no more than twenty percent. This restriction applies
36 whether the adjustment is due to application of any of the following:
37 Class rate, insurance score, minimum rate, rating plan, rating rule,
38 rating schedule, rating tier, placement with an affiliated insurer, or

1 any modification of each. Credit history shall not be combined or used
2 in combination with other rating factors or rating rules in such a way
3 that credit history affects premiums charged by more than twenty
4 percent. For otherwise similarly situated insureds, the maximum
5 premium differential based on credit history shall be no more than
6 twenty percent.

7 (b) The twenty percent limit shall be computed relative to premiums
8 charged to an insured with the most favorable credit history. Each
9 insurer and affiliated insurer must demonstrate to the satisfaction of
10 the commissioner that the total premium differential based on credit
11 history is no greater than twenty percent.

12 (3) The commissioner may adopt such rules as are necessary to
13 implement this section.

14 (4) This section applies to all personal insurance policies written
15 or renewed on or after January 1, 2003.

16 NEW SECTION. **Sec. 3.** Captions used in this act are not any part
17 of the law.

18 NEW SECTION. **Sec. 4.** Section 1 of this act takes effect July 1,
19 2002.

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