

SENATE BILL REPORT

SB 5275

As Reported By Senate Committee On:
Financial Institutions, Housing & Consumer Protection, February 1, 2005

Title: An act relating to prohibiting the use of consumer credit histories for personal insurance renewal decisions.

Brief Description: Prohibiting the use of consumer credit histories for personal insurance renewal decisions.

Sponsors: Senators Fairley, Benton, Regala, Kline, Franklin and Mulliken.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 1/26/05, 1/27/05, 2/1/05 [DPS, w/oRec].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 5275 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Brandland, Franklin, Keiser, Prentice, Schmidt and Spanel.

Minority Report: That it be referred without recommendation.

Signed by Senators Benson and Delvin.

Staff: Joanne Conrad (786-7472)

Background: The use of a consumer's "credit score" in decision-making and premium determinations by insurance companies is allowed, but limited, by state law. A "credit score" is a number that insurers assign to a consumer based upon such factors as bill-paying history and late payments, number and type of accounts, collection actions, debt ratio, and duration of credit accounts. Consumers are entitled by federal law to obtain their credit reports, upon which their scores are based, for free.

In 2002, Washington State passed a law limiting the ways in which a credit score can be used by insurers. An insurance company is prohibited from cancelling or non-renewing a consumer's personal insurance based upon credit scores, and cannot deny coverage based on certain aspects of a credit score, for example, a large number of medical account collections, or use of a particular type of credit card, or the amount of total available credit.

The Office of the Insurance Commissioner (OIC) provides in-depth information on Washington's credit scoring law on its website, and to consumers who contact OIC. However, in spite of the fact that the law has been in effect for two years, some consumers report that they have been "non-renewed" based upon their credit scores.

Summary of Substitute Bill: Credit history may be used by insurers for renewal decisions only to maintain or lower rates.

Substitute Bill Compared to Original Bill: Consumer Protection Act remedies are removed. Use of credit history is limited to cases where it maintains or lowers a consumer's rate.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: None.

Testimony Against: The Consumer Protection Act is inappropriate for insurance companies, which are regulated and disciplined by the OIC.

Who Testified: CON: Mel Sorensen, PCI, Allstate, and PIA.