
SUBSTITUTE SENATE BILL 5010

State of Washington

67th Legislature

2021 Regular Session

By Senate Business, Financial Services & Trade (originally sponsored by Senators Das, Randall, Billig, Carlyle, Conway, Dhingra, Hasegawa, Hunt, Keiser, Kuderer, Liias, Lovelett, Nobles, Nguyen, Pedersen, Robinson, Rolfes, Saldaña, Stanford, Van De Wege, and Wilson, C.; by request of Insurance Commissioner and Office of the Governor)

READ FIRST TIME 02/15/21.

1 AN ACT Relating to allowing the use of credit history for
2 personal lines of insurance if it improves a consumer's insurance
3 score and lowers their premium for a period of three years; amending
4 RCW 48.19.035; creating a new section; and declaring an emergency.

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

6 NEW SECTION. **Sec. 1.** The purpose of this act is to protect
7 insureds from the possibility of adverse effects of the pandemic on
8 their personal insurance rates by limiting the use of consumer credit
9 history for a period of three years. This act will ensure that
10 insurance does not become more unaffordable for individuals and
11 families encountering financial challenges brought on by the pandemic
12 by prohibiting its use unless the affect is an improved insurance
13 score and lower premium. By providing this consumer protection during
14 this extraordinary time, the legislature intends to provide necessary
15 temporary relief to Washington state insureds whose credit scores
16 have been negatively affected because of this economic crisis.

17 **Sec. 2.** RCW 48.19.035 and 2004 c 86 s 1 are each amended to read
18 as follows:

19 (1) For the purposes of this section:

1 (a) "Affiliate" has the same meaning as defined in RCW
2 48.31B.005(1).

3 (b) "Consumer" means an individual policyholder or applicant for
4 insurance.

5 (c) "Credit history" means any written, oral, or other
6 communication of any information by a consumer reporting agency
7 bearing on a consumer's creditworthiness, credit standing, or credit
8 capacity that is used or expected to be used, or collected in whole
9 or in part, for the purpose of serving as a factor in determining
10 personal insurance premiums or eligibility for coverage.

11 (d) "Insurance score" means a number or rating that is derived
12 from an algorithm, computer application, model, or other process that
13 is based in whole or in part on credit history.

14 (e) "Personal insurance" means:

15 (i) Private passenger automobile coverage;

16 (ii) Homeowner's coverage, including mobile homeowners,
17 manufactured homeowners, condominium owners, and renter's coverage;

18 (iii) Dwelling property coverage;

19 (iv) Earthquake coverage for a residence or personal property;

20 (v) Personal liability and theft coverage;

21 (vi) Personal inland marine coverage; and

22 (vii) Mechanical breakdown coverage for personal auto or home
23 appliances.

24 (2)(a) Credit history shall not be used to determine personal
25 insurance rates, premiums, or eligibility for coverage unless the
26 insurance scoring models are filed with the commissioner. Insurance
27 scoring models include all attributes and factors used in the
28 calculation of an insurance score. RCW 48.19.040(5) does not apply to
29 any information filed under this subsection, and the information
30 shall be withheld from public inspection and kept confidential by the
31 commissioner. All information filed under this subsection shall be
32 considered trade secrets under RCW 48.02.120(3). Information filed
33 under this subsection may be made public by the commissioner for the
34 sole purpose of enforcement actions taken by the commissioner.

35 (b) Each insurer that uses credit history or an insurance score
36 to determine personal insurance rates, premiums, or eligibility for
37 coverage must file all rates and rating plans for that line of
38 coverage with the commissioner. This requirement applies equally to a
39 single insurer and two or more affiliated insurers. RCW 48.19.040(5)
40 applies to information filed under this subsection except that any

1 eligibility rules or guidelines shall be withheld from public
2 inspection under RCW 48.02.120(3) from the date that the information
3 is filed and after it becomes effective.

4 (3) Insurers shall not use the following (~~types of credit~~
5 ~~history~~) to calculate a personal insurance score or determine
6 personal insurance premiums or rates:

7 (a) The absence of credit history or the inability to determine
8 the consumer's credit history, unless the insurer has filed actuarial
9 data segmented by demographic factors in a manner prescribed by the
10 commissioner that demonstrates compliance with RCW 48.19.020;

11 (b) The number of credit inquiries;

12 (c) Credit history or an insurance score based on collection
13 accounts identified with a medical industry code;

14 (d) The initial purchase or finance of a vehicle or house that
15 adds a new loan to the consumer's existing credit history, if evident
16 from the consumer report; however, an insurer may consider the bill
17 payment history of any loan, the total number of loans, or both;

18 (e) The consumer's use of a particular type of credit card,
19 charge card, or debit card; (~~or~~)

20 (f) The consumer's total available line of credit; however, an
21 insurer may consider the total amount of outstanding debt in relation
22 to the total available line of credit; or

23 (g) Credit history to increase rates or premiums at renewal for
24 any personal insurance policy effective 90 days after approval of the
25 special credit score rate rule, established in subsection (6) of this
26 section, through June 30, 2024.

27 (4) If a consumer is charged higher premiums due to disputed
28 credit history, the insurer shall rerate the policy retroactive to
29 the effective date of the current policy term. As rerated, the
30 consumer shall be charged the same premiums they would have been
31 charged if accurate credit history was used to calculate an insurance
32 score. This subsection applies only if the consumer resolves the
33 dispute under the process set forth in the fair credit reporting act
34 and notifies the insurer in writing that the dispute has been
35 resolved.

36 (5) The commissioner may adopt rules to implement this section.

37 (6) (~~This section applies to all personal insurance policies~~
38 ~~issued or renewed on or after June 30, 2003)) (a) To comply with
39 subsection (3)(g) of this section, property and casualty insurers
40 must file a special credit score rate rule by July 1, 2021, and apply~~

1 it to renewals within 90 days after approval. The special credit
2 score rate rule shall contain the following language or substantively
3 equivalent variations thereof: "When the consumer credit history of a
4 policyholder is reordered, it will only be used in the rating of the
5 policy when the consumer credit history reorder result is equal to or
6 better than that of the current consumer credit history under which
7 the policy is rated."

8 (b) The commissioner shall approve the special credit score rate
9 rule filing within 15 days of receipt.

10 (7) Rate rule filings submitted in compliance with this section
11 do not violate RCW 48.19.020.

12 NEW SECTION. Sec. 3. This act is necessary for the immediate
13 preservation of the public peace, health, or safety, or support of
14 the state government and its existing public institutions, and takes
15 effect immediately.

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