

HB 2727 - S COMM AMD

By Committee on Financial Services, Insurance & Housing

ADOPTED 03/04/2004

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 48.19.035 and 2002 c 360 s 2 are each amended to read
4 as follows:

5 (1) For the purposes of this section:

6 (a) "Affiliate" has the same meaning as defined in RCW
7 48.31B.005(1).

8 (b) "Consumer" means an individual policyholder or applicant for
9 insurance.

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

16 ~~((e))~~ (d) "Insurance score" means a number or rating that is
17 derived from an algorithm, computer application, model, or other
18 process that is based in whole or in part on credit history.

19 ~~((d))~~ (e) "Personal insurance" means:

20 (i) Private passenger automobile coverage;

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

23 (iii) Dwelling property coverage;

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

25 (v) Personal liability and theft coverage;

26 (vi) Personal inland marine coverage; and

27 (vii) Mechanical breakdown coverage for personal auto or home
28 appliances.

29 (2)(a) Credit history shall not be used to determine personal
30 insurance rates, premiums, or eligibility for coverage unless the

1 insurance scoring models are filed with the commissioner. Insurance
2 scoring models include all attributes and factors used in the
3 calculation of an insurance score. RCW 48.19.040(5) does not apply to
4 any information filed under this subsection, and the information shall
5 be withheld from public inspection and kept confidential by the
6 commissioner. All information filed under this subsection shall be
7 considered trade secrets under RCW 48.02.120(3). Information filed
8 under this subsection may be made public by the commissioner for the
9 sole purpose of enforcement actions taken by the commissioner.

10 (b) Each insurer that uses credit history or an insurance score to
11 determine personal insurance rates, premiums, or eligibility for
12 coverage must file all rates and rating plans for that line of coverage
13 with the commissioner. This requirement applies equally to a single
14 insurer and two or more affiliated insurers. RCW 48.19.040(5) applies
15 to information filed under this subsection except that any eligibility
16 rules or guidelines shall be withheld from public inspection under RCW
17 48.02.120(3) from the date that the information is filed and after it
18 becomes effective.

19 (3) Insurers shall not use the following types of credit history to
20 calculate a personal insurance score or determine personal insurance
21 premiums or rates:

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

26 (b) The number of credit inquiries;

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

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

33 (e) The consumer's use of a particular type of credit card, charge
34 card, or debit card; or

35 (f) The consumer's total available line of credit; however, an
36 insurer may consider the total amount of outstanding debt in relation
37 to the total available line of credit.

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

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

10 (6) This section applies to all personal insurance policies issued
11 or renewed on or after June 30, 2003."

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12 On page 1, line 2 of the title, after "plans;" strike the remainder
13 of the title and insert "and amending RCW 48.19.035."

EFFECT: Clarifies that it is only the affected lines of insurance that require this type of filing, not all insurance by the filing insurance company; and makes it clear that eligibility rules or guidelines will be protected from public disclosure to the same extent that actuarial formulas, statistics, and other trade secrets are currently protected.

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