
**Financial Institutions &
Insurance Committee**

HB 2836

Brief Description: Restricting adverse underwriting decisions for homeowners' insurance.

Sponsors: Representatives Schual-Berke, Benson and Linville.

Brief Summary of Bill

- Prohibits an insurer from basing an adverse action, in whole or in part, on the fact that the insured inquired about their coverage under a homeowner's insurance policy if the information regarding their inquiry was received from a consumer reporting organization and the inquiry did not result in the filing of a claim.
- Prohibits an insurer from basing an adverse action, in whole or in part, on the loss history of a previous owner of the property.

Hearing Date: 1/30/04

Staff: Carrie Tellefson (786-7127).

Background:

The Insurance Commissioner (Commissioner) is responsible for the licensing and regulation of insurance companies doing business in this state. The authority of the Commissioner includes the oversight of homeowner's insurance policies. Current law prohibits "unfair discrimination" between insureds that have substantially similar risk factors, exposure factors, and expense elements.

Consumer reporting organizations operate databases of consumer claims that an insurance company can access when it underwrites or rates an insurance policy. The most commonly known database is the Comprehensive Loss Underwriting Exchange (CLUE) operated by ChoicePoint; however, there are other databases operated by different companies. The CLUE report, and reports like it, contains consumer claim information provided by the insurance companies. It includes policy information such as name, date of birth, and policy number, claim information, and a description of the property covered. For homeowners coverage, the report includes the property address and for auto coverage, it includes specific vehicle information. This database contains up to five years of personal property claims history. These reports can only be accessed by the owner or lender of the property.

Under the Fair Credit Reporting Act, a person can request a copy of their report and may challenge the accuracy of specific information that an insurance company provided. In addition, a consumer may enter a statement explaining the loss more fully.

The Fair Credit Reporting Act provides authority for an insurer to request a report for underwriting purposes. An insurer may use the prior owner's loss history in determining whether to offer insurance to a purchaser of the property or to determine how much to charge for the premium.

An insurer may consider information regarding claims that have been closed without payment and may consider inquiries about a potential loss that does not result in a claim.

Summary of Bill:

Defines "adverse action" as in the Fair Credit Reporting Act. An adverse action also includes, but is not limited to: cancellation, denial, nonrenewal of homeowners insurance coverage; charging a higher premium; applying a rating rule or assigning a rating tier that does not have the lowest available rates; placement with an affiliate that does not offer the lowest rates; or any unfavorable change in the terms of coverage under a homeowners insurance policy.

With respect to homeowners insurance, an insurer is prohibited from basing an adverse action, in whole or in part, on the fact that a homeowner has inquired about coverage limitations under the policy, the information about that inquiry was received from a consumer reporting organization, and the inquiry did not result in the filing of a claim.

An insurer is also prohibited from basing an adverse action, in whole or in part, on the loss history of a previous owner of the property.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.