CERTIFICATION OF ENROLLMENT

**HOUSE BILL 2727**

Chapter 86, Laws of 2004

58th Legislature
2004 Regular Session

INSURERS--CREDIT BASED RATING PLANS

EFFECTIVE DATE: 6/10/04

Passed by the House March 9, 2004
  Yeas 94  Nays 0

FRANK CHOPP

**Speaker of the House of Representatives**

Passed by the Senate March 4, 2004
  Yeas 44  Nays 0

BRAD OWEN

**President of the Senate**

Approved March 22, 2004.

CERTIFICATE

I, Richard Nafziger, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 2727** as passed by the House of Representatives and the Senate on the dates hereon set forth.

RICHARD NAFZIGER

**Chief Clerk**

FILED

March 22, 2004 - 5:32 p.m.

GARY F. LOCKE

**Governor of the State of Washington**

**Secretary of State**
**State of Washington**

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## HOUSE BILL 2727
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AS AMENDED BY THE SENATE

Passed Legislature - 2004 Regular Session

**State of Washington        58th Legislature        2004 Regular Session**

**By** Representatives Simpson, D., Benson and Schual-Berke; by request of Insurance Commissioner

Read first time 01/20/2004.   Referred to Committee on Financial Institutions & Insurance.

1    AN ACT Relating to requiring all insurers to file credit based
2   rating plans; and amending RCW 48.19.035.

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

4    **Sec. 1.**  RCW 48.19.035 and 2002 c 360 s 2 are each amended to read
5   as follows:
6    (1) For the purposes of this section:
7    (a) _"Affiliate" has the same meaning as defined in RCW_
8   _48.31B.005(1)._
9    _(b)_ "Consumer" means an individual policyholder or applicant for
10   insurance.
11    (((b))) _(c)_ "Credit history" means any written, oral, or other
12   communication of any information by a consumer reporting agency bearing
13   on a consumer's creditworthiness, credit standing, or credit capacity
14   that is used or expected to be used, or collected in whole or in part,
15   for the purpose of serving as a factor in determining personal
16   insurance premiums or eligibility for coverage.
17    (((c))) _(d)_ "Insurance score" means a number or rating that is
18   derived from an algorithm, computer application, model, or other
19   process that is based in whole or in part on credit history.

1    (((d))) (e) "Personal insurance" means:

2    (i) Private passenger automobile coverage;

3    (ii) Homeowner's coverage, including mobile homeowners,

4    manufactured homeowners, condominium owners, and renter's coverage;

5    (iii) Dwelling property coverage;

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

7    (v) Personal liability and theft coverage;

8    (vi) Personal inland marine coverage; and

9    (vii) Mechanical breakdown coverage for personal auto or home

10   appliances.

11   (2)(a) Credit history shall not be used to determine personal

12   insurance rates, premiums, or eligibility for coverage unless the

13   insurance scoring models are filed with the commissioner. Insurance

14   scoring models include all attributes and factors used in the

15   calculation of an insurance score. RCW 48.19.040(5) does not apply to

16   any information filed under this subsection, and the information shall

17   be withheld from public inspection and kept confidential by the

18   commissioner. All information filed under this subsection shall be

19   considered trade secrets under RCW 48.02.120(3). Information filed

20   under this subsection may be made public by the commissioner for the

21   sole purpose of enforcement actions taken by the commissioner.

22   (b) Each insurer that uses credit history or an insurance score to

23   determine personal insurance rates, premiums, or eligibility for

24   coverage must file all rates and rating plans for that line of coverage

25   with the commissioner. This requirement applies equally to a single

26   insurer and two or more affiliated insurers. RCW 48.19.040(5) applies

27   to information filed under this subsection except that any eligibility

28   rules or guidelines shall be withheld from public inspection under RCW

29   48.02.120(3) from the date that the information is filed and after it

30   becomes effective.

31   (3) Insurers shall not use the following types of credit history to

32   calculate a personal insurance score or determine personal insurance

33   premiums or rates:

34   (a) The absence of credit history or the inability to determine the

35   consumer's credit history, unless the insurer has filed actuarial data

36   segmented by demographic factors in a manner prescribed by the

37   commissioner that demonstrates compliance with RCW 48.19.020;

38   (b) The number of credit inquiries;

1    (c) Credit history or an insurance score based on collection
2    accounts identified with a medical industry code;
3    (d) The initial purchase or finance of a vehicle or house that adds
4    a new loan to the consumer's existing credit history, if evident from
5    the consumer report; however, an insurer may consider the bill payment
6    history of any loan, the total number of loans, or both;
7    (e) The consumer's use of a particular type of credit card, charge
8    card, or debit card; or
9    (f) The consumer's total available line of credit; however, an
10   insurer may consider the total amount of outstanding debt in relation
11   to the total available line of credit.
12   (4) If a consumer is charged higher premiums due to disputed credit
13   history, the insurer shall rerate the policy retroactive to the
14   effective date of the current policy term. As rerated, the consumer
15   shall be charged the same premiums they would have been charged if
16   accurate credit history was used to calculate an insurance score. This
17   subsection applies only if the consumer resolves the dispute under the
18   process set forth in the fair credit reporting act and notifies the
19   insurer in writing that the dispute has been resolved.
20   (5) The commissioner may adopt rules to implement this section.
21   (6) This section applies to all personal insurance policies issued
22   or renewed on or after June 30, 2003.

Passed by the House March 9, 2004.
Passed by the Senate March 4, 2004.
Approved by the Governor March 22, 2004.
Filed in Office of Secretary of State March 22, 2004.