

# SENATE BILL REPORT

## SB 5010

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As of January 13, 2021

**Title:** An act relating to prohibiting the use of credit scores to determine rates for personal lines of insurance.

**Brief Description:** Prohibiting the use of credit scores to determine rates for personal lines of insurance.

**Sponsors:** Senators Das, Randall, Dhingra, Hunt, Keiser, Kuderer, Nguyen, Pedersen, Rolfes, Van De Wege, Wilson, C., Lias, Carlyle, Lovelett, Nobles, Saldaña, Gildon, Hasegawa, Stanford, Robinson, Billig and Conway; by request of Insurance Commissioner, Office of the Governor.

**Brief History:**

**Committee Activity:** Business, Financial Services & Trade: 1/14/21.

**Brief Summary of Bill**

- Prohibits the use of credit history in determining rates or premiums for personal insurance.

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### SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

**Staff:** Kellee Gunn (786-7429)

**Background:** Personal Insurance. Personal insurance includes the following:

- private passenger automobile coverage;
- homeowner's coverage, including mobile homeowner's, manufactured homeowner's, condominium owners, and renter's coverage;
- dwelling property coverage;
- earthquake coverage for residence and personal property;
- personal liability and theft coverage;
- personal inland marine coverage; and

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- mechanical breakdown coverage for personal auto or home appliances.

Credit History and Insurance Scores. Credit history is any information provided by a consumer reporting agency on a consumer's creditworthiness, credit standing, or credit capacity. An insurance score is derived from an algorithm or model that is based in whole or in part on credit history. Credit history may only be used if the insurance scoring models are filed with the Office of the Insurance Commissioner (OIC) by the insurer. Using credit history or an insurance score to determine rates, premiums, or eligibility depends on the insurer and the regulator. Personal information, such as gender, age, or marital status, cannot be used in a credit-based insurance score.

Use of Credit History in Insurance. Insurers may use credit history to determine how much premium to charge or whether to issue or renew an insurance policy. Depending on the state, certain limits and restrictions exist on how an insurer may use credit history.

In Washington State, credit history may only be used to deny personal insurance in combination with other substantive underwriting factors. A person may not be denied insurance coverage or have their premiums or rates determined by the number of credit inquiries; collection accounts identified as medical bills; buying or financing a first vehicle or first house; the type of credit, debit, or charge card used; or the total available line of credit in their credit history. Additionally, a person without credit history cannot be denied insurance coverage.

**Summary of Bill:** Effective January 1, 2023, insurers must not use credit history to determine rates or premiums for personal insurance policies issued or renewed.

Prior to January 1, 2023, if an insurer files rates and rating rules for personal insurance using credit history, the insurer must submit a filing to remove the use of credit from its rates and rating rules. On or after January 1, 2022, the OIC shall disapprove an insurer's filing of rates and rating rules for any type of personal insurance that uses credit history to determine its rates unless the filing:

- has the effect of removing credit history from the rates and rating rules for that type of insurance; or
- was previously submitted to remove the use of credit history from its rates and rating rules.

**Appropriation:** None.

**Fiscal Note:** Requested on January 7, 2021.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.