

SENATE BILL REPORT

SB 5879

As of January 20, 2022

Title: An act relating to requiring insurers who use credit information to provide reasonable exceptions to insurance rates for consumers experiencing extraordinary life circumstances.

Brief Description: Requiring insurers who use credit information to provide reasonable exceptions to insurance rates for consumers experiencing extraordinary life circumstances.

Sponsors: Senators Dozier, Sefzik and Warnick.

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/20/22.

Brief Summary of Bill

- Requires insurers to provide reasonable exceptions to insurance rates for consumers experiencing extraordinary life circumstances, if contacted in writing.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: Extraordinary Life Circumstances and Insurance. The National Council of Insurance Legislators (NCOIL) developed the Model Act Regarding Use of Credit Information in Personal Insurance (Model Act) in 2002. It has been readopted multiple times, most recently in November 2015. The Model Act allows insurance rates where credit information is used to be reconsidered in the event of an extraordinary life circumstance (ELC).

Summary of Bill: An insurer who uses credit information must provide reasonable exceptions to their rates, rating classification, company or tier placement, or underwriting rules or guidelines for consumers whose credit has been affected by certain events. The

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insured or insurance applicant must request the reasonable exception in writing.

ELCs or events include:

- a catastrophic event, as declared by the federal or state government;
- serious illness or injury of themselves or an immediate family member;
- death of a spouse, child, or parent;
- divorce or involuntary interruption of legally owed alimony or support payments;
- identity theft;
- temporary loss of employment for three months or more, if involuntary terminated;
- military deployment overseas; or
- other events determined by the insurer.

Information and notice to consumers about the availability of these exceptions must be provided by the insurer.

No more than 60 days from the date of the insurance application or policy renewal, the insurer may:

- request written and independently verifiable documentation of the event;
- request demonstration that the event had a direct and meaningful impact on the consumer's credit information;
- grant an exception without a written consumer request; and
- grant an exception for a repeated or previously considered event.

Within 30 days of receipt of sufficient documentation of an event, the insurer must inform the consumer of the outcome.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Other states offer exceptions to insureds going through ELCs, but Washington State does not. Using credit history in insurance scores has an impact when these extraordinary life events occur, and this provides them a protection against that. This is a reasonable consumer protection measure. This language has been debated and fine-tuned over 20 years. Those who are going through difficult times deserve a break. Discretion is left to the carrier for reasonable exceptions. OIC can do rulemaking to further develop this. Credit-based insurance scores (CBIS) differ from carrier to carrier depending on their calculation of risk. Rates are based on risk, and insurers make that determination.

Washington is an outlier in this. Most every other state has adopted this model act through law, regulation, or policy by regulators adopting filings by insurers who allow for extraordinary life circumstance exceptions. Opponents would like you to believe that consumers would be harmed by this. Accommodations should be made available for consumers. It is not a burden for consumers to communicate these circumstances to insurers. This will be a helpful tool for agents to offer their customers.

CON: This bill would allow insurers to circumvent the prohibition on discrimination and determine whose life circumstances are deserving for a change in rates. Most Washington insureds are going through an ELC right now and shouldn't have to seek accommodation. Bias exists, and government should pushback against bias. This bill allows for undefined exceptions for consumers. Many insureds do not know that their credit history is used in insurance pricing. This is not a smart compromise between current law and the credit score prohibition.

The OIC agrees the pandemic has negatively impacted people of color and other insureds. This bill could be unfairly discriminatory and circumvent anti-discrimination statutes. Allowing insurers to define reasonable exception will not benefit all consumers. OIC would like to see credit history removed from insurance scores permanently as it perpetuates historic inequality. This bill places administrative duties on a consumer when that consumer is dealing with difficult circumstances. It is hard to determine whether NCOIL has been effective in other states.

Persons Testifying: PRO: Senator Perry Dozier, Prime Sponsor; Tony Cotto, National Association of Mutual Insurance Companies; Mel Sorensen, American Property Casualty Ins. Assoc.; PIA WA/AK; Bill Stauffacher, Independent Insurance Agents and Brokers of Washington.

CON: Shaun Scott; Michael DeLong, Consumer Federation of America; Mark Dietzler, Office of the Insurance Commissioner; Michael Walker, Office of the Insurance Commissioner.

Persons Signed In To Testify But Not Testifying: No one.