

HB 1557 -- Use of Credit Scores by Insurance Companies

Sponsor: Hughes

This bill changes the laws regarding the use of credit information when underwriting insurance contracts. In its main provisions, the bill:

- (1) Revises the definition of "adverse action" to have the same meaning as in the federal Fair Credit Reporting Act including the cancellation, denial, and nonrenewal of personal insurance coverage and creating an unfavorable change in the terms of coverage, including charging higher premiums;
- (2) Revises the definition of "contract" as it relates to automobile and property insurance policies;
- (3) Prohibits insurers from using a credit score derived from using a person's income, gender, address, heritage, religion, marital status, or education. The absence of credit information or an inability to calculate a score cannot be used when underwriting insurance;
- (4) Prohibits insurers from using credit information to underwrite a policy after it has been in force for 36 months, unless there is a substantial change in the risk based on other factors;
- (5) Allows the consumer, at his or her annual renewal, to request the insurer re-underwrite the policy based on a current credit report;
- (6) Prohibits insurers and credit reporting agencies from using as a negative factor in underwriting:
 - (a) Credit inquiries not initiated by the insured;
 - (b) Medical collection accounts and inquiries relating to insurance coverage;
 - (c) Multiple credit inquiries;
 - (d) Absence of credit history;
 - (e) Use of certain credit cards; or
 - (f) Consumer's total available line of credit; and
- (7) Requires insurers to file their insurance credit scoring models with the Department of Insurance, Financial Institutions,

and Professional Registration.