Individual State Agency Fiscal Note

Bill Number: 5623 SB	Title: Use of Credit History in Insurance Premium Setting	Agency: 160-Office of Insurance Commissioner

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	1.0	0.5	0.0	0.0
Account					
Insurance Commissioners Regulatory Account-State 138-1	0	150,423	150,423	8,650	8,650
Total $	0	150,423	150,423	8,650	8,650

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2(2)(c) allows credit history, beginning July 1, 2023, to only be used by insurers as a factor or attribute in determining an insurance score for personal insurance policies for new applicants or for improving an insured's score at renewal by rerating a policy that results in a lower premium.

Section 2(3)(g) prohibits insurers from using credit history to increase rates or premiums at renewal for any personal insurance policyholder beginning July 1, 2023.

Section 2(5) authorizes the Office of Insurance Commissioner to adopt rules to implement section 2.

Section 2(6) requires insurers to permit policyholders to request the insurer rerate the policy based on current credit information. The policyholder's current credit history report or insurance score shall only be used if the result of the rerate reduces the consumer's premium.

Section 2(7) allows insurers to resume the consideration of credit history via a note to reviewer or a new filing. If an insured's premium was previously determined using credit history, the prior credit history may be used at the first renewal after enactment of this act.

Section 2(8) requires that rate filings submitted in compliance with this section do not violate RCW 48.19.020 (premium rates for insurance shall not be excessive, inadequate, or unfairly discriminatory).

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Section 2(2)(c) allows credit history, beginning July 1, 2023, to only be used by insurers as a factor or attribute in determining an insurance score for personal insurance policies for new applicants or for improving an insured's score at renewal by rerating a policy that results in a lower premium.

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Section 2(7) allows insurers to resume the consideration of credit history via a note to reviewer or a new filing. If an insured's premium was previously determined using credit history, the prior credit history may be used at the first renewal after enactment of this act.

Section 2(8) requires that rate filings submitted in compliance with this section do not violate RCW 48.19.020 (premium rates for insurance shall not be excessive, inadequate, or unfairly discriminatory).

Sections 2(2), 2(3) and 2(6) requires insurers that use credit information for rating to file revised rating plans. The revisions to the standards for using credit scoring factors will require the Office of Insurance Commissioner (OIC) to develop and apply new review standards for property and casualty personal lines rate filings. It is also anticipated that 10 insurers will contact OIC needing assistance regarding the meaning and impact of the new standards and that each contact will take two hours of staff time. Based on the number of rate filings submitted in 2021 to comply with OIC's emergency rule temporarily banning the use of credit scoring, the OIC assumes insurers will submit 190 rate filings and 190 disclosure form filings. Each rate filing will take an average of 25 minutes to review, and each disclosure form filing will take an average of 30 minutes to review. In FY2023, one-time costs of 8 hours of an Actuary 2 to update rate filing review standards, update checklist documents, and train staff; 20 hours (10 insurers x 2 hours) of an Actuary 3 to assist insurers with inquires; 80 hours (190 rate filings x 25 minutes) of an Actuary 2 to conduct the rate filing review; and 95 hours (190 form filings x 30 minutes) of a Functional Program Analyst 4 to conduct the form filing reviews will be required.

The provisions of Sections 2(2), 2(3), 2(6), 2(7) and 2(8) will lead to a modest increase in referrals for enforcement. Based on past enforcement actions related to credit matters, OIC anticipates one additional enforcement action per year will be required to address credit scoring matters. Investigations generally take anywhere between 25-80 hours per case and enforcement actions require the equivalent of approximately 25 hours per case. For purposes of this fiscal note, it is assumed that investigations will require an average of 25 hours per case and enforcement actions will require an average of 25 hours per case requiring 25 hours of an Investigator 3 and 25 hours of an Insurance Enforcement Specialist beginning in FY2023.

Section 2(5) authorizes the OIC to adopt rules to implement section 2. 'Complex' rulemaking, in FY2023, is required to revise or repeal sections of WAC 284-24.

Ongoing costs:
Salary, benefits and associated costs for .02 FTE Investigator 3 and .02 FTE Insurance Enforcement Specialist beginning in FY2023.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
138-1	Insurance Commissioners Regulatory Account	State	0	150,423	150,423	8,650	8,650
		Total $	0	150,423	150,423	8,650	8,650

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		1.0	0.5	0.0	0.0
A-Salaries and Wages		90,859	90,859	5,144	5,144
B-Employee Benefits		29,479	29,479	1,776	1,776
C-Professional Service Contracts					
E-Goods and Other Services		30,085	30,085	1,730	1,730
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	150,423	150,423	8,650	8,650

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Actuary 2	128,436		0.1	0.0		
Actuary 3	164,364		0.0	0.0		
Functional Program Analyst 4	78,408		0.2	0.1		
Insurance Enforcement Specialist	87,852		0.0	0.0	0.0	0.0
Investigator 3	74,604		0.0	0.0	0.0	0.0
Senior Policy Analyst	99,996		0.7	0.3		
Total FTEs			1.0	0.5	0.0	0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

Section 2(5) authorizes the Office of Insurance Commissioner to adopt rules to implement section 2 of the bill. 'Complex'

rulemaking, in FY2023, will be necessary for regulatory updates and guidance in Chapter 284-24 WAC (Rates). Specifically, WAC 284-24-140(2)(b) requires insurers to calculate premiums for each policy using the insurer's most recently determined insurance score for the policy. This conflicts with the bill, which does not permit insurers to calculate premiums using insurance scores if it results in a premium increase. In addition, WAC 284-24-140 requires insurers to update each policyholder's insurance score no less often than once every three years. This conflicts with the bill, which does not require insurers to re-check credit at renewal unless the policyholder requests the credit check.