SENATE BILL REPORT
S-4132.2

As of February 1, 2022

Title:

Brief Description: Delaying rulemaking on the use of credit scores in insurance until a work group addresses ways to reduce insurance costs for certain residents.

Sponsors:

Committee Activity:
Business, Financial Services & Trade: 2/1/2022.

Brief Summary

- Establishes a work group, convened by a mediator, to examine the use of credit history in insurance scores.
- Requires the work group to develop viable policy options for the Legislature's consideration by December 1, 2022.
- Prohibits the Office of the Insurance Commissioner (OIC) from adopting any rules that would conflict with current law regarding the use of credit history in insurance scores until June 30, 2023.
- Requires insurers to provide information on the consumer experience with the OIC's emergency rule within three months from the date of the request by the work group.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Staff: Kellee Gunn (786-7429)

Background: Credit History and Insurance Scores. Credit history is any information provided by a consumer reporting agency on a consumer's creditworthiness, credit standing,

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or credit capacity. An insurance score is derived from an algorithm or model 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.

Since 2002, credit-based insurance scores (CBIS) in Washington State have been controlled by state law. Under that law, credit history may only be used to deny personal insurance in combination with other substantive underwriting factors. Certain debts and parts of a credit history—such as medical debt and lack of credit—cannot be used in insurance scores. CBIS may be used by insurers for new insurance applicants and for current policy holders at renewal.

Emergency Rules Prohibiting the Use of Credit History in Insurance Scores. On March 22, 2021, the OIC filed an emergency rule- making order to temporarily prohibit the use of credit history in determining premiums and eligibility for coverage in certain personal insurance products, namely private automobile, homeowners, and renter's insurance. On June 20, 2021, the prohibitions in this rule were required for all new policies, and those up for renewal on or after that date.

In October 2021, the emergency rule was overturned by Thurston County Superior Court. Normal rule- making has begun to make this emergency rule permanent, with the most recent rule-making hearing on November 23, 2021.

Summary of Bill: A work group is established to examine the use of credit history in insurance scores and develop viable policy options for creating an insurance environment that is affordable and equitable for everyone, including those with low credit scores. The work group must be convened by a mediator, appointed by the Office of Financial Management.

The mediator must promptly meet with the representatives of the work group and assist them in developing viable policy options to present to the Legislature. The mediator cannot force an agreement between the parties.

Policy options must be submitted to the Legislature by December 1, 2022.

To assist in the work group's deliberations, insurers must provide information on the consumer experience with the OIC's emergency rule. Information may be provided on an aggregate basis through an insurance information organization and must be produced within three months from the date of the request by the work group. T he OIC is prohibited from adopting any rules that would conflict with current law regarding the use of credit history in insurance scores until June 30, 2023.

The work group must consist of :

- five members, representing the insurance industry, chosen by a nonprofit, member-supported council representing property and casualty insurers in the Pacific Northwest; and
- five members, representing consumer advocacy organizations and insurance regulators, chosen by the OIC.

All work group members must be residents of Washington State.

Appropriation: None.

Fiscal Note: Requested on January 31, 2022.

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

Effective Date: The bill contains an emergency clause and takes effect immediately.