

State Corporation Commission
2003 Fiscal Impact Statement

1. Bill Number HB2535

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Byron

3. Committee Commerce and Labor

4. Title Insurance; use of credit information.

5. Summary/Purpose: Insurers may not non-renew a policy insuring an owner-occupied dwelling solely on the basis of credit information. However, insurers may non-renew the policy if the insured has had a bankruptcy, foreclosure, or a history of late payments to creditors. Insurers may only set rates based on credit information if the insured has had a bankruptcy, foreclosure, or a history of late payments to creditors. If the rates are based on credit information, the insurer must disclose this to the insured on the billing statement along with the numerical score and an explanation of the score and how it is used. The same provisions apply to private passenger automobile policies. Insurers may not refuse to issue a policy written to insure an owner-occupied dwelling or written to insure the personal property of a residential property risk solely on the basis of credit information unless the person seeking insurance has had a bankruptcy, foreclosure, or a history of late payments to creditors. Insurers may only set rates based on credit information if the insured has had a bankruptcy, foreclosure, or a history of late payments to creditors. If the rates are based on credit information, the insurer must disclose this to the insured on the billing statement along with the numerical score and an explanation of the score and how it is used. The same provisions apply to private passenger automobile policies.

6. No Fiscal Impact on state agencies

7. Budget amendment necessary : No

8. Fiscal implications : None

9. Specific agency or political subdivisions affected : State Corporation Commission Bureau of Insurance

10. Technical amendment necessary : The State Corporation Commission Bureau of Insurance offered the following technical amendments to Delegate Byron on House Bill 2534:

1. There is an incorrect reference to policy "renewals" in subsection A 10 and subsection C 1 and 2 of § 38.2 -2115. This section only pertains to the issuance of policies, not policy renewals. The same is true of subsection A 10 and subsection C 1 and 2 of § 38.2 -2213.

2. Section 38.2- 2213 is missing a subsection "A."
3. The new language in subsection C 2 of § 38.2 -2212 contains an incorrect reference to the "person seeking insurance" since this subsection pertains to non-renewals.
4. It is unclear whether the language in §§ 38.2 -2114 and 38.2 -2212 is intended to allow insurers to non-renew **solely** on the basis of credit information if the insured has had a bankruptcy, foreclosure, or history of late payments or whether the insurer may only non-renew for this reason in combination with other reasons. These sections are written differently than §§ 38.2 -2115 and 38.2-2213 where it is clear that the insurer may refuse to issue solely due to credit information as long as the person seeking insurance has had a bankruptcy, foreclosure, or a history of late payments to creditors.
5. There appears to be an incorrect reference to policy "renewals" in subsection A 10 and subsection C 1 and 2 of § 38.2 -2115. This section only pertains to the issuance of policies, not policy renewals. The same is true of subsection A 10 and subsection C 1 and 2 of § 38.2-2213.
6. Section 38.2- 2213 is missing a subsection letter "A."
7. It appears that the new language in subsection C 2 of § 38.2 -2212 contains an incorrect reference to the "person seeking insurance" since this subsection pertains to non-renewals.
8. It is unclear whether the language in §§ 38.2 -2114 and 38.2 -2212 is intended to allow insurers to non-renew **solely** on the basis of credit information if the insured has had a bankruptcy, foreclosure, or history of late payments or whether the insurer may only non-renew for this reason in combination with other reasons. These sections are written differently than §§ 38.2 -2115 and 38.2-2213 where it is clear that the insurer may refuse to issue a policy solely due to credit information as long as the person seeking insurance has had a bankruptcy, foreclosure, or a history of late payments to creditors.
9. On Line 394, the word "or" should be deleted.
11. **Other comments :** House Bill 2535 would limit insurance companies' use of credit information to only those insureds who have filed for bankruptcy, have a foreclosure, or have a late payment history. There are two other non-identical bills that deal with the use of credit information: Senate Bill 1284, introduced by Senator Puckett, and House Bill 2753, introduced by Delegate Abbitt. Insurance companies increasingly rely on credit information in underwriting or rating.

Date: 01/20/03/V.Tompkins

cc:SecretaryofCommerceandTrade