

# State Corporation Commission

## 2003 Fiscal Impact Statement

1. **Bill Number** SB1284

**House of Origin** ☐ Introduced ☐ Substitute ☒ Engrossed  
**Second House** ☒ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Puckett

3. **Committee** Commerce and Labor

4. **Title** Use of credit information in insurance transactions.

5. **Summary/Purpose:** Insurers will be prohibited from non-renewing private passenger automobile and homeowners insurance policies solely on the basis of credit information. If credit information is used in conjunction with another reason as the basis for the non-renewal, such credit information must be pulled within 120 days of the termination date. Insurers will be required to give a notice explaining how credit will be used as well as the specific factors that determine a person's credit score. Insurers will also have to give a notice stating that, if the insured questions the accuracy of the credit information, the insurer will be obligated to reevaluate the insured based on corrected information.

If an insurer uses credit in rating or tier placement of its renewal business, the insured's credit information must be updated every three years, unless the insured requests an update sooner. Insurers are not required to update more than once during each policy term. Insureds who do not have sufficient credit to produce a credit score will either be given a neutral score or will be rated or underwritten excluding the use of credit or in accordance with the insurer's guidelines or rules.

Certain factors are prohibited from being used to determine a credit score. These include disputed credit information; insurance inquiries and non-consumer initiated inquiries; medical trade lines; income, gender, address, zip code, ethnic group, race, color, religion, marital status, or nationality; and total available line of credit. Also, insurers are prohibited from considering, as more than one inquiry, multiple automobile or home mortgage lender inquiries made within 30 days of one another. Insurers may not take an adverse action based on a credit report procured more than 90 days prior to the date the policy was first written. Insurers may make exceptions for insureds with catastrophic medical problems.

The bill has been amended to apply to new policies not later than January 1, 2004, and to renewal policies not later than April 1, 2004. Language has also been added to clarify that the provisions of § 38.2-2234 do not apply to private passenger automobiles insured on commercial 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 :**No

**11. Other comments :** Senator Puckett introduced Senate Bill 272 during the 2002 Session and then asked that the bill be stricken so that he could work with insurers over the course of 2002 to resolve differences. Senate Bill 1284 is this year's version of his bill dealing with the use of credit information. There were two other bills this session that dealt with the use of credit information: House Bill 2753, which has been stricken by its patron, and Delegate Byron's House Bill 2535, which is now identical to Senate Bill 1284.

**Date:** 02/04/03/V. Tompkins

cc:Secretary of Commerce and Trade