

2015 SESSION

ENROLLED

HOUSE JOINT RESOLUTION NO. 594

Requesting the Bureau of Insurance to study the use by insurers of an insured's or applicant's credit information in connection with underwriting motor vehicle insurance policies. Report.

Agreed to by the House of Delegates, February 9, 2015

Agreed to by the Senate, February 24, 2015

WHEREAS, Virginia law permits an insurer issuing or delivering a policy of motor vehicle insurance in the Commonwealth to use credit information contained in a consumer report as one factor for underwriting, tier placement, or rating an applicant or insured if certain disclosure and other requirements are met; and

WHEREAS, the insurance industry has asserted that actuarial studies illustrate that an individual's ability to manage his financial affairs is a predictor of insurance claims, that scores based on a person's credit history help insurers differentiate between lower and higher insurance risks, and that individuals who have a poor credit history are more likely to file a claim; and

WHEREAS, a Federal Trade Commission study released in 2007, in which more than two million automobile policies were examined, found that while credit-based insurance scoring was an effective predictor of risk and is useful in setting premiums to match the level of risk, it lacked sufficient evidence to explain the correlation between claims and credit history; and

WHEREAS, it has been asserted that provisions authorizing insurers to use credit-based insurance scores when setting premiums for a motor vehicle insurance policy are improper because the practice is not based on a plausible relationship between the characteristics of a class and the hazard insured against, that the use of credit-based insurance scores is unfair because credit scores may be affected by factors that cannot be controlled by the consumer, that the use of credit scores is a proxy to rating based on race or income, and that credit-based insurance scores can be manipulated and therefore are arbitrary; and

WHEREAS, it is not intuitively obvious that an individual's credit history should be permitted to be used as a factor in determining the premiums for motor vehicle insurance, and factors such as an individual's driving record and other data derived from operating a motor vehicle may be more reliable predictors of the actual risk proximate to an insurance policy; and

WHEREAS, a study of whether the use of credit history in setting motor vehicle insurance costs is appropriate could increase public understanding of the issue; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Bureau of Insurance be requested to study the use by insurers of an insured's or applicant's credit information in connection with underwriting motor vehicle insurance policies.

In conducting its study, the Bureau of Insurance shall (i) examine §§ 38.2-2212, 38.2-2213, and 38.2-2234 of the Code of Virginia to determine if those provisions unfairly burden motor vehicle insurance policyholders; (ii) determine whether the use of consumer credit information, rather than relying on the insured's or applicant's driving record and other factors proximately related to risks of operating a motor vehicle, in setting insurance premiums and tier ratings is appropriate; and (iii) determine whether the use of consumer credit information in setting insurance premiums and tier ratings discriminates against poorer or younger people who either have had challenges with credit or have no credit history.

Technical assistance shall be provided to the Bureau of Insurance by the Department of Motor Vehicles. All agencies of the Commonwealth shall provide assistance to the Bureau of Insurance for this study, upon request.

The Bureau of Insurance shall submit a report of its findings and recommendations to the Chairmen of the House Committee on Commerce and Labor and the Senate Committee on Commerce by October 1, 2016.

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