

2013 -- S 0439

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO INSURANCE -- CASUALTY INSURANCE RATING

Introduced By: Senators Archambault, and Lombardi

Date Introduced: February 28, 2013

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-9-56 of the General Laws in Chapter 27-9 entitled "Casualty
2 Insurance Rating" is hereby amended to read as follows:

3 **27-9-56. Use of credit rating.** -- (a) An insurer may use insurance scoring for rating and
4 underwriting policies of personal motor vehicle insurance only under the following conditions:

5 (1) The insurer demonstrates the predictive nature of their insurance score to the
6 insurance division.

7 (2) An insurer shall, once every two (2) years if requested by an existing customer,
8 obtain an updated insurance score for the customer. ~~If, after obtaining the insurance score, the~~
9 ~~customer has improved his, her or its credit rating, the user of the information shall afford the~~
10 ~~customer any decrease in rates that are available due to the improved rating.~~ The user may not
11 increase the rate of an existing customer based solely on a worsening in the customer's insurance
12 score unless: (i) the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure or
13 judgment; or (ii) if a subsequent insurance score no sooner than six (6) months later confirms the
14 worsening in score. ~~Should an existing customer's score change as the result of an updated credit~~
15 ~~report, the decrease or increase in rates must be done at renewal subject to conditions established~~
16 ~~herein.~~

17 (3) An insurer shall not decline insurance for a new customer based solely on an
18 insurance score, or absence of an insurance score; and an insurer shall not cancel, non-renew or
19 increase the rate of an existing customer based solely on a worsening in a customer's insurance

1 score unless: (i) the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure or
2 judgment; or (ii) if a subsequent insurance score no sooner than six (6) months later confirms the
3 worsening in score. ~~Should an existing customer's score change as the result of an updated credit
4 report, the decrease or increase in rates must be done at renewal subject to conditions established
5 herein.~~

6 (4) No insurer is obligated to obtain ~~a current credit report or~~ an insurance score for an
7 insured if: the insured is in the most favorably-priced tier of the insurer, within a group of
8 affiliated insurers; or credit was not used for the insured when the policy was initially written.
9 ~~However, the insurer shall have the discretion to use credit for the insured upon renewal, if
10 consistent with its underwriting guidelines.~~ The user may not increase the rate of an existing
11 customer based solely on a worsening in the customer's insurance score unless: (i) the worsening
12 is due to a bankruptcy, tax lien, garnishment, foreclosure or judgment; or (ii) if a subsequent
13 insurance score no sooner than six (6) months later confirms the worsening in score. ~~Should an
14 existing customer's score change as the result of an updated credit report, the decrease or increase
15 in rates must be done at renewal subject to conditions established herein.~~

16 (5) If a credit bureau determines that disputed information is inaccurate or incorrect and
17 such information was used in determining an insurance score which resulted in a denial,
18 cancellation or nonrenewal of or higher premiums or less favorable policy terms for a consumer,
19 the insurer shall, within thirty (30) days of receiving notice of correction, reissue or re-rate the
20 policy by refunding the amount of the overpayment of premium based on the corrected insurance
21 score retroactive to the shorter of the last twelve (12) months of coverage or the actual period of
22 coverage. An "insurance score" as used in this section shall be defined as a number or rating that
23 is derived from an algorithm, computer application, model or other process that is based in whole
24 or in part on credit history.

25 (b) Agents shall be held harmless by insurers for all acts, efforts and disclosures in
26 obtaining an insurance score on the insurer's behalf. The commissioner is authorized and
27 empowered to establish rules and regulations to carry out the provisions of this section and to
28 fulfill the goals of this section.

29 (c) ~~Notwithstanding the above, an~~ An insurer authorized to do business in Rhode Island
30 shall not use a customer's credit report ~~that uses credit information~~ to underwrite or rate risks;
31 ~~shall not use the following as a negative factor in any insurance scoring methodology or in
32 reviewing credit information for the purpose of underwriting or rating a policy of personal
33 insurance:~~

34 ~~(1) Credit inquiries not initiated by the consumer or inquiries requested by the consumer~~

1 ~~for his or her own credit information;~~

2 ~~(2) Inquiries relating to insurance coverage, if so identified on a consumer's credit report;~~

3 ~~(3) Collection accounts with a medical industry code, if so identified on the consumer's~~
4 ~~credit report;~~

5 ~~(4) Multiple lender inquiries, if coded by the consumer reporting agency on the~~
6 ~~consumer's credit report as being from the home mortgage industry and made within thirty (30)~~
7 ~~days of one another, unless only one inquiry is considered;~~

8 ~~(5) Multiple lender inquiries, if coded by the consumer reporting agency on the~~
9 ~~consumer's credit report as being from the automobile lending industry and made within thirty~~
10 ~~(30) days of one another, unless only one inquiry is considered.~~

11 (d) No consumer reporting agency shall provide or sell data or lists that include any
12 information that in whole or in part was submitted in conjunction with an insurance inquiry about
13 a consumer's ~~credit information or a request for a credit report or~~ insurance score. Such
14 information includes, but is not limited to, the expiration dates of an insurance policy or any other
15 information that may identify time periods during which a consumer's insurance may expire and
16 the terms and conditions of the consumer's insurance coverage.

17 (e) The restrictions provided in subsection (d) of this section do not apply to data or lists
18 the consumer reporting agency supplies to the insurance [agent/producer]from whom information
19 was received, the insurer on who's behalf such [agent/producer]acted, or such insurer's affiliates
20 or holding companies.

21 (f) Nothing in this section shall be construed to restrict any insurer from being able to
22 obtain a claims history report or a motor vehicle report.

23 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- CASUALTY INSURANCE RATING

- 1 This act would prohibit insurers from using credit ratings to underwrite or rate risks.
- 2 This act would take effect upon passage.

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