

SENATE BILL NO. 127

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY SENATOR HUGGINS

Introduced: 1/19/16
Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to actions by insurers based on credit history or insurance score; and**
2 **providing for an exception to consideration by an insurer of credit history or insurance**
3 **score."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 21.36.460(d) is amended to read:

6 (d) An insurer may not

7 (1) fail to renew [OR, AT RENEWAL, AGAIN UNDERWRITE OR
8 RATE] a personal insurance policy based in whole or in part on a consumer's credit
9 history or insurance score [; THE PROHIBITION IN THIS PARAGRAPH AGAINST
10 UNDERWRITING OR RATING A PERSONAL INSURANCE POLICY AT
11 RENEWAL MAY BE WAIVED BY THE CONSUMER; WAIVER ALLOWED
12 UNDER THIS PARAGRAPH MUST OCCUR AT EACH RENEWAL];

13 (2) cancel, deny, underwrite, or rate personal insurance coverage based
14 in whole or in part on

1 (A) the absence of credit history or the inability to determine the
2 consumer's credit history if the insurer has received accurate and complete
3 information from the consumer; this subparagraph does not apply if the insurer
4 treats the consumer as if the consumer had neutral credit information as
5 approved by the director;

6 (B) credit inquiries not initiated by the consumer;

7 (C) credit inquiries relating to insurance coverage if identified
8 on a consumer's credit report;

9 (D) credit inquiries by the consumer for the consumer's own
10 credit information;

11 (E) multiple lender inquiries if coded on the consumer's credit
12 report as being for automobile, boat, recreation vehicle, or home mortgage
13 loans, unless all inquiries under that code within a 30-day period are counted
14 as one;

15 (F) credit history or an insurance score based on collection
16 accounts identified with a medical industry code;

17 (G) the consumer's use of a particular type of credit card, charge
18 card, or debit card or the absence of a credit card;

19 (H) the consumer's total available line of credit; however, the
20 consumer's ratio of debt to total available line of credit may be considered;

21 (I) the age of the most recent automobile or home loan obtained
22 by the consumer; however, an insurer may consider the bill payment history or
23 total number of loans; or

24 (J) the person's age when credit is established;

25 (3) use the credit history of the consumer when the consumer is
26 adversely affected by a joint account owner who was the spouse of the consumer or a
27 joint account owner who is the spouse of the consumer and who is a party to a divorce
28 or dissolution action against the consumer; this paragraph applies only if the consumer
29 provides written notice to the insurer that identifies the credit information that is
30 adversely affected by the joint account owner; this paragraph does not prevent the use
31 of credit history that is not identified by the consumer as required by this paragraph;

1 (4) use an insurance score that is calculated using the income, age, sex,
2 address, zip code, census block, ethnic group, religion, marital status, or nationality of
3 the consumer as a factor;

4 (5) use credit history to determine an insurance score if the history is
5 obtained more than 90 days before the policy is issued;

6 (6) use an insurance score derived from an insurance scoring model to
7 determine eligibility for an insurance payment plan; this paragraph does not prohibit
8 the use of credit history to evaluate the ability of the consumer to make payments.

9 * **Sec. 2.** AS 21.36.460(i)(1) is amended to read:

10 (1) "adverse action" has the meaning given in 15 U.S.C. 1681 et seq.
11 (Fair Credit Reporting Act) and includes

12 (A) cancellation, denial, or failure to renew personal insurance
13 coverage;

14 (B) charging a higher insurance premium for personal
15 insurance than would have been offered if [THE] credit history or insurance
16 score had **not** been **considered** [MORE FAVORABLE, WHETHER THE
17 CHARGE IS BY

18 (i) APPLICATION OF A RATING RULE;

19 (ii) ASSIGNMENT TO A RATING TIER THAT
20 DOES NOT HAVE THE LOWEST AVAILABLE RATES; OR

21 (iii) PLACEMENT WITH AN AFFILIATE
22 COMPANY THAT DOES NOT OFFER THE LOWEST RATES
23 AVAILABLE TO THE CONSUMER WITHIN THE AFFILIATE
24 GROUP OF INSURANCE COMPANIES]; or

25 (C) **a** [ANY] reduction or adverse or unfavorable change in the
26 terms of coverage or amount of personal insurance due to a consumer's credit
27 history or insurance score [; A REDUCTION OR ADVERSE OR
28 UNFAVORABLE CHANGE IN THE TERMS OF COVERAGE OCCURS
29 WHEN

30 (i) COVERAGE PROVIDED TO THE CONSUMER
31 IS NOT AS BROAD IN SCOPE AS COVERAGE REQUESTED BY

1 THE CONSUMER BUT AVAILABLE TO OTHER INSURED OF
 2 THE INSURER OR ANY AFFILIATE; OR

3 (ii) THE CONSUMER IS NOT ELIGIBLE FOR
 4 BENEFITS THAT ARE AVAILABLE THROUGH AFFILIATE
 5 INSURERS];

6 * **Sec. 3.** AS 21.36 is amended by adding a new section to read:

7 **Sec. 21.36.461. Extraordinary life circumstances.** (a) Except as provided in
 8 AS 21.36.460(d), an insurer that uses a consumer's credit history or insurance score
 9 shall provide reasonable exceptions to the insurer's rates, rating classifications,
 10 company or tier placement, or underwriting rules or guidelines for a consumer who
 11 has experienced and whose credit history or insurance score has been affected by one
 12 or more of the following extraordinary life circumstances:

13 (1) a catastrophe, as declared by the director;

14 (2) a serious illness or injury, or a serious illness of or injury to an
 15 immediate family member;

16 (3) the death of a spouse, child, or parent;

17 (4) divorce or the involuntary interruption of spousal support or
 18 maintenance payments;

19 (5) identity theft;

20 (6) loss of employment for three months or more as a result of
 21 involuntary termination;

22 (7) military overseas deployment; or

23 (8) other events, as determined by the insurer.

24 (b) If a consumer submits a request for an exception under (a) of this section,
 25 an insurer may, in its sole discretion,

26 (1) require the consumer to provide reasonable written and
 27 independently verifiable documentation of the extraordinary life circumstance;

28 (2) require the consumer to demonstrate that the circumstances had a
 29 direct and meaningful effect on the consumer's credit information;

30 (3) require that a request be made not more than 60 days after the date
 31 of the application for insurance or the policy renewal.

1 (c) If a consumer submits a request for an exception under (a) of this section,
2 an insurer may, in its sole discretion,

3 (1) grant an exception;

4 (2) grant an exception if the consumer asks for consideration of
5 repeated events; and

6 (3) grant an exception if the insurer previously had considered a
7 request.

8 (d) An insurer may not be considered out of compliance with a law or rule
9 relating to underwriting, rating, or rate filing as a result of granting an exception under
10 this section.

11 (e) Nothing in this section may be construed to provide a consumer with a
12 cause of action that does not exist in the absence of this section.

13 (f) The insurer shall notify consumers that reasonable exceptions are available
14 and provide information about how a consumer may apply for an exception under (a)
15 of this section.

16 (g) Within 30 days after the insurer's receipt of sufficient documentation of an
17 event described in (a) of this section, the insurer shall inform the consumer, in writing,
18 of the outcome of the consumer's request.

19 (h) In this section, "consumer" has the meaning given in AS 21.36.460.