



2017 SEP 18 AM 9:00  
OFFICE OF THE  
SECRETARY

MURIEL BOWSER  
MAYOR

SEP 18 2017

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

Dear Chairman Mendelson:

Today, I am transmitting to the Council of the District of Columbia for its consideration and enactment, the "Restriction on the Use of Credit Information Amendment Act of 2017" ("Bill").

The District of Columbia is one of a small number of jurisdictions that currently have no laws or regulations specifically addressing when insurers may – and may not – use credit information to make decisions about insurance transactions. The majority of states that have addressed the issue have prohibited consideration of credit history reflecting medical bill collection issues, and have strictly limited when insurers may take the absence of credit history into account. In order to enhance consumer protections for District residents, this legislation is designed to adopt the best practices recognized by the majority of states nationwide. This legislation is necessary to prevent any unfair discrimination against consumers by prohibiting the use of their credit history (or their lack of credit history) in decisions by insurers about whether to underwrite a policy, cancel a policy, refuse to renew a policy, or increase the premium for a renewal policy; to strictly limit an insurer's ability to use the absence of credit history to raise premiums; and to prohibit the use of credit history based on medical bills.

Accordingly, I urge the Council to act favorably and expeditiously on the proposed Bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Muriel Bowser", written over a vertical line that extends from the name below.

Muriel Bowser

  
Chairman Phil Mendelson  
at the request of the Mayor

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5  
6 A BILL  
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9 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA  
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12 Chairman Phil Mendelson, at the request of the Mayor, introduced the following bill, which was  
13 referred to the Committee on \_\_\_\_\_.

14  
15 To amend the Insurance Trade and Economic Development Amendment Act of 2000 in order to  
16 prohibit the use of credit information by an insurer in deciding whether to underwrite a  
17 policy, cancel a policy, refuse to renew a policy, increase the premium for a renewal  
18 policy, and to further prohibit an insurer from determining insurance premiums based on  
19 either the absence of credit history or a credit history based on collection accounts with a  
20 medical industry code.

21  
22 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this  
23 act may be cited as the "Restrictions on the Use of Credit Information Amendment Act of 2017."

24  
25 Sec. 2. The Insurance Trade and Economic Development Amendment Act of 2000,  
26 effective April 3, 2001 (D.C. Law 13-265; D.C. Official Code § 31-2231.01 *et seq.*) is amended  
27 as follows:

28 (a) Section 101 (D.C. Official Code § 31-2231.01) is amended as follows:

29 (1) A new subsection (3A-1) is added to read as follows:

30 "(3A-1) "Consumer reporting agency" means any person who, for monetary fees, dues,  
31 or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of  
32 assembling or evaluating consumer's credit information or other information on consumers for  
33 the purpose of furnishing credit reports to third parties."

34 (2) A new subsection (3A-2) is added to read as follows:

35           “(3A-2) “Credit information” means any credit-related information derived from a credit  
36 report, found on a credit report itself, or provided on an application for personal insurance.  
37 Information that is not credit-related shall not be considered “credit information,” regardless of  
38 whether it is contained in a credit report or in an application, or is used to calculate an insurance  
39 score.”.

40           (3) A new subsection (3A-3) is added to read as follows:

41           “(3A-3) “Credit report” means any written, oral or other communication of information  
42 by a consumer reporting agency bearing on a consumer’s credit worthiness, credit standing or  
43 credit capacity which is used, expected to be used or collected in whole or in part for the purpose  
44 of serving as a factor to determine insurance policy premiums, eligibility for coverage, or rating  
45 tier placement.”

46           (b) A new section 113A is added to read as follows:

47           **“Section 113A. Restrictions on use of credit information.**

48           “(a) With respect to any insurance policy, an insurer may not refuse to underwrite a  
49 policy, cancel a policy, refuse to renew a policy, or increase a premium for a renewal policy  
50 based, in whole or in part, on the credit information (including but not limited to the lack of  
51 credit information) of an applicant for insurance or an insured person.

52           “(b) An insurer shall not use the following types of credit information to calculate an  
53 insurance score to determine premiums for insurance transactions that are subject to this act and  
54 shall not knowingly use an insurance score developed by a third party if the score is calculated  
55 using any of the following types of credit information:

56           “(1) The absence of credit history or the inability to determine the credit history of  
57 the applicant for insurance or an insured person unless the insurer treats the applicant for

58 insurance or the insured person as if that person had neutral credit information, as defined by the  
59 insurer; and

60           “(2) Credit history or an insurance score based on collection accounts identified  
61 with a medical industry code.”.

62           Sec. 4. Fiscal impact statement.

63           The Council adopts the fiscal impact statement in the committee report as the fiscal  
64 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,  
65 approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

66           Sec. 5. Effective date.

67           This act shall take effect following approval by the Mayor (or in the event of veto by the  
68 Mayor, action by the Council to override the veto), a 30-day period of Congressional review as  
69 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December  
70 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of  
71 Columbia Register.


Government of the District of Columbia  
Office of the Chief Financial Officer



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer 

**DATE:** August 30, 2017

**SUBJECT:** Fiscal Impact Statement – Restrictions on the Use of Credit Information  
Amendment Act of 2017

**REFERENCE:** Draft Bill as shared with the Office of Revenue Analysis on August 22,  
2017

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**Conclusion**

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill.

**Background**

The insurance industry has found that there is a high correlation between a policy holder's credit profile and the likelihood that individual will file a claim.<sup>1</sup> Insurance companies therefore evaluate individuals' credit profiles to assign them insurance scores and before quoting them a premium on offered policies.

Other states have restricted insurers' use of individual credit information in policy offers and pricing, providing protections for people with no or limited credit history. They have also banned insurance companies from including health-related negative credit marks in insurance score calculations and denying policies solely based on the credit rating of the individual. The bill imposes similar restrictions in the District.

Insurers may still use credit information to establish appropriate premiums, but the bill prohibits an insurer from factoring credit information into a decision to deny, cancel, refuse to renew, or increase a renewal premium for any insurance policy. The bill also ensures applicants with no or

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<sup>1</sup> Insurance Information Institute: Credit Scoring, August 2015 (<http://www.iii.org/publications/insurance-handbook/regulatory-and-financial-environment/credit-scoring>).

The Honorable Phil Mendelson

FIS: "Restrictions on the Use of Credit Information Amendment Act of 2017," Draft Bill as shared with the Office of Revenue Analysis on August 22, 2017

unavailable credit history are treated as having neutral credit and that medical related credit issues are excluded from consideration in setting premiums.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. There are no costs to the District budget associated with implementing restrictions on the use of an individual's credit ratings in developing an insurance score.

Many states have adopted similar restrictions on the use of credit information and the Department of Insurance, Securities, and Banking does not anticipate any significant impact on premiums paid by District residents as a result of these changes.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Attorney General**

**ATTORNEY GENERAL**  
**KARL A. RACINE**



**Legal Counsel Division**

**MEMORANDUM**

**TO: Lolita S. Alston**  
**Deputy Director**  
**Office of Legislative Support**

**FROM: Janet M. Robins**  
**Deputy Attorney General**  
**Legal Counsel Division**

**DATE: August 22, 2017**

**SUBJECT: Draft Bill, the "Restrictions on the Use of Credit Information Act of 2017"**  
**(AE-17-483)**

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**This is to Certify that** this Office has reviewed the above-referenced draft bill and found it to be legally sufficient. If you have any questions in this regard, please do not hesitate to call me at 724-5524.

A handwritten signature in black ink, appearing to read "Janet M. Robins". The signature is written in a cursive style and is positioned above a horizontal line.

**Janet M. Robins**