



MURIEL BOWSER  
MAYOR

MAR - 5 2019

2019 MAR - 5 PM 2:31  
OFFICE OF THE  
SECRETARY

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:

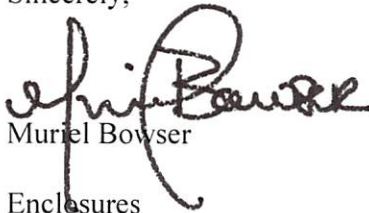
I am transmitting to the Council of the District of Columbia for its consideration and enactment, the "Restriction on the Use of Credit Information Amendment Act of 2019."

The District of Columbia is one of the few 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 on the proposed Bill.

Sincerely,

  
Muriel Bowser

Enclosures

  
Chairman Phil Mendelson  
at the request of the Mayor

A BILL

---

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

---

Chairman Phil Mendelson, at the request of the Mayor, introduced the following bill, which was referred to the Committee on \_\_\_\_\_.

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

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Restrictions on the Use of Credit Information Amendment Act of 2019.”

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 4. Fiscal impact statement.

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

Sec. 5. Effective date.

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

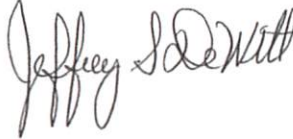
Government of the District of Columbia  
Office of the Chief Financial Officer



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:** January 10, 2019

**SUBJECT:** Fiscal Impact Statement – Restrictions on the Use of Credit Information  
Amendment Act of 2019

**REFERENCE:** Draft Bill as shared with the Office of Revenue Analysis on January 4,  
2019

---

**Conclusion**

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 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

---

<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 2019," Draft Bill as shared with the Office of Revenue Analysis on January 4, 2019

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 2019 through fiscal year 2022 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:** Alana Intrieri  
Director  
Office of Policy and Legislation Affairs

**FROM:** Arthur J. Parker  
Acting Deputy Attorney General  
Legal Counsel Division

**DATE:** March 5, 2019

**SUBJECT:** Draft Bill, the "Restrictions on the Use of Credit Information Act of 2019"  
(AE-17-483-B)

---

**This to Certify that** this Office has reviewed the above-referenced draft bills and draft resolution and found them 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 blue ink that reads "Arthur J. Parker". The signature is written in a cursive style and is positioned above a horizontal line.

Arthur J. Parker