

HOUSE BILL No. 1077

DIGEST OF INTRODUCED BILL

Citations Affected: IC 27-2-21.

Synopsis: Insurance credit scoring. Generally prohibits an insurer from considering credit information in connection with the renewal of a personal insurance policy. Provides that: (1) if an insurer uses a credit report or insurance score to re-underwrite or re-rate a personal insurance policy at the request of the insured or the insured's agent at annual renewal; and (2) if the result is that the insured is eligible to be placed in a less favorably priced tier; the insurer is required to maintain the insured in the insured's current tier. Removes a disclosure exemption.

Effective: July 1, 2014.

Lehman

January 9, 2014, read first time and referred to Committee on Insurance.



Second Regular Session 118th General Assembly (2014)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

HOUSE BILL No. 1077

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 27-2-21-16, AS AMENDED BY P.L.84-2009,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2014]: Sec. 16. (a) An insurer that uses credit information to
4 underwrite or rate risks shall not do the following:
5 (1) Use an insurance score that is calculated using income,
6 gender, address, ZIP code, ethnic group, religion, marital status,
7 or nationality of the consumer as a factor.
8 (2) Deny ~~or cancel or decline to renew~~ a personal insurance
9 policy solely on the basis of credit information.
10 ~~(3) Base an insured's renewal rate for a personal insurance policy~~
11 ~~solely on credit information.~~
12 **(3) Except as provided in subsection (b), consider credit**
13 **information in any manner in connection with the renewal of**
14 **a personal insurance policy.**
15 (4) Take an adverse action against a consumer solely because the
16 consumer does not have a credit card account.



- 1 (5) Consider an absence of credit information or an inability to
 2 calculate an insurance score in underwriting or rating a personal
 3 insurance policy, unless the insurer does one (1) of the following:
 4 (A) Presents to the commissioner information that the absence
 5 or inability relates to the risk for the insurer and treats the
 6 consumer as approved by the commissioner.
 7 (B) Treats the consumer as if the consumer had neutral credit
 8 information, as defined by the insurer.
 9 (6) Take an adverse action against a consumer based on credit
 10 information unless the insurer obtains and uses:
 11 (A) a credit report issued; or
 12 (B) an insurance score calculated;
 13 not more than ninety (90) days before the date the personal
 14 insurance policy is first written. ~~or the renewal is issued.~~
 15 (7) Use the following as a negative factor in an insurance scoring
 16 methodology or in reviewing credit information for the purpose
 17 of underwriting or rating a personal insurance policy:
 18 (A) A credit inquiry:
 19 (i) not initiated by the consumer; or
 20 (ii) requested by the consumer for the consumer's own credit
 21 information.
 22 (B) A credit inquiry relating to insurance coverage.
 23 (C) A late payment or a collection account with a medical
 24 industry code on the consumer's credit report.
 25 (D) Multiple lender inquiries:
 26 (i) coded by the consumer reporting agency on the
 27 consumer's credit report as being from the home mortgage
 28 industry; and
 29 (ii) made within thirty (30) days of one another.
 30 (E) Multiple lender inquiries:
 31 (i) coded by the consumer reporting agency on the
 32 consumer's credit report as being from the automobile
 33 lending industry; and
 34 (ii) made within thirty (30) days of one another.
 35 (b) An insurer that uses credit information to underwrite or rate risks
 36 shall, at annual renewal upon the request of an insured or an insured's
 37 agent, re-underwrite and re-rate the insured's personal insurance policy
 38 based on a current credit report or insurance score. ~~unless~~ **However,**
 39 **this subsection does not apply to an insurer if at least** one (1) of the
 40 following applies:
 41 (1) The insurer's treatment of the consumer is otherwise approved
 42 by the commissioner.



1 (2) The insured is in the most favorably priced tier of the insurer,
2 within a group of affiliated insurers.

3 (3) Credit information was not used for underwriting or rating the
4 insured when the personal insurance policy was initially written.

5 ~~(4) The insurer reevaluates the insured at least every thirty-six~~
6 ~~(36) months after a personal insurance policy is issued based on~~
7 ~~underwriting or rating factors other than credit information.~~

8 ~~(5) (4) The insurer has re-underwritten and re-rated the insured's~~
9 ~~personal insurance policy based on a credit report obtained or an~~
10 ~~insurance score recalculated less than twelve (12) months before~~
11 ~~the date of the request by the insured or the insured's agent.~~

12 ~~(c) An insurer that uses credit information to underwrite or rate risks~~
13 ~~may obtain current credit information upon the renewal of a personal~~
14 ~~insurance policy when renewal occurs more frequently than every~~
15 ~~thirty-six (36) months if consistent with the insurer's underwriting~~
16 ~~guidelines.~~

17 **(c) If:**

18 **(1) an insurer re-underwrites and re-rates an insured's**
19 **personal insurance policy under subsection (b); and**

20 **(2) the result of the insurer's action under subdivision (1) is**
21 **that the insured is eligible to be placed in a less favorably**
22 **priced tier of the insurer than the insured's current tier;**

23 **the insurer shall maintain the insured in the insured's current tier.**
24 **Maintaining an insured in the insured's current tier under this**
25 **subsection is not a discriminatory act in the business of insurance.**

26 SECTION 2. IC 27-2-21-18 IS AMENDED TO READ AS
27 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 18. (a) If an insurer
28 uses credit information in underwriting or rating a consumer, the
29 insurer or the insurer's agent shall disclose, either on the insurance
30 application or at the time the insurance application is taken, that the
31 insurer may obtain credit information in connection with the
32 application. The disclosure must be:

33 (1) written; or

34 (2) provided to the consumer in the same medium as the
35 application for insurance.

36 ~~The insurer is not required to provide the disclosure statement required~~
37 ~~under this section to an insured on a renewal policy if the insured has~~
38 ~~previously been provided a disclosure statement.~~

39 (b) Use of the following sample disclosure statement constitutes
40 compliance with this section: "In connection with this application for
41 insurance, we may review your credit report or obtain or use a credit
42 based insurance score based on the information contained in that credit



1 report. We may use a third party in connection with the development
2 of your insurance score.".

