Regular Session, 2010

HOUSE BILL NO. 512

BY REPRESENTATIVE HARRISON

INSURANCE/RATES: Provides that the only credit factor that may be used in determining insurance premiums is that relating to the payment of insurance premiums

1   AN ACT

2   To amend and reenact R.S. 22:1503(6), (7), and (8), relative to use of credit information for

3   personal insurance; to provide that the only credit factor that may be used to

4   determine insurance premiums is credit information relating to payment of insurance

5   premiums; to provide for definitions; to delete the requirement for filing scoring

6   models with the Department of Insurance; and to provide for related matters.

7   Be it enacted by the Legislature of Louisiana:

8   Section 1. R.S. 22:1503(6), (7), and (8) are hereby amended and reenacted to read

9   as follows:

10   §1503. Definitions

11   For the purposes of this Subpart, the following terms shall have the following

12   meanings:

13   *   *   *

14   (6) "Credit information" means any credit-related information derived from

15   a credit report, found on a credit report itself, or provided on an application for

16   personal insurance. that is relative to payment of insurance premiums. Information

17   that is not credit-related shall not be considered "credit information", regardless of

18   whether it is contained in a credit report or in an application, or is used to calculate

19   an insurance score.

1   (7) "Credit report" means any written, oral, or other communication of

2   information by a consumer reporting agency bearing on a consumer's credit

3   worthiness, credit standing, or credit capacity <u>with respect to payment of insurance</u>

4   <u>premiums</u> which is used or expected to be used or collected in whole ~~or in part~~ for

5   the purpose of serving as ~~a~~ <u>the</u> factor to determine personal insurance premiums~~,~~

6   ~~eligibility for coverage, or tier placement~~.

7   (8) "Insurance score" means a number or rating that is derived from an

8   algorithm, computer application, model, or other process that is based in whole ~~or~~

9   ~~in part~~ on credit information <u>relative to payment of insurance premiums</u> for the

10   purposes of predicting the future insurance loss exposure of an individual applicant

11   or insured.

12   *   *   *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part
of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute
part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Harrison   HB No. 512

Abstract: Provides that the only credit factor that may be used in determination of the
insurance premiums is credit information relating to payment of insurance premiums.

<u>Present law</u> allows certain credit information derived from personal insurance to be used to
determine a credit score which is then used to determine premiums for personal insurance.
Defines "personal insurance" as private passenger automobile, homeowners, motorcycle,
mobile home owners, and noncommercial dwelling fire insurance policies and boat, personal
watercraft, snowmobile, and recreational vehicle policies. Requires that such policies be
individually underwritten for personal, family, or household use. Specifies that <u>present law</u>
does not apply to commercial insurance.

<u>Proposed law</u> provides that the only credit factor that may be used in determination of
insurance premiums is credit information relating to payment of insurance premiums, as
follows:

(1)   <u>Present law</u> defines "credit information" as any credit-related information derived
        from a credit report, found on a credit report itself, or provided on an application for
        personal insurance. Further provides that 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.

        <u>Proposed law</u> limits "credit information" to any credit-related information derived
        from a credit report, found on a credit report itself, or provided on an application for
        personal insurance that is relative to payment of insurance premiums. Otherwise
        retains <u>present law</u>.

(2)   Present law defines "credit report" as 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 or expected to be used or collected in whole or in part for the purpose of serving as a factor to determine personal insurance premiums, eligibility for coverage, or tier placement.

Proposed law instead defines "credit report" as a written, oral, or other communication of information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, or credit capacity with respect to payment of insurance premiums which is used or expected to be used or collected in whole for the purpose of serving as the factor to determine personal insurance premiums.

(3)   Present law defines "insurance score" as a number or rating that is derived from an algorithm, computer application, model, or other process that is based in whole or in part on credit information for the purposes of predicting the future insurance loss exposure of an individual applicant or insured.

Proposed law instead defines "insurance score" as a number or rating derived from an algorithm, computer application, model, or other process that is based in whole on credit information relative to payment of insurance premiums for the purposes of predicting the future insurance loss exposure of an individual applicant or insured.

(5)   Proposed law otherwise retains present law relative to regulation of the use of credit information, dispute resolution and error corrections, appeals of underwriting or rates, exemptions from the use of credit information, initial notification of credit scoring, adverse action notification, filing of scoring models, indemnification of producers involved in credit scoring, and the sale of policy term information by consumer reporting agencies.

(Amends R.S. 22:1503(6), (7), and (8))

CODING: Words in struck through type are deletions from existing law; words underscored are additions.