
SENATE BILL 5623

State of Washington

67th Legislature

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By Senator Mullet

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1 AN ACT Relating to protecting consumers by limiting the ability
2 of insurers to use credit histories to increase personal insurance
3 premiums at renewal, but not prohibiting the use of credit history by
4 insurers; amending RCW 48.19.035; creating a new section; and
5 declaring an emergency.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** The purpose of this act is to provide
8 insurance consumers the best possible outcome from the use of credit
9 history in the underwriting of their insurance and the determination
10 of their premium at renewal. The use of credit history shall neither
11 make insurance coverage more unaffordable for insureds whose credit
12 scores decrease, nor increase it for insureds on fixed incomes who
13 have benefited from low rates because of the use of credit-based
14 insurance scores. By providing this consumer protection, the
15 legislature intends to offer insurers an option to continue to
16 predict risk effectively while limiting the negative outcomes a lower
17 credit score may have on an insured's premium.

18 **Sec. 2.** RCW 48.19.035 and 2004 c 86 s 1 are each amended to read
19 as follows:

20 (1) For the purposes of this section:

1 (a) "Affiliate" has the same meaning as defined in RCW
2 48.31B.005(1).

3 (b) "Consumer" means an individual policyholder or applicant for
4 insurance.

5 (c) "Credit history" means any written, oral, or other
6 communication of any information by a consumer reporting agency
7 bearing on a consumer's creditworthiness, credit standing, or credit
8 capacity that is used or expected to be used, or collected in whole
9 or in part, for the purpose of serving as a factor in determining
10 personal insurance premiums or eligibility for coverage.

11 (d) "Insurance score" means a number or rating that is derived
12 from an algorithm, computer application, model, or other process that
13 is based in whole or in part on credit history.

14 (e) "Personal insurance" means:

15 (i) Private passenger automobile coverage;

16 (ii) Homeowner's coverage, including mobile homeowners,
17 manufactured homeowners, condominium owners, and renter's coverage;

18 (iii) Dwelling property coverage;

19 (iv) Earthquake coverage for a residence or personal property;

20 (v) Personal liability and theft coverage;

21 (vi) Personal inland marine coverage; and

22 (vii) Mechanical breakdown coverage for personal auto or home
23 appliances.

24 (2)(a) Credit history shall not be used to determine personal
25 insurance rates, premiums, or eligibility for coverage unless the
26 insurance scoring models are filed with the commissioner. Insurance
27 scoring models include all attributes and factors used in the
28 calculation of an insurance score. RCW 48.19.040(5) does not apply to
29 any information filed under this subsection, and the information
30 shall be withheld from public inspection and kept confidential by the
31 commissioner. All information filed under this subsection shall be
32 considered trade secrets under RCW 48.02.120(3). Information filed
33 under this subsection may be made public by the commissioner for the
34 sole purpose of enforcement actions taken by the commissioner.

35 (b) Each insurer that uses credit history or an insurance score
36 to determine personal insurance rates, premiums, or eligibility for
37 coverage must file all rates and rating plans for that line of
38 coverage with the commissioner. This requirement applies equally to a
39 single insurer and two or more affiliated insurers. RCW 48.19.040(5)
40 applies to information filed under this subsection except that any

1 eligibility rules or guidelines shall be withheld from public
2 inspection under RCW 48.02.120(3) from the date that the information
3 is filed and after it becomes effective.

4 (c) Beginning July 1, 2023, credit history may only be used by
5 insurers as a factor or attribute in determining an insurance score
6 for personal insurance policies for new applicants, or for improving
7 an insured's score at renewal by rerating a policy that results in a
8 lower premium as established in subsection (6) of this section.

9 (3) Insurers shall not use the following (~~types of credit~~
10 ~~history~~) to calculate a personal insurance score or determine
11 personal insurance premiums or rates:

12 (a) The absence of credit history or the inability to determine
13 the consumer's credit history, unless the insurer has filed actuarial
14 data segmented by demographic factors in a manner prescribed by the
15 commissioner that demonstrates compliance with RCW 48.19.020;

16 (b) The number of credit inquiries;

17 (c) Credit history or an insurance score based on collection
18 accounts identified with a medical industry code;

19 (d) The initial purchase or finance of a vehicle or house that
20 adds a new loan to the consumer's existing credit history, if evident
21 from the consumer report; however, an insurer may consider the bill
22 payment history of any loan, the total number of loans, or both;

23 (e) The consumer's use of a particular type of credit card,
24 charge card, or debit card; (~~or~~)

25 (f) The consumer's total available line of credit; however, an
26 insurer may consider the total amount of outstanding debt in relation
27 to the total available line of credit; or

28 (g) Credit history to increase rates or premiums at renewal for
29 any personal insurance policyholder beginning July 1, 2023, as
30 established in subsection (6) of this section.

31 (4) If a consumer is charged higher premiums due to disputed
32 credit history, the insurer shall rerate the policy retroactive to
33 the effective date of the current policy term. As rerated, the
34 consumer shall be charged the same premiums they would have been
35 charged if accurate credit history was used to calculate an insurance
36 score. This subsection applies only if the consumer resolves the
37 dispute under the process set forth in the fair credit reporting act
38 and notifies the insurer in writing that the dispute has been
39 resolved.

40 (5) The commissioner may adopt rules to implement this section.

1 (6) (~~This section applies to all personal insurance policies~~
2 ~~issued or renewed on or after June 30, 2003~~) Beginning July 1, 2023:

3 (a) A policyholder may request, no more than once per insurer per
4 policy line annually, that the insurer rerate the policyholder's
5 insurance scores according to the standards that the insurer would
6 apply if the consumer were initially applying for the same insurance
7 policy.

8 (b) The insurer shall rerate a policyholder at renewal after
9 receiving a request from the policyholder or their agent. The insurer
10 shall rerate the policy based upon a current credit history report or
11 insurance score. The policyholder's current credit history report or
12 insurance score shall only be used if the result of the rerate
13 reduces the consumer's premium. If a policyholder's credit history is
14 reordered, or if the existing credit history is used, it shall not
15 result in an increase in premium. The effective date of any rate
16 change is the next date of renewal.

17 (c) Except as provided in (a) and (b) of this subsection, an
18 insurer may only use rating factors other than credit history or
19 insurance score to rerate the policy at renewal.

20 (7) Insurers may resume the use of credit history via a note to
21 reviewer or a new filing. If an insured's premium was previously
22 determined using credit history, the prior credit history may be used
23 at the first renewal after enactment of this act.

24 (8) Rate rule filings submitted in compliance with this section
25 do not violate RCW 48.19.020.

26 (9) Nothing in this section requires an insurer to:

27 (a) Use credit history or an insurance score in determining
28 personal insurance premiums or eligibility for coverage; or

29 (b) Update insurance scores more frequently than upon the
30 consumer's request.

31 (10) Rules adopted to implement RCW 48.18.480 and 48.19.020 must
32 comply with the provisions of this section. To the extent the
33 commissioner adopts rules in conflict with this section, this section
34 controls.

35 NEW SECTION. Sec. 3. This act is necessary for the immediate
36 preservation of the public peace, health, or safety, or support of

1 the state government and its existing public institutions, and takes
2 effect immediately.

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