

SECOND REGULAR SESSION  
HOUSE COMMITTEE SUBSTITUTE FOR  
**HOUSE BILL NOS. 1502 & 1821**  
**91ST GENERAL ASSEMBLY**

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Reported from the Committee on Insurance, March 14, 2002, with recommendation that the House Committee Substitute for House Bill Nos. 1502 & 1821 Do Pass.

TED WEDEL, Chief Clerk

3806L.02C

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**AN ACT**

To amend chapter 375, RSMo, by adding thereto one new section relating to credit information used in insurance underwriting.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 375, RSMo, is amended by adding thereto one new section, to be known as section 375.918, to read as follows:

**375.918. 1. As used in this section, the following terms mean:**

- (1) "Adverse action", a denial, nonrenewal of, or a reduction in the amount of benefits payable or types of coverages under any contract, existing or applied for, in connection with the underwriting of insurance. An offer by an insurer to write a contract through an affiliated insurer does not constitute an adverse action;
- (2) "Contract", any automobile insurance policy as defined in section 379.110, RSMo, or any property insurance policy as defined in section 375.001. Contract shall not include any policy of commercial insurance;
- (3) "Credit report", any written or electronic communication of any information by a consumer reporting agency that:
- (a) Bears on a person's credit worthiness, credit standing, or credit capacity; and
- (b) Is used or collected wholly or partly to serve as a factor in the underwriting of a contract;
- (4) "Insurance score", the practice of quantifying the insurance risk a person presents using the person's attributes derived from a credit report or credit information in a formula to assess insurance risk on an actuarial statistical basis;
- (5) "Insurer", any insurance company or entity that offers a contract;

18           (6) "Underwriting", the selection of the risk that will be assumed by the insurer on  
19 a contract, and specifically the decision whether to accept, deny, renew, nonrenew, reduce,  
20 or increase the amount of benefits payable or types of coverages under the contract.

21           2. No insurer shall take an adverse action against an applicant or insured solely on  
22 the fact that the applicant or insured does not have an established credit rating, credit  
23 score or other evidence of credit-worthiness.

24           3. An insurer using a credit report or insurance score as a factor in underwriting  
25 shall not take an adverse action based on such factor without consideration of another  
26 underwriting factor.

27           4. An insurer using a credit report or insurance score as a factor in underwriting  
28 a contract shall disclose at the time of the original application for the contract or on the  
29 application itself that the insurer may gather credit information.

30           5. An insurer using a credit report or insurance score as a factor in underwriting  
31 of a contract shall not take an adverse action on such contract based on information that  
32 is the subject of a written dispute between the policyholder or applicant and a credit  
33 reporting agency, as noted in such person's credit report, until such dispute has reached  
34 final determination in accordance with the federal Fair Credit Reporting Act, 15 U.S.C.  
35 Section 1681, et. seq.

36           6. If the use of a credit report or insurance score on a contract results in an adverse  
37 action, the insurer shall provide the policyholder or applicant:

38           (1) Notice that a credit report or insurance score adversely affected the  
39 underwriting of the contract;

40           (2) The name, address, and telephone number of the consumer credit reporting  
41 agency that furnished the credit information, in compliance with the notice requirements  
42 of the federal Fair Credit Reporting Act, 15 U.S.C. Section 1681, et. seq.;

43           (3) Notice of the right to obtain a free credit report from the consumer credit  
44 reporting agency within sixty days; and

45           (4) Notice of the right to lodge a dispute with the consumer credit reporting agency  
46 to have any erroneous information corrected in accordance with the federal Fair Credit  
47 Reporting Act, 15 U.S.C. Section 1681, et. seq.

48           7. Upon written request by an applicant, an insured, or an insurance producer  
49 representing the applicant or insured, an insurer shall provide to the applicant or insured  
50 a listing of the primary factors in a credit report that negatively impacted the insurance  
51 score.

52           8. If an insurer or producer on behalf of an insurer bases an adverse action in part  
53 on a credit report or insurance score, the applicant or insured may request reevaluation

54 for the purposes of determining entitlement to a more favorable action if new  
55 circumstances may result in a more favorable credit report or insurance score.

56       **9.** If an insurer has a renewal underwriting program to evaluate an insured's  
57 eligibility for continued coverage or continued placement in a tier that uses a credit report  
58 or insurance score, the insurer shall, at the time of renewal underwriting, obtain a current  
59 credit report or insurance score for each insured that is subject to the renewal  
60 underwriting program.

61       **10.** An insurer shall not use directly or indirectly the number of insurance inquiries  
62 made by a consumer as a negative factor in its insurance scoring formulas.

63       **11.** Nothing in this section shall be construed as superceding the provisions of  
64 section 375.002 and section 379.114, RSMo. Nothing in this section shall be construed as  
65 prohibiting any insurer from using credit information in determining whether to offer a  
66 policyholder or applicant the option to finance or establish a payment plan for the payment  
67 of any premium for a contract. Nothing in this section shall affect any entity that is not an  
68 insurer as defined in subsection 1 of this section.

69       **12.** Any entity that is involved in creating, compiling, or providing insurance scores  
70 to or on behalf of an insurer shall not provide or sell to any other party, other than the  
71 insurer, insurance company affiliates, or holding companies, or their producers  
72 information or mailing lists that include an insurance score or any other information that  
73 in whole or in part is generated or derived from credit inquiries of insureds or insurance  
74 applicants. Such information includes, but is not limited to, information that may identify  
75 time periods during which an applicant's or insured's insurance may expire or an  
76 estimated range where a person's insurance score may fall. Such provision shall not  
77 preclude the exchange of information specifically authorized under the federal Fair Credit  
78 Reporting Act, 15 U.S.C. Section 1681, et. seq. The provisions of this subsection shall not  
79 apply to information or mailing lists disclosed in connection with a proposed or actual sale,  
80 merger, transfer, or exchange of all or a portion of a business or operating unit, including  
81 but not limited to the sale of a portfolio of contracts, if such disclosure concerns solely  
82 consumers of the business or unit and such disclosure is not the primary reason for the  
83 sale, merger, transfer, or exchange.

84       **13.** The provisions of this section shall apply to all contracts entered into on or after  
85 January 1, 2003.