

SECOND REGULAR SESSION

HOUSE BILL NO. 1502

91ST GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVES LUETKENHAUS, WARD, BURTON,
ABEL AND SURFACE (Co-sponsors).

Read 1st time January 16, 2002, and 1000 copies ordered printed.

TED WEDEL, Chief Clerk

3806L.011

AN ACT

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

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
2 known as section 375.918, to read as follows:

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

2 (1) "Adverse action", a denial, nonrenewal of, or a reduction or other adverse or
3 unfavorable change in the terms of coverage or amount of any contract existing or applied
4 for in connection with the underwriting of insurance;

5 (2) "Contract", any automobile insurance policy as defined in section 379.001,
6 RSMo, or any property insurance policy as defined in section 375.001;

7 (3) "Credit report", any written, oral, or other communication of any information
8 by a consumer reporting agency that:

9 (a) Bears on a consumer's credit worthiness, credit standing, or credit capacity; and

10 (b) Is used or collected wholly or partly to serve as a factor in the underwriting or
11 rating of a contract;

12 (4) "Credit score", the practice of quantifying the insurance risk a person presents
13 using the person's attributes derived from a credit report in a formula designed to
14 objectively rate risk of loss;

15 (5) "Insurer", any insurance company or entity that offers a contract; and

16 (6) "Underwriting", the process of establishing the level of risk that will be
17 assumed by the insurer on a contract including the decision of whether to issue a contract
18 and the amount and terms of coverage under a contract.

19 **2. An insurer may use a credit report and credit score in underwriting a contract**
20 **except that an insurer shall not use a credit report or credit score in underwriting a**
21 **contract without consideration of any other underwriting factor. An offer by an insurer**
22 **to write a contract through an affiliated insurer does not constitute a denial or nonrenewal**
23 **of a contract.**

24 **3. An insurer using a credit report and credit score as a factor in underwriting a**
25 **contract shall disclose at the time of the original application for the contract that the**
26 **insurer may gather credit information.**

27 **4. An insurer shall not take any type of adverse action that takes into account a**
28 **credit score or credit information contained in a credit report that the insurer knows to be**
29 **in dispute. If an insurer has taken adverse action based on inaccurate information**
30 **contained in a credit report or utilized in computing a credit score, that is subsequently**
31 **corrected, the insurer shall re-underwrite any impacted contract and refund any premium**
32 **decrease to the insured retroactive to the inception date of the contract.**

33 **5. If the use of a credit report or credit score in underwriting an insurance**
34 **application or existing insurance policy results in an adverse action to an applicant or**
35 **policyholder, the insurer shall:**

36 **(1) Inform the applicant or policyholder that a credit report or credit score**
37 **adversely affected the underwriting of the insurance application or policy;**

38 **(2) Inform the applicant or policyholder of the name, address, and telephone**
39 **number of the consumer credit reporting agency that furnished the credit information;**

40 **(3) Inform the applicant or policyholder of his or her right to obtain a free credit**
41 **report from the consumer reporting agency within sixty days; and**

42 **(4) Inform the applicant or policyholder of his or her right to lodge a dispute with**
43 **a consumer reporting agency to have any erroneous information corrected in accordance**
44 **with the Fair Credit Reporting Act, 15 U.S.C. Section 1681.**

45 **6. Upon request by an applicant, an insured, or an insurance producer representing**
46 **the applicant or insured, an insurer shall provide directly to the applicant or insured a**
47 **detailed explanation of the primary factors in their credit report that negatively impacted**
48 **the credit score and actions the insured can take to improve the credit score.**

49 **7. Any entity that is involved in creating, compiling, or providing credit scores to**
50 **or on behalf of an insurer shall not provide or sell to any party, other than the insurer,**
51 **information or mailing lists that include a credit score or any other information that, in**
52 **whole or in part, is generated or derived from credit inquiries of insureds or insurance**
53 **applicants. Such information includes but is not limited to information that may identify**
54 **time periods during which an applicant or insured's insurance may expire or an estimated**

55 range where a person's credit score may fall. Such provision shall not preclude the
56 exchange of information specifically authorized under the Fair Credit Reporting Act, 15
57 U.S.C. Section 1681.

58 8. Nothing in this section shall be construed to affect sections 375.002 and 379.114,
59 RSMo.

60 9. Nothing in this section shall be construed to prohibit any insurer from using
61 credit information in determining whether to offer an applicant or policyholder the option
62 to finance or establish a payment plan for the payment of any premium for a contract.