

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

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House Substitute for House Committee Substitute for House Bill Nos. 1502 & 1821 ordered Perfected and printed.

TED WEDEL, Chief Clerk

3806L.03P

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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 mortgage insurance or 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) "Credit scoring entity", any entity that is involved in creating, compiling, or providing insurance scores;

(5) "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;

(6) "Insurer", any insurance company or entity that offers a contract;

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

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

3. No insurer shall take any adverse action against an applicant or insured based on inability to compute an insurance score without consideration of another underwriting factor, unless the insurer can justify the credibility that the lack of an insurance score has in underwriting to the director of insurance.

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

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

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

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

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

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

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

7. Within thirty days from the date the insurer provides notice of an adverse action

52 pursuant to subdivision (1) of subsection 6 of this section, the applicant or insured may in  
53 writing or request from the insurer a statement of reasons for such action. For purposes  
54 of determining the thirty-day period, the notice of an adverse action is deemed received  
55 three days after mailing. The statement of reasons shall be sufficiently clear and specific  
56 so that a person of average intelligence can identify the basis for the insurer's decision  
57 without further inquiry. An insurer may provide an explanation of significant  
58 characteristics of the credit history that may have impacted such person's insurance score  
59 to meet the requirements of this subsection.

60 8. If an insurer bases an adverse action in part on a credit report or insurance  
61 score, the applicant or insured may within thirty days of such adverse action request in  
62 writing reevaluation following any correction relating to the credit report or insurance  
63 score.

64 9. An insurer may obtain and use a current credit report or insurance score on new  
65 business or renewal contracts, but shall not take an adverse action with respect to renewal  
66 contracts based upon such credit report or insurance score until or after the third  
67 anniversary date of the contract.

68 10. Insurance inquiries shall not directly or indirectly be used as a negative factor  
69 in any insurance scoring formula or in the use of a credit report in underwriting.

70 11. Nothing in this section shall be construed as superceding the provisions of  
71 section 375.002 and section 379.114, RSMo. Nothing in this section shall be construed as  
72 prohibiting any insurer from using credit information in determining whether to offer a  
73 policyholder or applicant the option to finance or establish a payment plan for the payment  
74 of any premium for a contract. Nothing in this section shall apply to any entity not acting  
75 as an insurer or credit scoring entity as defined in subsection 1 of this section.

76 12. No credit scoring entity shall provide or sell to any other party, other than the  
77 insurer, insurance company affiliates, or holding companies, or their producers  
78 information or mailing lists that include an insurance score or any other information that  
79 in whole or in part is generated or derived from credit inquiries of insureds or insurance  
80 applicants. Such information includes, but is not limited to, information that may identify  
81 time periods during which an applicant's or insured's insurance may expire or an  
82 estimated range where a person's insurance score may fall. Such provision shall not  
83 preclude the exchange of information specifically authorized under the federal Fair Credit  
84 Reporting Act, 15 U.S.C. Section 1681, et. seq. The provisions of this subsection shall not  
85 apply to information or mailing lists disclosed in connection with a proposed or actual sale,  
86 merger, transfer, or exchange of all or a portion of a business or operating unit, including  
87 but not limited to the sale of a portfolio of contracts, if such disclosure concerns solely

88 consumers of the business or unit and such disclosure is not the primary reason for the  
89 sale, merger, transfer, or exchange.

90 13. The provisions of this section shall apply to all contracts entered into on or after  
91 July 1, 2003.