

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 1185

Short Title: Insurance Premiums/Credit Ratings.

(Public)

Sponsors: Senator Shaw.

Referred to: Commerce, Small Business and Entrepreneurship.

March 22, 2007

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT THE USE OF CREDIT SCORING AS THE SOLE OR
PARTIAL BASIS OF TERMINATING CERTAIN INSURANCE POLICIES OR
SUBJECTING CERTAIN POLICIES TO CONSENT TO RATE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-36-90 reads as rewritten:

"§ 58-36-90. Prohibitions on using credit scoring to rate noncommercial private passenger motor vehicle and residential property insurance; exceptions.

(a) Definitions. – As used in this section:

(1) ~~"Adverse action" has the same meaning as in section 1681a(k) of the federal Fair Credit Reporting Act and includes a denial or cancellation of, an increase in any charge for, or a reduction or other adverse or unfavorable change in the terms of coverage or amount of any insurance, existing or applied for, in connection with the underwriting of insurance.~~

(2) "Credit report" means any written, oral, or other communication of any information by a consumer reporting agency that bears on a consumer's credit worthiness, credit standing, or credit capacity. Credit report does not include accident or traffic violation records as maintained by the North Carolina Division of Motor Vehicles or any other law enforcement agency, a property loss report or claims history that does not include information that bears on a consumer's credit worthiness, credit standing, or credit capacity, or any report containing information solely as to transactions or experiences between the consumer and the person making the report.

(3) "Credit score" or "credit scoring" means a score that is derived by utilizing data from an individual's credit report in an algorithm, computer program, model, or other process that reduces the data to a number or rating.

1 (4) "Noncommercial private passenger motor vehicle" means a "private
2 passenger motor vehicle," as defined by G.S. 58-40-10, that is neither
3 insured under a commercial policy nor used for commercial purposes.

4 (5) "Private passenger motor vehicle" has the same meaning as set forth in
5 G.S. 58-40-10.

6 (6) "Residential property" means real property with not more than four
7 housing units located in this State, the contents thereof and valuable
8 interest therein, and insurance coverage written in connection with the
9 sale of that property. It also includes mobile homes, modular homes,
10 townhomes, condominiums, and insurance on contents of apartments
11 and rental property used for residential purposes.

12 (b) Prohibitions; Exceptions. – In the rating and underwriting of noncommercial
13 private passenger motor vehicle and residential property insurance coverage, insurers
14 shall not use credit scoring as the sole or partial basis for terminating an existing or new
15 policy or any coverage in ~~an existing~~ a policy or subjecting a policy to consent to rate
16 as specified in ~~G.S. 58-36-30(b) without consideration of any other risk factors,~~
17 G.S. 58-36-30(b), but insurers may use credit scoring as the sole or partial basis for
18 discounting rates. For purposes of this subsection only, "existing policy" means a policy
19 that has been in effect for more than 60 ~~days.~~ days and "new policy" means a policy that
20 has been in effect less than 60 days.

21 (c) ~~Notification. — If a credit report is used in conjunction with other criteria to~~
22 ~~take an adverse action, the insurer shall provide the applicant or policyholder with~~
23 ~~written notice of the action taken, in a form approved by the Commissioner. The~~
24 ~~notification shall include, in easily understandable language:~~

25 (1) ~~The specific reason for the adverse action and, if the adverse action~~
26 ~~was based upon a credit score, a description of the factors that were the~~
27 ~~primary influence on the score.~~

28 (2) ~~The name, address, and toll free telephone number of the credit bureau~~
29 ~~that provided the insurer with the credit based information.~~

30 (3) ~~The fact that the consumer has the right to obtain a free copy of the~~
31 ~~consumer's credit report from the appropriate credit bureau.~~

32 (4) ~~The fact that the consumer has the right to challenge information~~
33 ~~contained in the consumer's credit report.~~

34 (d) Disputed Credit Report Information. – If it is determined through the dispute
35 resolution process set forth in the federal Fair Credit Reporting Act, 15 U.S.C. §
36 1681i(a)(5), that the credit information of a current insured was incorrect or incomplete
37 and if the insurer receives notice of such determination from either the consumer
38 reporting agency or from the insured, the insurer shall re-underwrite or re-rate the
39 consumer within 30 days of receiving the notice. After re- underwriting or re-rating the
40 insured, the insurer shall make any adjustments necessary, consistent with its
41 underwriting guidelines. If an insurer determines the insured has overpaid premium, the
42 insurer shall refund to the insured the amount of overpayment calculated back to the
43 shorter of either the last 12 months of coverage or the actual policy period.

1 (e) Indemnification. – An insurer shall indemnify, defend, and hold agents
2 harmless from and against all liability, fees, and costs arising out of or relating to the
3 actions, errors, or omissions of an agent who obtains or uses credit information or credit
4 scores for an insurer, provided the agent follows the instructions or procedures
5 established by the insurer and complies with any applicable law or regulation. Nothing
6 in this subsection shall be construed to provide a consumer or other insured with a cause
7 of action that does not exist in the absence of this subsection.

8 (f) Filing. – Insurers that use credit scores to underwrite and rate risks shall file
9 their scoring models, or other scoring processes, with the Department. A filing that
10 includes credit scoring may include loss experience justifying the applicable surcharge
11 or credit. A filer may request that its credit score data be considered a trade secret and
12 may designate parts of its filings accordingly."

13 **SECTION 2.** This act becomes effective October 1, 2007, and applies to
14 policies issued or renewed on or after that date.