Property Casualty Insurers Association of America

Shaping the Future of American Insurance

Credit Based Insurance Scoring-

(Statutes, regulation and regulatory directives apply to both personal automobile and homeowner, including owner-occupied dwelling, unless otherwise specified.)

State	Statute/Regulation/Department of Insurance Directives
Alabama	**AL ADC 482-1-127.01** through **AL ADC 482-1-127.11:** Prohibits refusing to issue, canceling or nonrenewing a personal lines policy solely due to credit information. Prohibits considering the number of inquires found on an applicant's credit record when determining premiums, tier placement or underwriting decisions "unless said insurers file and the Department concurs with actuarial documentation which supports other practices." Insurers are also prohibited from considering credit collection information coded with a medical industry code and multiple lender inquiries associated with the purchase of a home or automobile. Requires insurers to file any insurance credit scoring system used and to make available upon request specific written procedures detailing when scores will be ordered, whom scores will be ordered on (named insured, all household members etc.), how such information will be used in underwriting and rating, any applicant notification language, and adverse action forms. The definition of "adverse action" and the dispute resolution process mirror those currently found in the federal Fair Credit Reporting Act (FCRA).
Alaska	**AK ST s 21.36.460:** Applies to personal lines. Prohibits sole use on new business; prohibits nonrenewals; prohibits renewal underwriting or rating unless the insured waives the prohibition each renewal. **AK ST s 21.39.035:** Requires filing of insurance scoring models. Credit history may not be used to determine personal insurance rates, premiums, or to make underwriting decisions unless scoring models are filed with the Director. Models must include all attributes and factors used in the calculation of an insurance score, statistical validation, documentation, appropriate loss information, and any other relevant factors. **AK Bulletin No. 2003-07:** Issued 8/19/2003. Clarifies filing requirements. Credit scoring models must be filed by the insurer and not by a third party vendor. Rate filings must include detailed information on the model used (as outlined in the Bulletin), as well as a description of how a score will be used in the rating process. Currently, the Division requires insurers that use tier/market rating or underwriting systems to re-evaluate insureds every two years. The Bulletin advises insurers that this requirement remains in effect and that, upon re-evaluation, insurers may NOT consider the policyholder's credit history. Bulletin also defines "neutral" credit, distinguishing "neutral" from "average" credit. Filings will not be approved where a policyholder without a verifiable credit score is automatically assigned to an "average" rate. **AK Bulletin No. 2003-11:** Issued 12/1/2003. Supplements Bulletin 2003-07. Provides example "Reconsideration Certification."
Arizona	**AZ ST s 20-2102:** Includes credit information in the definition of "personal information." **AZ ST s 20-2104:** Sets forth requirements for notification of use of personal information by insurers. **AZ ST s 20-2110:** Requires insurance companies to provide four factors that were the primary causes of an adverse underwriting action;

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Arizona (cont.)	prohibits an insurer from using the following types of credit history to calculate insurance scores to determine premiums: • Credit history or insurance scores based on collection accounts identified with a medical industry code; • A bankruptcy or lien satisfaction that is more than seven years old; • The customer's use of a particular type of credit card, charge card or debit card, unless it is actuarially justified; • The consumer's total available line of credit, except that an insurer may consider the total amount of outstanding debt; and • An insurance score that uses income, gender, address, zip code, ethnic group, religion, marital status or nationality of the consumer as a factor. This provision does not prohibit an insurer from using zip code, address, gender, and marital status information for underwriting purposes. **AZ ST s 44-1692:** Permits a consumer-reporting agency to furnish a credit report for the intent of underwriting insurance.
Arkansas	**AR ST s 23-67-401** through **AR ST s 23-67-415:** Based on **NCOIL** model Act. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information may be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. **AR Directive 2-2002:** Prohibits certain uses of credit scoring in underwriting, and outlines filing and disclosure requirements. **AR Directive 1-2004:** Addressing cancellations/ nonrenewals in general. Directive provides that an insurer may not deny, cancel, nonrenew or base a renewal rate solely on credit without consideration of other factors. Insurers must provide required information following an adverse action; may not include income, gender, address, zip code, ethnic group, religion, marital status or nationality within a score. **AR Bulletin 14-2004:** Issued 12/15/2004, reminding insurers of the requirement to annually report statistics relating to the use of consumer credit information.
California	Use of credit generally not permitted. Under current Proposition 103, insurers may not use credit information in auto rating unless the Commissioner specifically permitted its use by regulation.

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California (cont.)	**CA INS s 1785.11:** Permits a consumer-reporting agency to furnish a credit report for the underwriting of insurance; requires notification to consumer if report adversely affects underwriting decision. **CA INS s 1785.20:** Sets out procedure to be followed if adverse action is taken based in whole or in part on a credit report. **CA INS s 1785.20.1:** Requires consumer notification prior to using credit information if the consumer does not initiate the transaction.
Colorado	**CO ST s 10-4-110.7:** Applicable to homeowners. Provides notification requirements when credit history is used in underwriting. **CO ST s 10-4-116:** Effective 1/1/2005, based on **NCOIL** model Act. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information would be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Requires re-scoring at least every 36 months, with exceptions. Requires models to be filed. **CO ST s 10-4-616:** Applicable to auto. Provides notification requirements when credit history is used in underwriting. **CO ST s 12-14.3-103:** Requires prior notice to consumer in the same medium as the application. Among other restrictions, prohibits the inclusion of the number of inquiries made more than one year ago from credit and report date; prohibits serious delinquency, public record item or other adverse information older than 7 years unless the amount involved is over $150,000. Permits a consumer-reporting agency to furnish a credit report for the underwriting of insurance, but requires notification to consumer. **CO Bulletin 15-2004:** Clarifies effective date of credit scoring provisions and clarifies inconsistent references to "thirty day" timeframes. **CO Bulletin 11-2000:** Requires insurers to provide disclosure to the consumer if credit information will be used.
Connecticut	**CT ST s 38a-982:** Requires disclosure if investigative consumer reports will be obtained. **Department Filing Guidelines:** Effective 3/2001. The Connecticut Insurance Department issued "financial history measurement programs" guidelines for personal risk insurance underwriting and rating. The guidelines are intended for insurers to follow for the use and filing approval of underwriting and rating programs utilizing financial history measurement programs (credit histories and credit scores), and for Insurance Department examiners to use when reviewing those filings. "Financial history measurement programs" may only be used on new business. Insurers may use credit on renewal risks only on an

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Connecticut (cont.)	individual basis – not to re-score an entire book or class of business. Insurers must file programs used for underwriting or rating with the Department. Filings must describe the program, identify characteristics from which a measurement is derived, include rules and procedures used, and illustrate how the impact of information is reduced over time (older occurrences must carry less weight than more recent occurrences). The Department has confirmed that proprietary elements, including algorithms, do not need to be filed. Filings must include information to demonstrate a correlation between credit scoring and expected losses. Filing information must include information to show that any credit-scoring program used does not unfairly discriminate based on territory, or age of the applicant. Financial history measurement programs may not consider the number of credit inquiries, the consumer's purchase of a specific item, the consumer's use of a particular type of credit card, total available line of credit, or disputed information. Policies may not be cancelled or non-renewed solely based on an adverse credit score, however a policy will not be considered to be cancelled or non-renewed if coverage is available through an affiliate of the insurer. Provisions of the Fair Credit Reporting Act must be followed. The Department may request companies to provide financial history measurement program information to create test examples. Companies must submit a report to the Commissioner after a program has been in effect for two years demonstrating that the program is not unfairly discriminatory and that the data supports the rates charged.
Delaware	**DEL. CODE ANN. 18., §8301 - §8304 (2008):** Effective 1/1/08, applicable to all personal lines automobile, motorcycle, boat and personal watercraft, recreational vehicle, homeowners, mobile-homeowners, manufactured homeowners insurance, and non-commercial dwelling fire insurance policies. Prohibits refusing to underwrite a new risk or establish a premium for an applicant based solely on a consumer report or on credit information without consideration of other applicable underwriting factors independent of the consumer report or credit information. Prohibits adverse underwriting decisions on in-force policies based upon changes in credit information or changes in a consumer report except as otherwise permitted by law or upon the request of the insured. An insurer may request a consumer report or credit information for the purpose of: with the insured's consent, claims and fraud investigation; prescreening, as permitted under section 604(b) of the Fair Credit Reporting Act; or other uses as approved by the Commissioner.

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Delaware (cont.)	Upon request of an insured, the insurer shall, at the time of a policy's renewal or anniversary date, re-rate the insured's policy based upon a current consumer report and give the insured the benefit of any improvement in the insured's insurance score. No adverse underwriting decision may result from a re-rating conducted pursuant to this subsection. An insurer does not need to recalculate the insurance score or obtain the updated credit report of an insured more frequently than once in a 12-month period. This provision does not apply if the insurer's filed rating plan does not use any credit information for the purpose of rating renewals, including any residual effect from the use of credit information at initial underwriting. If, as the result of any acquisition or transfer of all or part of a book of business of an agent, insurer, or broker, a policy is transferred from one insurer to another and re-rated, the re-rating shall be considered a re-rating of the policy currently in force upon renewal, subject to the restrictions above, however an insurer may, at the policyholder's option, rewrite the policy using credit if it results in a lower premium for the policyholder. **DEL. CODE ANN. 18., §2304 (2008):** Effective 1/1/08. **DE Forms and Rates Bulletin 26:** Provides guidance on filing requirements related to Regulation 906. **DE ADC 906:** Amended effective 1/1/08 (notice provisions effective 4/1/08). The regulation applies to personal automobile and homeowners policies and provides: Insurer must provide notice as part of application and on annual basis of right to request insurance score review. Such review cannot result in adverse action. No consumer report or credit score shall be valid if more than two years old. Insurers must file with the Department as part of its rating or underwriting criteria reports or background information to explain the insurer's use of credit information. Credit may not be the sole basis upon which the insurer denies coverage or cancels coverage. Insurers may not consider the consumer report or score of any person other than the named policyholder or person. Insurance scores may not include information disputed by the consumer. When the consumer has no available credit history or has insufficient credit history, section 5.8 requires consumers to be underwritten and

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Delaware (cont.)	rated in accordance with actuarial principles and standards of practice established by a rate filing exclusive of credit scoring. Section 6 requires that insurers provide notification to the consumer that credit information may be obtained, and establishes certain information to be provided the consumer when the policy is denied or nonrenewed based on credit information. The regulation also requires insurers to indemnify agents from any liability, fees or costs associated in the use of credit scoring by insurers.
D.C.	No current regulations or statutes specific to credit-based insurance scoring.
Florida	**FL ST s 626.9741:** Effective 1/1/2004. Based on **NCOIL** language. Regulates and limits the use of credit reports and credit scores by insurers for underwriting and rating personal lines auto and homeowners insurance. A rate filing that uses credit reports or credit scores must comply with the requirements of s. 627.062, F.S., or s. 627.0651, F.S., to ensure that rates are not excessive, inadequate, or unfairly discriminatory. Requires insurers to notify an applicant or insured, in the same medium as the application was received, that a credit report will be requested for underwriting or rating purposes. An insured is prohibited from requesting a credit report based upon the race, color, religion, marital status, age, gender, income, national origin, or place of residence of the applicant or insured. In the event an insurer makes an adverse underwriting or rating decision based upon a credit report, the insurer, or a designated third party, is required to provide a copy of the credit report to the applicant or insured. The insurer is required to include the four primary reasons, or fewer if applicable, that were the primary influences of the adverse decision. The bill establishes rights and responsibilities for the insured or applicant and the insurer to address adverse underwriting or rating decisions made by the insurer, and establishes an appeal process for an insured or applicant whose credit report or credit score is unduly influenced by the death of a spouse, dissolution of marriage, or temporary loss of employment. **FL ST s 626.97411:** Provides a public record exemption related to the filing of credit scoring methodologies with the Office of Insurance Regulation. **4-170.013 F.A.C. :** Requires written underwriting guidelines for use of credit for homeowners and auto; adverse decisions must identify specific credit terms. **4-125.004 F.A.C. :** Requires notification of the use of credit reports in underwriting. New filing checklist released 9/04.
Georgia	**GA ST 33-24-90** through **GA ST 33-24-98:** Effective 7/1/2003. **NCOIL** model language. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer

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Georgia (cont.)	in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Requires an insurer to file its scoring models with the state regulator. Provides that an insurer may not consider lack of credit or inability to obtain a credit score as a negative factor. **Department Guidelines:** Released to insurers November, 2004, updated 8/25/2005. Provides guidance for filings. Department interprets "sole use" to mean that credit may not be used as a rating factor on renewal unless the policy could be legally nonrenewed. **GA ADC 120-2-15:** Applies to homeowners insurance. Quarterly reporting of policy cancellations and nonrenewals to the Office of Insurance Commissioner must include policies cancelled or nonrenewed due to credit reports. **GA ADC 120-2-65:** Applies to private passenger automobile insurance. No insurer shall use underwriting criteria which results in fictitious grouping and unfair discrimination. Grouping factors may include the use of credit reports. However, any grouping, including the use of credit reports, is fictitious and unfairly discriminatory only if not actuarially supported.
Hawaii	**HI ST s 431:10C-207:** Applies to auto insurance. Prohibits an insurer from applying a standard or rate based on "credit bureau rating." Case law has interpreted this section to apply to both underwriting and rating. **HI ST s 431:10C-409:** Prohibits the Commissioner from using credit rating in establishing rates for the automobile JUA.
Idaho	**ID ST 41-1843:** Effective 1/1/2003. Applies to personal lines insurance policies. Prohibits an insurer from taking adverse action against a customer "based primarily" upon the individual's credit rating or credit history. An insurer must assign the same weight in rating decisions as any other criteria used to raise premiums, cancel, nonrenew, or decline to issue an insurance policy. **ID ADC Rule 18.01.19:** Provides Department interpretation of Sec. 41-1843. **ID Bulletin 91-9**: Provides that using a credit report without adhering to the Fair Credit Reporting Act is an unfair trade practice.
Illinois	**215 ILCS 157/22:** Effective 7/1/2006. Requires insurers to consider exceptions for extraordinary life circumstances. **215 ILCS 157/1 et seq.:** Enacted 2003. **NCOIL** model language with additional latitude for tiering. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information (placement within a different tier is acceptable). Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to

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Illinois (cont.)	provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. If an insurer intends to consider the lack of a credit score as a negative factor, the insurer must also submit a filing certification, signed by an officer for the insurer, certifying that such treatment is actuarially justified. **IL Bulletin 2003-03:** Provides guidance on implementation of the law.
Indiana	**IN ST 27-2-21:** Effective 7/1/2003. **NCOIL** model. Applies to personal lines. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator. **IN ST 27-4-1-4:** Classifies violation of IN ST 27-2-21 as an unfair and deceptive act and practice in the business of insurance. **IN ST 27-1-22-25:** Auto insurers may not charge a higher rate for person who has filed for bankruptcy. **IN Bulletin 130:** Issued 5/26/2005 (withdrawing Bulletin 123, issued 12/5/2003). Provides guidance on filing and the law generally. Reminds insurers that bankruptcy may not be a factor in a score.(Withdraws earlier position taken by the Department in Bulletin 123 that stated that insurers could not use credit in a rate change unless another rating factor had also changed.) **IN Bulletin 111:** Issued 7/1/2002. An insurer that uses credit information for rating personal lines insurance policies shall submit, under confidentiality protection, to the Department of Insurance specific written criteria on how credit information is utilized in underwriting for rating purposes and tier placement.
Iowa	**IA ST s 515.103**: Effective 10/1/2004. (Technical amendments made in 2005.) Based on **NCOIL** but differs by including noncommercial farms within scope of law. Also differs from NCOIL in that insurers are not permitted to consider "no-hits" even with actuarial justification. Prohibits a personal lines insurer using credit information in underwriting from using an insurance score that is calculated using income, address, zip code, race, religion, color, sex, disability, national origin, ancestry, or marital status of the consumer as a factor. Also prohibits use of credit without consideration of other independent factors. Requires an insurer using credit information to disclose such use in connection with its application. Mandates that an insurer taking an adverse action as a result of a credit report must provide written notification to the consumer clearly and specifically explaining the reason for such action. Specifies that insurers using insurance scores in

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Iowa (cont.)	underwriting and rating risks must file their scoring models or other scoring processes with the Insurance Department. **IA ADC 191-20.12:** Effective 7/1/2001. Applies only to personal lines automobile and homeowners. Requires notification at the time of application that credit information will, or may, be used; adherence to Federal Fair Credit Reporting Act; prohibits cancellation, non-renewal or declination solely due to credit; requires specific criteria (including credit score algorithms or programs) to be filed with the Department.
Kansas	**KS ST 40-5103** through **KS ST 40-5111:** Effective 1/1/2004. Substantially based on **NCOIL**, but also applies to farmowners. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information in sufficiently clear and specific language so that a person can identify the basis for the insurer's decision to take such adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator. **KS ST 50-703, KS ST 50-704:** Allows consumer-reporting agency to furnish credit report for underwriting of insurance. **KS ADC 40-1-50:** Effective 7/2/2004. Implements sections 5101 through 5111; provides filing and record-keeping requirements. **KS Bulletin 2005-1:** Issued 4/1/2005.Revises the Department's interpretation of "sole" use of credit-based insurance scoring in underwriting and rating. The Department had previously taken the position that, with the exception of new business applicants, consumers with the "worst" credit were entitled to the same rating and underwriting treatment as consumers with the "best" credit, and that credit information could only be considered if there was a "non-credit" reason to take an adverse action. Bulletin 2005-1 simply states that the previously held position (detailed by footnote in Bulletin 2005-1) no longer reflects the Department's interpretation and does not provide specific explanation of the new position. Therefore, insurers are advised to refer to K.S.A. § 40-5104 and Regulation 40-1-50. **KS Bulletin 2004-10:** Issued 12/10/2004. Further interprets the regulation. It is the Department's position that credit may not be used to change a rate on a renewal policy unless another factor independently justifies the increase. Bulletin states that "adverse action" does not occur on new business since no prior rate was charged.
Kentucky	**KY ST s 304.20-040:** Applies to personal lines automobile. Prohibits cancellation/nonrenewal based solely on credit history or due to lack of credit history. **806 KY ADC 20:010:** If a policy is declined, cancelled or nonrenewed due to an investigative consumer report the consumer must be notified.

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Louisiana	**LA R.S. 22:1481** through **LA R.S. 22:1494:** Effective 8/15/2003. **NCOIL** model with additional requirements. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Requires an insurer to file its scoring models with the state regulator. Provides that an insurer may not consider lack of credit or inability to obtain a credit score as a negative factor. In addition to NCOIL described above: Insurers may not consider "the extension of available credit in excess of what the insurer deems reasonable" where the credit history is otherwise acceptable. Insurers may not create "unreasonable disparities" between underwriting tier placement based solely on credit. Insurers using credit information must establish a process under which the consumer may appeal the use of credit, and must provide "reasonable exemptions" from the use of credit if the consumer can document that their credit record was unduly influenced by a catastrophic life event (including medical bills, death of a spouse, identity theft, the personal guaranty of a business loan, or other events as determined by the Commissioner). **LA R.S. 22:1214(7)(i):** Applicable to automobile insurance. It is considered an unfair trade practice to decline or non-renew automobile policies based solely on insured filing of bankruptcy. **LA Directive No. 196:** Issued March 1, 2006. Advises insurers that Hurricanes Katrina and Rita are deemed catastrophic events with respect to the insurance scoring law and that adverse credit information resulting from the hurricanes should not be considered in scoring decisions. **LA Directive No. 181:** Issued 3/10/2004. Withdraws previous LIRC Directive 2003-02, and establishes filing procedures.
Maine	**ME ST T. 24-A s 2169-B:** Effective 9/16/2003. Based on **NCOIL** model. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information (placement within a different tier is acceptable). Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a

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Maine (cont.)	consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. Subsection 5A enacted effective 8/16/07. Provides that an insurer that uses insurance scores to underwrite or rate risks, upon request of the insured, but no more often than once every 12 months, shall obtain an updated credit report and recalculate the insurance score and shall re-underwrite and re-rate the consumer within 30 days of receiving the request. After re-underwriting or re-rating the insured, the insurer shall make any adjustments necessary, consistent with its underwriting and rating guidelines, on the anniversary date or the effective date of the renewal of the policy. **ME ST T. 24-A s 2917:** Prohibits nonrenewal of an auto policy based on a credit report without a clear explanation to the consumer. "Credit report" by itself is not an acceptable explanation. **ME ST T. 24-A s 3051:** Prohibits nonrenewal of a property insurance policy based on a credit report without a clear explanation to the consumer. "Credit report" by itself is not an acceptable explanation. **ME ST T. 10 s 1313-A:** A Consumer-reporting agency may release credit information for the underwriting process; prior notification to the consumer is required if the consumer does not initiate transaction. **ME Bulletin 329:** Issued 10/26/2004. Supercedes and replaces Bulletin 321, dated 9/11/2003. Advises insurers that credit information may not be the sole factor considered in an underwriting or rating factor. (Interpretation consistent with intent of NCOIL and less restrictive than Bulletin 321.) Also includes guidance on adverse actions, treatment of inquires, and inability to calculate a score.
Maryland	**MD Insurance s 27-501:** Enacted 2002. Insurers may not use the credit history of an applicant or insured in any homeowners underwriting or rating decision, including initial acceptance or rejection of a risk, nonrenewal, offering or refusing a discount, tier placement, or offering coverage with an affiliate company. With respect to private passenger automobile insurance, insurers may not use credit information in any underwriting or renewal rating decision. Credit information may be considered in rating new automobile policies, providing any discounts or surcharges do not exceed 40 percent, and providing insurers do not consider any credit information that occurred more than five years prior to issuance of the policy. Insurers must advise the applicant at the time of application that credit information may be used, and, upon request of the policyholder, must provide a premium quote that identifies the portion of the premium attributable to credit history. Insurers may not consider absence of credit history (or "no hits"), or the number of credit inquiries in a rating decision. At least every two years or upon request of the policyholder, the insurer is obligated to re-check the credit history or score of any insured "adversely" impacted by credit information. The obligation to re-check must be disclosed to the applicant at the time the policy is issued. For the purpose of this section, rating includes removal of a discount, tier placement, or placement with an affiliate company. Also prohibits personal lines insurers from considering credit history when determining whether or not to offer a specific payment plan to the insured. **MD Insurance s 11-317:** Applies to private passenger automobile insurance; insurers must provide to the policyholder at the time of

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Maryland (cont.)	issuance or renewal of the policy a statement that: defines the policyholder's rate classifications; includes a summary of the insurer's approved surcharge plan or driver record point plan for that policy; and includes a section that provides a general description of the factors, including credit information if applicable, that may cause or contribute to an increase in a policy premium. **MD COML s 14-1202:** Allows a consumer-reporting agency to release credit information for use in underwriting insurance. **COMAR 31.15.11.01:** Addresses "no hits," re-scoring, disclosure, premium adjustments and filing requirements with respect to private passenger auto. **MD Bulletin 02-14:** Issued 6/14/2002. Provides the Maryland Insurance Administration's interpretation of Section 27-501 regarding insurer use of credit information. **MD Bulletin 02-16:** Issued 8/9/2002. Supplements Bulletin 02-14. **MD Bulletin 02-23A:** Issued 11/1/2002. Applies to automobile insurance. Provides a filing form required for companies using credit in renewal rating. **MD Bulletin 02-23B:** Issued 11/20/2002. Same as Bulletin 02-23A.
Massachusetts	**MA ST T. 93 s 51:** Provides that credit reports are permissible for use in the underwriting process, however, property and casualty checklist indicates the Commissioner will not approve filings that include scoring and regulation prohibits the use of credit in automobile. **MA ST T. 93 s 62:** Sets forth the procedures to be followed when insurance is denied or rates increased because of a credit report. **211 CMR 79.00:** Effective 10/5/07: Prohibits the use of credit information in private passenger auto underwriting and rating.
Michigan	Credit is not one of the approved underwriting characteristics in Chapter 21 and, therefore, may be used for discounts only. Public Act 514 of 1996 allowed companies to establish premium discount plans using factors outside of those specified by the Essential Insurance Act. Thus, insurers could use credit to provide discounts on both auto and homeowners. **Bulletin No. 2003-01-INS:** Effective 7/1/2003 provides filing and ordering guidelines. **Bulletin 2003-02-INS:** Issued 5/13/2003 modifies annual rescoring requirement to rescoring only upon the request of the insured, emphasizes disclosure and accuracy. The bulletin emphasizes the department's opposition to insurance scoring. The Office of Financial and Insurance Services (OFIS) rule R500.2151-2155 would have prohibited credit information as a rating factor after July 1, 2005 and require insurers to file certifications that rate adjustments had been made to reduce base rates. Insurers filed suit to block

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State	Statute/Regulation/Department of Insurance Directives
Michigan (cont.)	the rule stating that OFIS overstepped its authority and that the rule was arbitrary and capricious. Circuit Court Judge James H. Fisher ruled, on April 25, 2005, for the plaintiffs in the *Insurance Institute of Michigan, et al v. Office of Financial and Insurance Services* suit over the rule to ban insurer use of credit information. Judge Fisher's order declared the Office of Financial and Insurance Services (OFIS') rule banning the use of credit to be illegal, invalid, and unenforceable, and permanently enjoined OFIS from enforcing the rules. On June 24, Michigan's Office of Financial and Insurance Services (OFIS) filed its appeal in the *Insurance Institute of Michigan, et al v. OFIS.* *Appeal remains pending.*
Minnesota	**MN ST s 72A.20 subd 36:** Effective 8/1/02. Prohibits an insurer from canceling, rejecting, or nonrenewing a policy of private passenger or homeowners insurance based solely on the consumer's credit-based insurance score. Insurers intending to consider credit information will be required to disclose the use of credit to the consumer. Credit scoring or insurance scoring methodology, and any information that supports the use of a credit score or insurance score as an underwriting criterion, must be filed with the Commissioner for approval. Requires an insurer, upon the request of an applicant or a policyholder, to provide reasonable underwriting exceptions for a consumer whose credit history has been unduly influenced by expenses related to a catastrophic injury or illness, a temporary loss of employment, or the death of an immediate family member. Prohibits an insurer from rejecting, canceling, or nonrenewing a consumer based on lack of credit history. **MN ST s 72A.491** through **MN ST s 72A.494:** At time of application, consumer is to receive notice of insurer's information practices, including use of credit report. **MN ST s 72A.499:** Requires the insurer or agent to provide the applicant or policyholder with the primary reasons for an adverse action when the action is based, in whole or in part, on an insurance score or other credit information. **MN ST s 72A.501** and **MN ST s 72A.502:** Provides that current law that limit the collection of personal information without authorization does not apply to insurance scores as long as the policyholder or applicant has been notified that such information is used.
Mississippi	**MS ADC INS 2003-1:** Effective 12/24/03. Regulation based on **NCOIL** model. Insurers must make written procedures for use of credit available to the Department. Requires completion of compliance checklist. Scoring models must be filed; will be considered proprietary upon request. Samples of notification and disclosure forms and *evidence* that such forms were furnished must be available to the Department. Insurers may not use "no-hits" or thin files in underwriting or rating decisions unless they have actuarial documentation to support any adverse treatment. Producers must be provided with educational materials on how the company may use credit. Insurers may not: • Consider the type of credit card, charge card or debit card used by the applicant or consider information in dispute; • Take adverse action based on a "no hit" or thin file, assuming the applicant has provided accurate information; • Refuse to insure, cancel or nonrenew based only on credit information, without consideration of any other applicable factor;

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State	Statute/Regulation/Department of Insurance Directives
Mississippi (cont.)	• Cancel, nonrenew or refuse to issue solely on the fact that the applicant does not have a credit card; • Base new business or renewal rates solely on credit without consideration of any other applicable factor; or • Calculate a credit score using credit inquires not initiated by the consumer, collection accounts coded with a medical code, multiple inquiries related to the purchase of a home or auto. One-time disclosure required. FCRA notice requirements must be followed. Agents to be held harmless.
Missouri	**MO ST 375.918:** Effective 7/1/03. Applies to private passenger auto and property and prohibits insurers from taking adverse underwriting action without consideration of other factors. Requires disclosure and adherence to FCRA. Adverse action may not be taken on renewals until after the third anniversary date of the policy. **20 MO ADC 500-9.100:** Applicable to homeowners insurance. Requires that all underwriting guidelines, including the use of credit information, be in writing and filed with the Department.
Montana	**MT ST s 33-18-604** through **MT ST s 33-18-611:** Effective 10/1/2005. Follows the **NCOIL** model by: • Prohibiting an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information; • Prohibiting an insurer from basing an insured's renewal rates for personal insurance only upon credit information without consideration of any other applicable factor independent of credit information; • Requiring an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and/or rating; • Requiring an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action; Providing indemnification of insurance producers who obtain credit information and/or insurance scores according to an insurer's procedures and according to applicable law and regulation; Restricting a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry; • Requiring an insurer to file its scoring models or scoring processes with the Division, considering the information to be a trade secret. Goes beyond the NCOIL model by including a broader definition of "adverse action," adding additional restrictions on the use of information found in a credit history, and mandating underwriting and rating exceptions for extraordinary circumstances. The law defines "failure to give an otherwise available credit-related discount" as an adverse action. This language essentially codifies a position taken by the Division in a

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State	Statute/Regulation/Department of Insurance Directives
Montana (cont.)	2001 Advisory Memorandum. In addition to NCOIL restrictions, prohibits insurers from considering the following as negative factors within a credit-based insurance score: • The number of credit inquiries; • The use of a particular type of credit, debit, or charge card or the number of such cards obtained; • Loan information if the loan is clearly related to the purchase of an auto or home (although insurers may consider the payment history and total number of such loans); • The total available line of credit or debt (except that the insurer may consider payment history, and may consider outstanding debt if debt exceeds total line of credit). The bill also requires insurers to provide reasonable underwriting and rating exceptions for consumers who can show that their credit history was adversely affected by an extraordinary life event including catastrophic illness or injury, temporary loss of employment, death of a family member, identity theft, or other circumstances as determined by the insurer. Insurers may require reasonable documentation before granting the exception. **MT ST s 31-3-111:** Permits consumer reporting agencies to release credit information to insurers for underwriting purposes. **MT ST s 31-3-113:** Sets out standards for use of investigative consumer reports that include credit history. Notice is to be provided to the consumer. **MT ST s 31-3-131:** Sets for the requirements for the use of credit reports. Notice is to be given to the consumer if a report is used. **Department Letter:** Issued 9/23/2005. Requires re-scoring of all risks if models are changed to comply with law effective 10/1/2005. **Department Letter and filing checklist:** Dated 6/11/2005 advises companies that all models must be filed for approval, even if previously filed and approved. **Advisory Memorandum:** Issued 6/11/2005. Summarizes provisions of 2005 law (SB 311). **Advisory Memorandum:** Issued 9/7/2001. Discusses insurer obligations following adverse action; responsibility for providing complete information so that consumers can take steps to improve their credit.

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Montana (cont.)	**Advisory Memorandum:** Issued 5/2000. *No longer valid following repeal of section 33-19-204 (S-465, approved April 21, 2001).* Retroactive to January 1, 2000. Memorandum addressed insurer questions and aided in compliance with amendments to the Montana Insurance Information and Privacy Protection, effective January 1, 2000. Specifically addresses the use of credit histories in underwriting and rating stating that, despite provisions of the federal Consumer Credit Protection Act that allow insurers to receive credit histories without express authorization, the Insurance Information and Privacy Protection Act prohibits insurers from seeking credit histories without prior authorization.
Nebraska	**NE ST s 44-7701 through NE ST s 44-7712:** Effective 8/31/2003. **NCOIL** model language. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information (placement within a different tier is acceptable). Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. **NE ST s 44-7516.01:** Personal auto policies delivered or issued after 7/1/02 must be accompanied by a disclosure showing if any credit-based rating was used to determine the rate. **NE Bulletin CB-50:** Amended 8/24/05. The Department's Property and Casualty rate and forms filing manual. Includes provision for filing related to insurance scoring.
Nevada	**NV ST 686A.600 through 686A.730:** Effective 7/1/ 2004. **NCOIL** model. Prohibits insurers from using credit information, or lack thereof, as sole criteria to underwrite or rate. Information cannot be older than 3 months for new business, and 3 years for renewal or re-rating. For the latter purpose, information cannot be used more frequently than annually. Medical bankruptcies, number of reported "hits" within 30 days cannot be used in an adverse manner. Insurer must re-underwrite if consumer amends incorrect credit information in his/her report. Disclosure is required prior to credit use and reasons for adverse action must be provided. Consumer credit agencies may not sell data collected from insurance inquiries. **NV ST 686A.710** amended effective 10/1/07 to provide that standardized reasons would no longer be acceptable on a notice of adverse action. Insurers must provide the notice in a form approved by the commissioner. **NV Bulletin 07-006:** Issued 8/24/07, provides instructions on filing of notices; requires a list of each possible reason for an adverse action along with sufficiently clear and specific language to explain each. Provides that expanded standardized information provided by Fair Isaac or ChoicePoint, created originally for use in Washington state, is acceptable.

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State	Statute/Regulation/Department of Insurance Directives
New Hampshire	**Sec. 417:4VIII(g):** Effective 9/24/98. It is an unfair trade practice to charge a higher premium for private passenger auto or homeowners insurance based upon an individual's credit rating or history. **NH ST s 359-B:4:** Allows a consumer reporting agency to release credit information for use in underwriting insurance. **NH ST s 359-B: 6:** Consumer credit reporting law. No investigative consumer report may be compiled without the consumer being notified. **NH ST s 359-B:15:** If insurance is cancelled, nonrenewed or the rate increased as a result of credit information, the consumer must be notified and the insurer must provide the name and address of the credit reporting agency. **NH INS 3300:** Issued 3/4/02. Applies to auto and homeowners. Requires insurers to develop written standards for determining when to obtain an insurance score in the underwriting and/or rating process. If an insurer uses credit information, either for underwriting, rating, or both, applicants and policyholders must be notified. The notice may be provided by either the agent or company, and may be given in the same method as the application or renewal offer. Both underwriting models and rates must be filed for approval. If an insurer uses insurance scores in the rating process, the insurer must recheck the credit score at least once every three years. The insurer must follow the requirements of the FCRA, and, if requested to do so by the insured, must provide the two primary reasons why the consumer was assigned a specific insurance score. **Bulletin INS 07-009-AB:** Issued 5/16/07. Advises insurers that if an applicant refuses to provide their social security number or permission to obtain credit the applicant should be treated as a "no hit." **Bulletin INS 01-002-AB:** Issued 2/26/2001. *Obsolete – references law repealed in 2003.* Reminds insurers of statutory provisions: that underwriting models and rate filings that utilize credit information are subject to prior approval and must be based on objective, documented, and measurable standards.
New Jersey	**NJ ST s 17:23A-4:** Requires that consumers be notified of insurer's information practices, including use of credit history, at the time of application. **NJ ST s 56:11-31:** Permits distribution of credit reports for the purpose of underwriting insurance. **NJ Bulletin 2004-05:** Issued 4/26/2004. Requires filing of models, prohibits consideration of credit on "dollar a day" or "basic" auto insurance policies. Requires rate protection for those without claims or violations for seven years or more. Insurers must periodically report to the department on their use of credit and how impact of credit to policyholder will be reduced over time.

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State	Statute/Regulation/Department of Insurance Directives
New Jersey (cont.)	**Department Letter:** Issued 4/26/05 to provide specific information on filing requirements pursuant to Bulletin 2004-05. (Confirmed by correspondence to apply to private passenger auto only.) Use of insurance scoring may be approved as part of a company's rating plan. Letter provides filing requirements. Requires statistical justification and procedures for granting policyholder exceptions. Prohibits penalizing policyholders that are claim and violation free for seven years or longer. The insurer must notify the applicant or insured that a dispute resolution process is available as set forth in the federal Fair Credit Reporting Act, 15 USC 1681 (a)(5). In the event credit information is incorrect, the insurer shall re-underwrite or re-rate the insured or applicant and shall make any adjustments necessary, consistent with its underwriting and rating guidelines, within thirty days of receiving notice from the insured or applicant.
New Mexico	**NM SB 560 enacts Chapter 275:** *(Section numbers not yet identified.)* Effective 1/1/2006. Applies to personal lines. Similar to the **NCOIL** model in that: • Insurers are prohibited from denying, canceling, nonrenewing, or basing rates solely on the basis of credit information, without consideration of any other applicable underwriting factors permitted by state law. • Insurers must recalculate the consumer's insurance score at least every 36 months (or up to annually if requested by the consumer), unless an improved score would not result in a better rate. • Insurers must disclose to the consumer that credit information may be used in underwriting and rating. Insurers are required to provide the disclosure upon new business, and no more than once on renewal policies. • Consumers must be notified if an insurer takes an adverse action based on credit information, and must be provided the four most significant credit-related factors that influenced the adverse action. • Insurers are required to file scoring models. Senate Bill 560 goes beyond the NCOIL model by excluding consideration of inquiries; prohibiting consideration of credit in a decision affecting a payment plan; providing that insurers must provide exceptions for credit information that has been adversely affected by extraordinary life events, and must advise consumers of how to apply for such exceptions. The bill is also more restrictive than the NCOIL model with respect to situations where the consumer's credit history cannot be verified. Insurers may not consider the absence of credit information in the underwriting or rating process unless the insurer classifies the consumer as having "average or better than average credit information" or unless the insurer excludes credit as an underwriting or rating factor for that consumer. **NM ADC 13.8.6:** Effective 1/1/2006. Includes additional requirements for adverse action notices including additional information on resolving

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State	Statute/Regulation/Department of Insurance Directives
New Mexico (cont.)	disputes, and information on extraordinary circumstance exceptions. Provides for confidentiality of filings. **NM Bulletin 2005-004:** Issued 9/13/05. Clarifies 36-month reordering requirement, and "four most important factor" provision of law. Requires informational filing of adverse action notices. **NM Bulletin 2002-001:** *Obsolete.* Issued 3/18/02. Requires insurers to file any portion of an underwriting or rating program that includes the use of credit information. The Department does not allow insurers to take adverse action solely due to credit information.
New York	**NY Article 28, Sections 2801 through 2809:** Effective 3/23/2005. Based on **NCOIL** model Act. Allows credit to be used on new business underwriting, rating and tier placement; credit may not be the sole factor in an adverse underwriting decision. Prohibits nonrenewal or cancellation based on credit, but allows for tier or affiliate placement. Credit may not be used to increase a rate in renewal rating. Requires 36-month re-scoring, disclosure, and adherence to FCRA. **Part 221 to Title 11 NYCRR Emergency Regulation No. 182**: Formally adopted effective 8/2/06; previously effective as an emergency regulation. Provides specific requirements for re-scoring, mandated disclosures, offer to provide coverage upon re-scoring with an affiliate offering lower rates if the revised score would make the policyholder eligible for the affiliate company. **NY CLS Gen. Bus. 380-b:** Permits distribution of credit reports for the purpose of underwriting insurance.
North Carolina	**NC ST s 58-36-90:** Effective 1/1/04. Applies to personal lines homeowners and auto. Insurers may not use a credit score as the sole basis in a decision to terminate or nonrenew an existing policy, reduce coverage, or subject a policy to consent to rate (surcharge). However, insurers are permitted to consider a credit score as the sole basis for applying a discount. "Existing policy" is defined as a policy that has been in effect for more than 60 days. (As a "take all comers" state, North Carolina already limits an insurer's ability to consider credit in automobile decisions.) Use of credit information in a decision to deny, cancel, or increase the premium of any policy, existing or applied for, is considered an "adverse action." Following any "adverse action," insurers must adhere to the requirements of the federal Fair Credit Reporting Act. Specifically, insurers must: • Notify the applicant or insured of the action taken; • Include the specific reasons for the action along with a "description of the factors that were the primary influence on the score;" • Include contact information for the credit bureau that supplied the information; • Advise the insured/applicant that the consumer has the right to obtain a free copy of their credit report;

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State	Statute/Regulation/Department of Insurance Directives
North Carolina (cont.)	Advise the insured/applicant that they have the right to appeal any incorrect information contained in a credit report; and • Re-underwrite or re-rate the consumer upon receiving notification that information contained in a credit report was incorrect or incomplete. **NC ST s 58-39-25:** An insurer must hold its agents harmless for any liability arising out of the use or ordering of credit scores. Insurers are required to file scoring models or scoring processes with the Department. Companies may request that credit scoring data be held confidential. At time of application, consumer is to receive notification of insurer's information practices, including the use of credit reports. North Carolina Rate Bureau Personal Automobile Manual Rule 4.J.: Effective July 6, 2006. Allows companies to file optional rating characteristics, including credit, provided any combination of optional factors does not exceed Bureau rates.
North Dakota	**ND ST 26.1-25.1:** Effective 4/30/04. **NCOIL** model language. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. **Department Memorandum**: Issued 6/29/07, advises that all property and casualty companies using credit information in the underwriting and rating of personal lines insurance are to give notice of any "adverse action" under both Safeco Insurance Co. of America v. Burr, 127 S.CT. 2201 (US 207), and N.D.Century Code Chapter 26.1-25.1. This notice withdraws and replaces the Department's memorandum of September 2005 on this issue, but Bulletin 2004-1 originally dealing with Chapter 26.1-25.1 remains unaffected. **Department Memorandum:** Issued 9/27/05 - *Withdrawn* **Department Bulletin 2004-1:** Issued 4/21/04, reminds insurers that they must be in compliance with the law and that the Department will review any consumer complaints regarding the use of credit to assure compliance.

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Ohio	**OH ST s 3904.04:** Provides that at time of application, consumer is to receive notification of insurer's information practices, including use of credit reports. **OH ST s 1349.51:** Prohibits a consumer reporting agency from selling or furnishing a consumer report containing any information relative to an individual's insurance coverage that was submitted, in whole or in part, in conjunction with an insurance company's inquiry into an individual's credit history or request for a consumer report. **OH ADC s 3901-1-55:** Prohibits sole use of credit in auto and homeowners underwriting; requires disclosure. **OH Bulletin 02-2:** Provides guidance on using credit history and scores in underwriting and rating personal lines.
Oklahoma	**OK ST T. 36 s 950 et seq:** Effective 11/1/ 2003. **NCOIL** model language. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. **OK Department Guidelines:** *(Obsolete with enactment of OK ST T. 36 s 950 in 2003.)* Effective 1/1/01 and amended 9/20/01. For the use of credit reports and scores for all lines under the jurisdiction of the Oklahoma State Board for Property and Casualty Rates except for workers' compensation, and (per the Department) commercial lines. The guidelines indicate that an insurer cannot "solely" rely on credit reports or scores in underwriting.
Oregon	**OR ST s 746.660 et seq:** Effective 1/1/04. Based, in part, on NCOIL model, but far more restrictive. Applies to auto, homeowners, noncommercial dwelling, inland marine and excess liability (umbrella). Insurers may not consider credit in whole or in part in a decision to non-renew a personal lines policy (terminate a policy in effect more than 60 days). Credit may be used in new business underwriting only when used in combination with other substantive factors. Offer of placement with an affiliate is not a denial. Same scoring carve-outs as NCOIL, plus cannot consider total line of credit – only the amount of credit outstanding in relation to total available. Policyholders may request to be re-scored annually. Credit history may *not* be considered in renewal rating, except where the insured has requested an annual re-write (to be considered as if new business), or where information used in initial placement has been successfully disputed. Filing required. Amended effective 1/1/2006 to prohibit re-rating an existing policy or customer when the customer's marital status changes due to death or

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State	Statute/Regulation/Department of Insurance Directives
Oregon (cont.)	divorce. **OR ADC 836-080-0425** through **OR ADC 836-080-0438:** Amended and adopted effective 10/4/2004. Removed earlier rule provisions not incorporated into law. Includes disclosure requirements. Requires insurers to establish written guidelines governing the use of credit. Allows consideration of "no hits" and thin files if supported by actuarial data provided to the Director. Provides that an adverse underwriting decision as defined in ORS 746.600(1)(a)(G)(iii) occurs when an insurer would have given the consumer a lower rate if the consumer's credit history or the credit factors in the consumer's insurance score were more favorable. Requires that the notice of adverse underwriting decision required by ORS 746.650(5) include 'an explanation of the consumer's right to request, no more than once annually, that the insurer rerate the consumer, and of potential negative consequences of rerating, if any." OR ADC 836-080-0430 and 0438 revised effective 3/10/06 with technical changes. **OR Bulletin 2003-8:** Effective 1/1/04, implements law and provides filing guidelines.
Pennsylvania	No current regulations or statutes specific to credit-based insurance scoring. Department of Insurance currently does not approve use of credit information upon renewal except to provide a rate reduction.
Rhode Island	**RI ST s 27-6-53:** Effective 1/1/03. Applies to homeowners insurance. *(see below)* **RI ST s 27-6-56:** Effective 1/1/03. Applies to automobile insurance. *(see below)* Both statutes above include identical provisions: • Requires an insurer to obtain an updated insurance score for a customer once every two years, if requested by an existing customer; Permits an insurer to decrease the customer's rates if the customer's credit rating has improved; • Prohibits an insurer from increasing an existing customer's insurance score based "solely" on a worsening in the customer's insurance score unless the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure or judgment, or if a subsequent insurance score no sooner than six months later confirms a worsening in a score. Rating changes may apply only on renewal. • Prohibits an insurer from declining a new customer insurance based solely on an insurance score or the absence of such a score; and • Prohibits an insurer from canceling, or increasing an existing customer's premium rate based "solely" on a worsening ni the customer's insurance score unless the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure or judgment, or if a subsequent insurance score no sooner thank six months later confirms the worsening in the score. • Relieves an insurer from obtaining a current credit report or an insurance score for a policyholder if the policyholder is in the most

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State	Statute/Regulation/Department of Insurance Directives
Rhode Island (cont.)	favorably-priced tier of the insurer within a group of affiliated insurers, or if credit history was not used for the policyholder when the policy was initially written; • Gives an insurer the discretion to use credit history for the policyholder upon renewal, if consistent with its underwriting guidelines; and Prohibits an insurer from increasing an existing customer's rate based "solely" on a worsening in the customer's insurance score unless the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure or judgment, or if a subsequent insurance score no sooner than six months later confirms the worsening in the score. • Requires an insurer, within 30 days after receiving notice of a correction in a customer or policyholder's credit report, to reissue or re-rate the policy by refunding the amount of the overpayment of premium based on the corrected insurance score retroactive to the shorter of the last 12 months of coverage or the actual period of coverage; • Holds an agent who obtains an insurance score on an insurer's behalf harmless for all acts, efforts, and disclosures in obtaining the score. Amended 1/4/04 to prohibit changing a rate due to credit mid-term; prohibits insurers from using inquiries not initiated by the consumer; medical collections; multiple inquiries from auto and home lending industries as negative factors. **RI Regulation 16a: Effective 3/31/2006. Auto cancellation and renewal provisions, includes nonrenewal restrictions.** **RI ST s 6-13.1-21:** Consumer must be notified if credit is used for insurance purposes and following an adverse action. **RI Bulletin 2002-16:** Interprets statute, revised effective 3/3/2005 to incorporate amendments to law enacted effective 1/1/2005.
South Carolina	**SC ST s 38-73-325** and **SC ST s 38-73-425:** Effective 7/29/2004 (applicable to both auto and property insurance). Prohibits underwriting decisions based on lack of credit, unless the insurer files information demonstrating the link between lack of credit and increased underwriting risk. **SC ST s 38-73-740:** All information, including investigative and credit reports used in determining the classification or premium rates of any person applying for automobile insurance, must be kept on file by the insurer for at least three years from the date the application was made. Upon request of the applicant, the contents of the file must be made available for inspection by the applicant and copies of the documents must be furnished to the applicant if he/she pays the cost of reproducing the copies. Insurers must file credit scoring guidelines, but may reference vendor models in filing.

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State	Statute/Regulation/Department of Insurance Directives
South Carolina (cont.)	**SC Bulletin 12-2004:** Issued 10/14/2004. Clarifies filing requirements when insurers consider "absence of credit information." **SC Bulletin No. 09-2004:** Issued 7/29/2004. Applicable to fire and homeowners. Bulletin provides information on Act of 2004, including information on new section applicable to insurance scoring as follows: "Absence of credit information may be used by an insurer for underwriting purposes only if the insurer presents information satisfactory to the director that the absence is related to the risk." **SC Bulletin No.04-2002:** Issued 5/24/2002. Applies to personal auto rating and underwriting. Prohibits refusal to insure, cancellation or nonrenewal based solely on auto. Provides that an offer of coverage with an affiliate or within a different tier of the same insurer is not a refusal, cancellation or nonrenewal. Insurers must file loss experience justifying applicable surcharges or credits. Requires disclosure to consumer; option to recheck scores; compliance with the FCRA.
South Dakota	**SD Bulletin 2002-3:** Issued 1/15/2003. Prohibits insurers from denying, canceling, or non-renewing a policy based solely on credit information.
Tennessee	**TN ST s 56-5-401** through **TN ST s 56-5-407:** Effective 1/1/2005. **NCOIL** model with minor changes including exception to the re-scoring requirement. Insurers do not have to re-score at three years if annual notice is sent advising insured that they may request a re-score. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information, without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information would be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator and have them considered trade secrets. **TN Bulletin 12-13-04:** Issued 12/13/04. Advises companies of filing guidelines including the requirement to file underwriting guidelines.
Texas	**TX INS Art. 21.49-2U:** Effective 6/11/2003. Applicable to personal lines. **NCOIL** model language with some changes. Filings may not be considered trade secrets. Insurer must provide for exceptions based on extraordinary life circumstances. Prohibits an insurer from denying, canceling or nonrenewing a policy of personal insurance solely on the basis of credit information without consideration of any other applicable underwriting factor independent of credit information. Prohibits an insurer from basing an insured's renewal rates for personal insurance solely upon credit information without consideration of any other applicable factor independent of credit information. Requires an insurer to disclose to an applicant for insurance that credit information will be used in underwriting and rating. Requires an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary

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Credit Based Insurance Scoring-

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State	Statute/Regulation/Department of Insurance Directives
Texas (cont.)	influences on the adverse action. Restricts a consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry. Requires an insurer to file its scoring models with the state regulator. **TX BUS & COM s 20.02:** Permits distribution of credit reports for the purpose of underwriting insurance. **28 TX ADC 5.9940:** Provides specifications for required disclosure form. **28 TX ADC 5.9941:** Insurers may change a rate based solely on credit information, but must file rating plans. **TX Bulletin No. B-0052-05:** Issued 9/21/05. Advises that Hurricane Rita shall be determined an "extraordinary event" for exception purposes as required by law. **TX Bulletin No. B-0010-05:** Issued 3/1/05. Identifies examples of reasonable exceptions for consumers whose credit information may have been affected by identity theft as a result of improperly released or stolen information from data providers. **TX Bulletin No. B-0028-03:** Frequently Asked Questions document to implement the law. **TX Bulletin No. B-0049-02:** Details Fair Credit Reporting Act notice requirements.
Utah	**UT ST s 31A-22-320:** Effective 2003. Allows credit on new business auto underwriting provided not the sole consideration. Credit information may be used on renewals or rating only to provide a discount. **UT ST s 31A-22-1307:** Use of consumer reports for residential dwelling liability policies must be in writing, with usage rules, prior notices, and compliance with Consumer Credit Reporting Act. Insurer must maintain evidence of compliance. **UT Rule 590-219:** Effective 6-13-03. Provides guidance for implementation of law.
Vermont	**VT ST T.9 § 2480e:** Requires prior consent to request a credit report, except for the purpose of prescreening. **VT ADC 06 031 012a :** Provides that a "person required to obtain consumer consent pursuant to 9 V.S.A. §§ 2480e and 2480g shall obtain said consent in writing if the consumer has made a written application or written request for credit, insurance, employment, housing or governmental benefit. If the consumer has applied for or requested credit, insurance, employment, housing or governmental benefit in a manner other than in writing, then the person required to obtain consumer consent pursuant to 9 V.S.A. §§ 2480e and 2480g shall obtain said consent in writing or in the same manner in which the consumer made the application or request. The terms of this rule apply whether the consumer or the person required to obtain consumer consent initiates the transaction. " **VT ST T. 8 § 4704a**: Effective July 1, 2006. Provides that if it is determined through the reinvestigation process set forth in the federal Fair

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State	Statute/Regulation/Department of Insurance Directives
Vermont (cont.)	Credit Reporting Act that credit information relied upon by an insurer was incorrect, and if an insurer receives notice of that determination from either the consumer reporting agency or from the insured who has provided written documentation from the consumer reporting agency, within one year of the date after the insured is no longer a customer of the insurer, the insurer must re-underwrite and re-rate the consumer within 30 days after receiving the notice. After re-underwriting or re-rating the insured, the insurer shall make any adjustments necessary consistent with its underwriting and rating guidelines. If an insurer determines that the insured has overpaid the premium, the insurer shall refund to the insured the amount of overpayment.
Virginia	**VA ST s 38.2-2234, VA ST s 38.2-2126, VA ST s 38.2-2212, VA ST s 38.2-2114:** Based on **NCOIL** model Act. Applies to auto and homeowners. Credit information may not be the sole factor used in a decision to decline or nonrenew a homeowners or other owner-occupied dwelling policy, but may be the sole factor considered in a rating decision or tier placement. Credit information may not be the sole factor used in a decision to nonrenew a personal automobile policy, but may be the sole factor considered in a rating decision or tier placement. (Does not restrict cancellation on auto policies that have been in effect less than 60 days.) Also provides: • Where credit information is used, in part, as a basis for a nonrenewal, the credit score must not be older than 120 days from the effective date of the nonrenewal. Credit scores used for new business may not be more than 90 days old. • Insurers using credit information must disclose on the original application, or at the time of application, that credit information will be considered, that the insured may request that his/her credit information may be updated, and that the insurer will reevaluate the insured if incorrect credit information is used and subsequently corrected. • If credit information is used for rating or tier placement, the insurer must update credit information (except for those policyholders already receiving the best rate) at least every three years. However, the policyholder may request that the insurer update credit information as often as once every policy term. In additional to factors traditionally not considered in a credit score (i.e. disputed information, insurance inquiries), insurers may not consider collection information identified with a medical industry code, multiple lender inquires (within 30 days) from the home mortgage and automobile lending industries, and the total available line of credit (except that insurers may consider the amount of outstanding debt compared to the total available credit). • An insurer may grant exceptions for applicants or policyholders whose credit has been adversely affected by a "catastrophic" event. Insurers must hold agents harmless from liability providing that credit scores are obtained in accordance with procedures established by the insurer. **VA ST s 59.1-335.2:** Provides authority for release of credit information for use in underwriting.

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State	Statute/Regulation/Department of Insurance Directives
Virginia (cont.)	▪ **VA Administrative Letter 2002-6:** Insurers must file credit scoring models used in rating; models will be open to public inspection.
Washington	**WA ST s 48.18.545** and **WA ST s 48.19.035:** Applies to personal automobile, homeowners, personal liability and theft, personal inland marine (floaters) and mechanical breakdown coverage. Allows insurers to consider credit during the initial 60-day underwriting period provided credit information is not the sole criteria in a decision to deny. Insurers may consider credit information on new business "only in combination with other substantive underwriting factors." Insurers may not consider: lack of credit history; number of credit inquiries; medical collections; new loan info based on initial purchase of a new house or vehicle. Must file scoring models with the Commissioner. After the initial 60-day underwriting period, insurers are prohibiting from canceling or nonrenewing a risk based in whole or in part on credit information. An offer of placement with an affiliate insurer is not a cancellation or nonrenewal. Insurers may consider credit information for rating purposes. Models must be filed with the Department. If insurers consider credit information in rating, they may not consider the criteria detailed above. Requires filing of underwriting information regardless if using tiers or affiliate structure. Affords confidentiality to rules or guidelines filed. **WA ST s 19.182.020:** Provides authority for release of credit information for use in underwriting. **WA ADC s 284-24A:** Implements statute. Revised effective 7/1/2005 to require expanded explanations for adverse actions. **WA Commissioner Matter 2001-11:** *Obsolete*. Prohibits the use of credit information to cancel or nonrenew a current auto or homeowners policy, or to deny new coverage. Requires disclosure of factors that adversely affected credit. **WA Bulletin 96-2** Requires insurers to provide clear reasons to support adverse action. Cannot provide general terms such as "poor credit report." **Technical Assistance Advisory T 2005-06:** Issued 10/10/2005. Advises insurers that adverse action notices are required if action is taken based on a score –even if blended insurance scores are used (both credit and non-credit factors calculated in a score). If credit factors are perfect and other non-credit factors influenced the decision, the adverse action notice is still required. If using a vendor, insurers must ensure that sufficient detail on credit
West Virginia	**WV ST s 33-6B-3:** Enacted 2000, prohibits an insurer from declining to issue an automobile policy to a prospective policyholder solely on the basis of the person's adverse credit report or credit scoring. **WV ST s 33-17A-6:** Lists as a discriminatory practice an insurer's denial of property insurance coverage to an insured based solely upon the person's credit report or adverse credit scoring.

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State	Statute/Regulation/Department of Insurance Directives
West Virginia (cont.)	**Informational Letter 142B:** Issued December, 2007; supersedes all earlier Informational Letters (129, 129A, 142 and 142A.) Provides filing guidelines; prohibits using credit as the sole basis of a declination (placement with an affiliate is not a declination); provides requirements for absence of credit similar to NCOIL model; requires notice of use and right to annual re-score at application (with respect to re-score, such notice must also be provided at least 60 days before each renewal if insurer does not automatically re-score at renewal) and requirement to re-score every 36 months. Insurers may not consider multiple inquiries related to the purchase of a home or auto or accounts with a medical industry code. Initial implementation of scoring may not have any rate impact. Subsequent changes must be accompanied by a rate change request.
Wisconsin	**WI Bulletin 6-16-1997:** Effective 6/16/1997. Applies to auto and homeowners. The Insurance Department has taken the position that credit information should not be used as the sole reason to refuse an application, cancel a new policy (within 60 days), or non-renew an existing policy. Insurers should have written underwriting criteria, quantifiable standards, should disclose to the applicant the credit report items that resulted in the decision, consider information on credit report inaccuracy from the applicant, consider timeliness and applicability of credit information. May not use credit information only in certain circumstances and, thus, unfairly discriminate. Insurers should disclose the gathering of credit information and the circumstances when a credit report will be ordered.
Wyoming	**WY ST s 26-2-134:** Applies to auto and homeowners. Authorizes the Commissioner to promulgate rules to prohibit credit as a sole underwriting factor and require disclosure. *(Rules proposed in 2004, not adopted.)*

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL) MODEL:

- PROHIBITS AN INSURER FROM DENYING, CANCELING OR NONRENEWING A POLICY OF PERSONAL INSURANCE SOLELY ON THE BASIS OF CREDIT INFORMATION, WITHOUT CONSIDERATION OF ANY OTHER APPLICABLE UNDERWRITING FACTOR INDEPENDENT OF CREDIT INFORMATION;
- PROHIBITS AN INSURER FROM BASING AN INSURED'S RENEWAL RATES FOR PERSONAL INSURANCE SOLELY UPON CREDIT INFORMATION, WITHOUT CONSIDERATION OF ANY OTHER APPLICABLE FACTOR INDEPENDENT OF CREDIT INFORMATION;
- REQUIRES AN INSURER TO DISCLOSE TO AN APPLICANT FOR INSURANCE THAT CREDIT INFORMATION WOULD BE USED IN UNDERWRITING AND RATING;

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- REQUIRES AN INSURER TO NOTIFY A CONSUMER IN THE EVENT OF AN ADVERSE ACTION BASED ON CREDIT INFORMATION, INCLUDING NOTIFICATION OF UP TO FOUR FACTORS THAT WERE THE PRIMARY INFLUENCES ON THE ADVERSE ACTION;
- PROVIDES INDEMNIFICATION OF INSURANCE AGENTS/BROKERS WHO OBTAINED CREDIT INFORMATION AND/OR INSURANCE SCORES ACCORDING TO AN INSURER'S PROCEDURES AND ACCORDING TO APPLICABLE LAW AND REGULATION;
- RESTRICTS A CONSUMER REPORTING AGENCY'S ABILITY TO PROVIDE OR SELL INFORMATION SUBMITTED IN CONJUNCTION WITH AN INSURANCE INQUIRY;
- REQUIRES AN INSURER TO FILE ITS SCORING MODELS WITH THE STATE REGULATOR AND HAVE THEM CONSIDERED TRADE SECRETS.

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