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Bill Analysis

Legislative Service Commission

H.B. 519

124th General Assembly
(As Introduced)

Reps. Jolivette, Seitz, Reidelbach, Patton, Young, Coates, Allen

BILL SUMMARY

- Regulates the use of credit scores in setting rates for motor vehicle insurance.
- Requires the Department of Insurance to study the impact of insurers' use of credit scoring on motor vehicle insurance rates.

CONTENT AND OPERATION

Use of credit reports and credit scores in determining rates

(sec. 3937.022)

The bill states that an insurer may consider credit reports and credit scores in determining rates for motor vehicle insurance. However, the bill prohibits an insurer from refusing to write or renew motor vehicle insurance *solely* on the basis of an applicant's or insured's credit score or credit report. The bill defines a "credit score" as a numerical value or a categorization determined from a statistical tool or modeling system to predict the likelihood of certain credit behaviors, including default. "Credit score" does not include any mortgage credit score or rating of an automated underwriting system that considers one or more factors in addition to credit information.

Under the bill, insurers are prohibited from considering a credit score or credit report in underwriting motor vehicle insurance unless the credit score was determined or the credit report issued within the prior year. The bill requires an insurer that considers credit scores and credit reports in determining motor vehicle insurance rates to annually obtain new credit scores and credit reports for each of its insureds; the insurer must use the updated scores and reports in determining its insureds' premiums.

An applicant must be notified by an insurer, in writing, of the insurer's use of credit reports and credit scores in determining motor vehicle insurance rates prior to the issuance of a motor vehicle insurance policy. If an insurer that does not consider credit reports and credit scores in rate-making begins to consider these factors in determining motor vehicle insurance rates, the insurer is required to promptly notify its insureds, in writing, of this change. Any premium increases resulting from the change must be averaged into the premiums of current insureds over a three-year period.

The bill requires an insurer that groups risks by classifications for the establishment of rates and considers credit scores and credit reports as, or within, any such classification, to place an applicant or insured that is without a credit score or credit report due to the lack of established credit, for underwriting purposes, at the midpoint for the risk factor. If spouses are covered under the same policy of motor vehicle insurance, an insurer must obtain credit scores or credit reports on both spouses, and the better credit score or credit report is to be used in determining the premium for the policy.

If an insurer refuses to write or renew motor vehicle insurance, the bill permits an applicant or insured to request information on how a rating organization's or insurer's rating system was applied to the applicant or insured. If credit reports and credit scores were considered in the underwriting decision, the insurer is required to provide the applicant or insured with copies of all credit reports and credit scores considered. Insurers are prohibited from increasing an applicant's or insured's premium as a result of a request for information on the insurer's use of credit scores and credit reports.

Department of Insurance study

(Section 2)

The bill requires the Department of Insurance to study and issue a report on the impact of insurers' use of credit scoring in determining rates for motor vehicle insurance. The study is to include an assessment of whether the use of credit scoring increases the cost of motor vehicle insurance; if the study determines its use does increase average premiums, the study is required to determine the impact of the premium increase on the number of uninsured motorists in Ohio. The study is also required to examine the impact that an increase in Ohio's minimum financial responsibility requirements for the operation of a motor vehicle, in combination with insurers' use of credit scoring, would have on the number of uninsured motorists in Ohio.

The bill requires the Department to issue its report, with the Department's findings and any legislative or administrative recommendations, within one year

after the act takes effect. At the time of the report's issuance, copies must be submitted to the Governor, the Speaker of the House of Representatives, the President of the Senate, the chair of the House committee having primary jurisdiction over insurance legislation, and the chair of the Senate committee having primary jurisdiction over insurance legislation.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	02-19-02	p. 1415

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