

Regular Session, 2011

HOUSE CONCURRENT RESOLUTION NO. 46

BY REPRESENTATIVE HARRISON

INSURANCE/RATES: Urges and requests the Dept. of Insurance to study the practice of credit scoring

1 A CONCURRENT RESOLUTION

2 To urge and request the Department of Insurance to study the practice of credit scoring.

3 WHEREAS, it has been a standard practice for many years for insurance companies
4 to use an individual's credit score to help determine whether to write automobile and
5 homeowner's insurance policies; and

6 WHEREAS, it has also been a standard practice for many years for insurance
7 companies to use an individual's credit score to help determine whether to increase
8 premiums, nonrenew, or cancel such automobile and homeowner's insurance policies; and

9 WHEREAS, these aforementioned practices are known as "credit scoring"; and

10 WHEREAS, controversy surrounds the practice of credit scoring because individuals
11 question whether there is a viable link between a person's credit score and his willingness
12 or ability to pay the required premiums; and

13 WHEREAS, the insurance commissioner of Washington state submitted testimony
14 to the United States Congress stating that he believed the act of credit scoring to unfairly
15 discriminate against certain protected classes and the economically disadvantaged; and

WHEREAS, the insurance commissioner of Washington state conducted a study and reported that age was the most significant factor in those subjects negatively affected by the practice of credit scoring; and

19 WHEREAS, the insurance commissioner of Washington state reported that income
20 was the second most significant factor in those subjects negatively affected by the practice
21 of credit scoring; and

1 WHEREAS, Hawaii insurance commissioner testified before the United States
2 Congress that credit scoring "likely may present obstacles to employers—particularly small
3 businesses—during less favorable economic times"; and

4 WHEREAS, consumer advocacy groups have raised concerns that the credit
5 reporting system is inaccurate, inasmuch as, it neither adequately maintains the accuracy of
6 credit reports nor does it adequately resolve disputes regarding information in the reports;
7 and

8 WHEREAS, in a 2002 study by the Consumer Federation of America, seventy-eight
9 percent of credit reports did not list an existing revolving credit account that was in good
10 standing; and

11 WHEREAS, in forty-three percent of the credit reports studied, reports from the three
12 agencies contained conflicting information about how often a consumer had been late with
13 a payment by thirty days; and

14 WHEREAS, assuming the accuracy of an individual's credit score, there may be a
15 correlation between an individual's credit score and the propensity for that individual to be
16 involved in future claim activity; and

17 WHEREAS, any correlation between an individual's credit score and that individual's
18 propensity to be involved in future claim activity would only provide a portion of the
19 information necessary to develop and to regulate an insurance rate regulatory system; and

20 WHEREAS, in 2002, Washington state began the regulation of credit scoring in the
21 insurance industry by enacting laws which prohibit insurance companies from using credit
22 history to cancel or nonrenew a personal insurance policy; and

23 WHEREAS, forty-eight states, including Louisiana, have joined Washington state
24 in its stance against credit scoring by enacting some level of regulation over this practice;
25 and

26 WHEREAS, the capacity for abuse of the practice of credit scoring by automobile
27 and homeowner's insurance providers continues to remain; and

28 WHEREAS, there exists the potential for Louisiana citizens and insureds to be
29 negatively affected when insurance companies use an individual's extrinsic credit
30 information to determine whether to write automobile or homeowner's insurance policies and

1 to determine whether to increase premiums, nonrenew, or to cancel such automobile or
2 homeowner's insurance policies.

3 THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby
4 urge and request the Department of Insurance to study the practice of credit scoring and to
5 report its findings to the House Committee on Insurance and to the Senate Committee on
6 Insurance prior to the convening of the 2012 Regular Session of the Legislature of
7 Louisiana.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Harrison

HCR No. 46

Urges and requests the Dept. of Insurance to study the practice of credit scoring in the insurance industry. Also requests a report of the findings of the Dept. of Insurance prior to the convening of the 2012 R.S.