

Regular Session, 2011

HOUSE CONCURRENT RESOLUTION NO. 46

BY REPRESENTATIVE HARRISON AND SENATORS BROOME, LONG, AND
MORRELL

A CONCURRENT RESOLUTION

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

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

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

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

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

WHEREAS, the insurance commissioner of Washington state submitted testimony to the United States Congress stating that he believed the act of credit scoring to unfairly 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

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

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

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

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

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

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

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

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

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

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

WHEREAS, there exists the potential for Louisiana citizens and insureds to be negatively affected when insurance companies use an individual's extrinsic credit information to determine whether to write automobile or homeowner's insurance policies and to determine whether to increase premiums, nonrenew, or to cancel such automobile or homeowner's insurance policies.

THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby urge and request the Department of Insurance to study the practice of credit scoring and to

report its findings to the House Committee on Insurance and to the Senate Committee on Insurance prior to the convening of the 2012 Regular Session of the Legislature of Louisiana.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE