

1 SENATE BILL NO. 311

2 INTRODUCED BY GRIMES

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT ~~ADOPTING A MODEL ACT REGARDING~~ REGULATING THE USE
5 OF CREDIT INFORMATION IN PERSONAL INSURANCE; PROVIDING THE PURPOSE, SCOPE, AND
6 DEFINITIONS FOR THE ACT; ESTABLISHING CRITERIA FOR THE USE OF CREDIT INFORMATION IN
7 INSURANCE UNDERWRITING; LISTING CONDITIONS FOR UNDERWRITING OR RATING EXCEPTIONS;
8 PROVIDING FOR DISPUTE RESOLUTION AND ERROR CORRECTION; PROVIDING FOR NOTICE TO
9 CONSUMERS OF THE USE OF CREDIT INFORMATION AND ADVERSE ACTION BASED ON THE USE OF
10 CREDIT INFORMATION; REQUIRING INSURERS TO FILE THEIR CREDIT SCORING MODELS WITH THE
11 COMMISSIONER OF INSURANCE; PROVIDING FOR THE INDEMNIFICATION OF INSURANCE
12 PRODUCERS USING SCORING INFORMATION; PROHIBITING CONSUMER REPORTING AGENCIES FROM
13 PROVIDING OR SELLING CERTAIN DATA PERTAINING TO A CONSUMER'S CREDIT; AMENDING
14 SECTION 33-18-210, MCA; AND PROVIDING AN APPLICABILITY DATE."

15
16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
17
18 NEW SECTION. Section 1. Short title. [Sections 1 through 11] may be cited as the "Montana Use of
19 Credit Information in Personal Insurance Act".

20
21 NEW SECTION. Section 2. Purpose. The purpose of [sections 1 through 11] is to regulate the use
22 of credit information for personal insurance so that consumers are afforded certain protections with respect to
23 the use of credit information.

24
25 NEW SECTION. Section 3. Scope. [Sections 1 through 11] apply to personal insurance and not to
26 commercial insurance. For purposes of [sections 1 through 11], "personal insurance" means private passenger
27 automobile, home owners, motorcycle, mobile home owners, and noncommercial dwelling fire insurance policies
28 and boat, personal watercraft, snowmobile, and recreational vehicle policies. These policies must be individually
29 underwritten for personal, family, or household use. Other types of insurance may not be included as personal
30 insurance for the purpose of [sections 1 through 11].

1
2 **NEW SECTION. Section 4. Definitions.** For the purposes of [sections 1 through 11], the following
3 definitions apply:

4 (1) "Adverse action" means ~~a denial or cancellation of, an increase in any charge for, or a reduction or~~
5 ~~other adverse or unfavorable change in, IN REGARD TO~~ the terms of coverage or amount of coverage of any
6 insurance, existing or applied for, in connection with the underwriting of personal insurance, ANY OF THE
7 FOLLOWING:

8 (A) DENIAL, NONRENEWAL, OR CANCELLATION OF COVERAGE;

9 (B) AN INCREASE IN ANY CHARGE FOR COVERAGE;

10 (C) FAILURE TO GIVE AN OTHERWISE AVAILABLE CREDIT-RELATED DISCOUNT; OR

11 (D) A REDUCTION OR ANY OTHER ADVERSE OR UNFAVORABLE CHANGE IN THE TERMS OF COVERAGE OR THE
12 AMOUNT OF COVERAGE.

13 (2) "Affiliate" means a company that controls, is controlled by, or is under common control with another
14 company.

15 (3) "Applicant" means an individual who has applied to be covered by a personal insurance policy with
16 an insurer.

17 (4) "Consumer" means an insured whose credit information is used or whose insurance score is
18 calculated in the underwriting or rating of a personal insurance policy or of an applicant for a personal insurance
19 policy.

20 (5) "Consumer reporting agency" means any entity that, for monetary fees or dues or on a cooperative
21 nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit
22 information or other information on consumers for the purpose of furnishing consumer reports to third parties.

23 (6) "Credit information" means any credit-related information derived from a credit report, found on a
24 credit report itself, or provided on an application for personal insurance. Information that is not credit related may
25 not be considered credit information regardless of whether it is contained in a credit report or in an application
26 or is used to calculate an insurance score.

27 (7) "Credit report" means any written, oral, or other communication of information by a consumer
28 reporting agency bearing on a consumer's credit worthiness, credit standing, or credit capacity that is used or
29 expected to be used or collected in whole or in part for the purpose of serving as a factor to determine personal
30 insurance premiums, eligibility for coverage, or tier placement.

1 (8) "Insurance score" means a number or rating that is derived from an algorithm, computer application,
 2 model, or other process that is based in whole or in part on credit information for the purposes of predicting the
 3 future insurance loss exposure of an individual applicant or insured.

4
 5 **NEW SECTION. Section 5. Use of credit information.** (1) An insurer authorized to do business in
 6 this state that uses credit information to underwrite or rate risks may not:

7 (1)(A) use an insurance score that is calculated using income, gender, address, zip code, ethnic group,
 8 religion, marital status, or nationality of the consumer as a factor;

9 (2)(B) deny, cancel, or not renew a policy of personal insurance ~~solely~~ on the basis of credit information
 10 without consideration of any other applicable underwriting factor independent of credit information and not
 11 expressly prohibited by subsection (4) (1)(A);

12 (3)(C) base an insured's renewal rates for personal insurance ~~solely~~ upon credit information without
 13 consideration of any other applicable factor independent of credit information;

14 (4)(D) take an adverse action against a consumer ~~solely~~ because the consumer does not have a credit
 15 card account without consideration of any other applicable factor independent of credit information;

16 (5)(E) consider an absence of credit information or an inability to calculate an insurance score in
 17 underwriting or rating personal insurance unless the insurer does one of the following:

18 (a)(I) treats the consumer as otherwise approved by the commissioner if the insurer presents
 19 information that the absence or inability relates to the risk for the insurer;

20 (b)(II) treats the consumer as if the consumer had neutral credit information, as defined by the insurer;

21 or

22 (c)(III) excludes the use of credit information as a factor and uses only other underwriting criteria;

23 (6)(F) take an adverse action against a consumer based on credit information unless an insurer obtains
 24 and uses a credit report issued or an insurance score calculated within 90 days from the date that the policy is
 25 first written or renewal is issued;

26 (7)(G) use credit information unless not later than every 36 months following the last time that the insurer
 27 obtained current credit information for the insured, the insurer recalculates the insurance score or obtains an
 28 updated credit report. Regardless of the requirements of this subsection (7) (1)(G):

29 (a)(I) at annual renewal, upon the request of a consumer or the consumer's agent, the insurer shall
 30 reunderwrite and rerate the policy based upon a current credit report or insurance score. An insurer need not

1 recalculate the insurance score or obtain the updated credit report of a consumer more frequently than once in
2 a 12-month period.

3 ~~(b)(II)~~ the insurer has the discretion to obtain current credit information upon any renewal before the 36
4 months provided for in subsection ~~(7)~~ (1)(G), if consistent with its underwriting guidelines;

5 ~~(e)(III)~~ an insurer MAY BUT does not have to obtain current credit information for an insured, despite the
6 requirements of subsection ~~(7)(a)~~ (1)(G)(I), if one of the following applies:

7 ~~(i)(A)~~ the insurer is treating the consumer as otherwise approved by the commissioner;

8 ~~(ii)(B)~~ the insured is in the most favorably priced tier of the insurer within a group of affiliated insurers.

9 ~~However, the insurer has the discretion to order the report, if consistent with its underwriting guidelines:~~

10 ~~(iii)(C)~~ credit was not used for underwriting or rating the insured when the policy was initially written.

11 ~~However, the insurer has the discretion to use credit for underwriting or rating the insured upon renewal, if~~
12 ~~consistent with its underwriting guidelines:~~

13 ~~(iv)(D)~~ the insurer reevaluates the insured beginning not later than 36 months after inception and at
14 similar succeeding times based upon other underwriting or rating factors, excluding credit information; or

15 ~~(8)(H)~~ use A CREDIT SCORE THAT TREATS ANY OF the following as a negative factor ~~in any insurance~~
16 ~~scoring methodology or in reviewing credit information~~ for the purpose of underwriting or rating a policy of
17 personal insurance:

18 ~~(a)(I)~~ credit inquiries not initiated by the consumer or inquiries requested by the consumer for the
19 consumer's own credit information;

20 ~~(b)(II)~~ inquiries relating to insurance coverage, if so identified on a consumer's credit report;

21 ~~(e)(III)~~ collection accounts with a medical industry code, if so identified on the consumer's credit report;

22 ~~(d)(IV)~~ multiple-lender inquiries, if coded by the consumer reporting agency on the consumer's credit
23 report as being from the home mortgage industry and made within 30 days of one another, unless only one
24 inquiry is considered; ~~or~~

25 ~~(e)(V)~~ multiple-lender inquiries, if coded by the consumer reporting agency on the consumer's credit
26 report as being from the automobile lending industry and made within 30 days of one another, unless only one
27 inquiry is considered;

28 (VI) THE NUMBER OF CREDIT INQUIRIES;

29 (VII) THE CONSUMER'S USE OF A PARTICULAR TYPE OF CREDIT CARD, CHARGE CARD, OR DEBIT CARD OR THE
30 NUMBER OF CREDIT CARDS OBTAINED BY A CONSUMER;

1 (VIII) A LOAN IF INFORMATION FROM THE CREDIT REPORT MAKES IT EVIDENT THAT THE LOAN IS FOR THE PURCHASE
 2 OF AN AUTOMOBILE OR A PERSONAL RESIDENCE. HOWEVER, AN INSURER MAY CONSIDER THE BILL PAYMENT HISTORY OF
 3 ANY LOAN, THE TOTAL NUMBER OF LOANS, OR BOTH.

4 (IX) THE CONSUMER'S TOTAL AVAILABLE LINE OF CREDIT OR TOTAL DEBT. HOWEVER, AN INSURER MAY CONSIDER:

5 (A) THE CONSUMER'S BILL PAYMENT HISTORY ON THE DEBT; OR

6 (B) THE TOTAL AMOUNT OF OUTSTANDING DEBT IF THE OUTSTANDING DEBT EXCEEDS THE TOTAL LINE OF CREDIT.

7 (2) (A) AN INSURER SHALL, ON WRITTEN REQUEST FROM AN APPLICANT OR AN INSURED, PROVIDE REASONABLE
 8 UNDERWRITING OR RATING EXCEPTIONS FOR A CONSUMER WHOSE CREDIT REPORT HAS BEEN DIRECTLY AFFECTED BY
 9 AN EXTRAORDINARY EVENT.

10 (B) AN INSURER MAY REQUIRE REASONABLE WRITTEN AND INDEPENDENTLY VERIFIABLE DOCUMENTATION OF THE
 11 EVENT AND THE EFFECT OF THE EVENT ON THE CONSUMER'S CREDIT BEFORE GRANTING AN EXCEPTION. AN INSURER IS
 12 NOT REQUIRED TO CONSIDER REPEATED EXTRAORDINARY EVENTS OR EXTRAORDINARY EVENTS THE INSURER
 13 RECONSIDERED PREVIOUSLY.

14 (C) AN INSURER MAY ALSO CONSIDER GRANTING AN EXCEPTION TO A CONSUMER FOR AN EXTRAORDINARY EVENT
 15 NOT LISTED IN THIS SECTION.

16 (D) AN INSURER MAY NOT BE CONSIDERED TO BE OUT OF COMPLIANCE WITH ITS FILED RULES AND RATES AS A
 17 RESULT OF GRANTING AN EXCEPTION PURSUANT TO THIS SUBSECTION (2).

18 (E) AS USED IN THIS SUBSECTION (2), "EXTRAORDINARY EVENT" MEANS:

19 (I) EXPENSES RELATED TO A CATASTROPHIC INJURY OR ILLNESS;

20 (II) TEMPORARY LOSS OF EMPLOYMENT;

21 (III) DEATH OF AN IMMEDIATE FAMILY MEMBER; OR

22 (IV) THEFT OF IDENTITY PURSUANT TO 45-6-332.

23
 24 NEW SECTION. Section 6. Dispute resolution and error correction. If it is determined through the
 25 dispute resolution process set forth in the federal Fair Credit Reporting Act, 15 U.S.C. 1681i(a)(5), that the credit
 26 information of a current insured was incorrect or incomplete and if the insurer receives notice of that
 27 determination from either the consumer reporting agency or the insured, the insurer shall reunderwrite and re-rate
 28 the consumer within 30 days of receiving the notice. After reunderwriting or re-rating the insured, the insurer shall
 29 make any adjustments necessary consistent with its underwriting and rating guidelines. If an insurer determines
 30 that the insured has overpaid the premium, the insurer shall refund to the insured the amount of overpayment

1 calculated back to the shorter of either the last 12 months of coverage or the actual policy period.

2

3 **NEW SECTION. Section 7. Initial notification.** (1) If an insurer writing personal insurance uses credit
4 information in underwriting or rating a consumer, the insurer or its agent shall disclose, either on the insurance
5 application or at the time that the insurance application is taken, that it may obtain credit information in
6 connection with the application. The disclosure must be either written or provided to an applicant in the same
7 medium as the application for insurance. The insurer does not have to provide the disclosure statement required
8 under this section to any insured on a renewal policy if the consumer has previously been provided a disclosure
9 statement.

10 (2) Use of the following disclosure statement constitutes compliance with this section: "In connection
11 with this application for insurance, we may review your credit report or obtain or use a credit-based insurance
12 score based on the information contained in that credit report. We may use a third party in connection with the
13 development of your insurance score."

14

15 **NEW SECTION. Section 8. Adverse action notification.** If an insurer takes an adverse action based
16 upon credit information, the insurer shall:

17 (1) provide notification to the consumer that an adverse action has been taken, in accordance with the
18 requirements of the federal Fair Credit Reporting Act, 15 U.S.C. 1681m(a); and

19 (2) provide notification to the consumer explaining the reason for the adverse action. The reasons must
20 be provided in sufficiently clear and specific language so that a person can identify the basis for the insurer's
21 decision to take an adverse action. The notification must include a description of up to four factors that were
22 the primary influences of the adverse action. The use of generalized terms, such as "poor credit history", "poor
23 credit rating", or "poor insurance score", does not meet the explanation requirements of this subsection.
24 Standardized credit explanations provided by consumer reporting agencies or other third-party vendors are
25 considered to comply with this section.

26

27 **NEW SECTION. Section 9. Filing.** (1) Insurers that use insurance scores to underwrite and rate risks
28 shall file their scoring models or other scoring processes with the commissioner. A third party may file scoring
29 models on behalf of insurers. ~~A filing that includes insurance scoring may include loss experience justifying the~~
30 ~~use of credit information.~~

1 (2) A filing relating to credit information is considered a trade secret under the laws of this state.

2

3 **NEW SECTION. Section 10. Indemnification.** An insurer shall indemnify, defend, and hold insurance
4 producers harmless from and against all liability, fees, and costs arising out of or relating to the actions, errors,
5 or omissions of an insurance producer that obtains or uses credit information or insurance scores for an insurer
6 if the insurance producer follows the instructions of or procedures established by the insurer and complies with
7 any applicable law or regulation. This section may not be construed to provide a consumer or other insured with
8 a cause of action that does not exist in the absence of this section.

9

10 **NEW SECTION. Section 11. Sale of policy term information by consumer reporting agency.** (1)
11 A consumer reporting agency may not provide or sell data or lists that include any information that in whole or
12 in part was submitted in conjunction with an insurance inquiry about a consumer's credit information or a request
13 for a credit report or insurance score. This information includes but is not limited to the expiration dates of an
14 insurance policy or any other information that may identify time periods during which a consumer's insurance
15 may expire and the terms and conditions of the consumer's insurance coverage.

16 (2) The restrictions provided in subsection (1) do not apply to data or lists that the consumer reporting
17 agency supplies to the insurance producer from whom information was received, the insurer on whose behalf
18 the insurance producer acted, or the insurer's affiliates or holding companies.

19 (3) This section may not be construed to restrict any insurer from being able to obtain a claims history
20 report or a motor vehicle report.

21

22 **Section 12.** Section 33-18-210, MCA, is amended to read:

23 **"33-18-210. Unfair discrimination and rebates prohibited -- property, casualty, and surety**
24 **insurances.** (1) A title, property, casualty, or surety insurer or an employee, representative, or insurance
25 producer of an insurer may not, as an inducement to purchase insurance or after insurance has been effected,
26 pay, allow, or give or offer to pay, allow, or give, directly or indirectly, a:

27 (a) rebate, discount, abatement, credit, or reduction of the premium named in the insurance policy;

28 (b) special favor or advantage in the dividends or other benefits to accrue on the policy; or

29 (c) valuable consideration or inducement not specified in the policy, except to the extent provided for
30 in an applicable filing with the commissioner as provided by law.

1 (2) An insured named in a policy or an employee of the insured may not knowingly receive or accept,
2 directly or indirectly, a:

3 (a) rebate, discount, abatement, credit, or reduction of premium;

4 (b) special favor or advantage; or

5 (c) valuable consideration or inducement.

6 (3) An insurer may not make or permit unfair discrimination in the premium or rates charged for
7 insurance, in the dividends or other benefits payable on insurance, or in any other of the terms and conditions
8 of the insurance either between insureds or property having like insuring or risk characteristics or between
9 insureds because of race, color, creed, religion, or national origin.

10 (4) This section may not be construed as prohibiting the payment of commissions or other
11 compensation to duly licensed insurance producers or as prohibiting an insurer from allowing or returning lawful
12 dividends, savings, or unabsorbed premium deposits to its participating policyholders, members, or subscribers.

13 (5) An insurer may not make or permit unfair discrimination between individuals or risks of the same
14 class and of essentially the same hazards by refusing to issue, refusing to renew, canceling, or limiting the
15 amount of insurance coverage on a property or casualty risk because of the geographic location of the risk,
16 unless:

17 (a) the refusal, cancellation, or limitation is for a business purpose that is not a mere pretext for unfair
18 discrimination; or

19 (b) the refusal, cancellation, or limitation is required by law or regulatory mandate.

20 (6) An insurer may not make or permit unfair discrimination between individuals or risks of the same
21 class and of essentially the same hazards by refusing to issue, refusing to renew, canceling, or limiting the
22 amount of insurance coverage on a residential property risk or on the personal property contained in the
23 residential property, because of the age of the residential property, unless:

24 (a) the refusal, cancellation, or limitation is for a business purpose that is not a mere pretext for unfair
25 discrimination; or

26 (b) the refusal, cancellation, or limitation is required by law or regulatory mandate.

27 (7) An insurer may not refuse to insure, refuse to continue to insure, or limit the amount of coverage
28 available to an individual because of the sex or marital status of the individual. However, an insurer may take
29 marital status into account for the purpose of defining persons eligible for dependents' benefits.

30 (8) An insurer may not terminate or modify coverage or refuse to issue or refuse to renew a property

1 or casualty policy or contract of insurance solely because the applicant or insured or any employee of either is
 2 mentally or physically impaired. However, this subsection does not apply to accident and health insurance sold
 3 by a casualty insurer, and this subsection may not be interpreted to modify any other provision of law relating
 4 to the termination, modification, issuance, or renewal of any insurance policy or contract.

5 (9) An insurer may not refuse to insure, refuse to continue to insure, charge higher rates, or limit the
 6 amount of coverage available to an individual based solely on adverse information contained in a driving record
 7 that is 3 years old or older. However, an insurer may provide discounts to an insured based on favorable aspects
 8 of an insured's claims history that is 3 years old or older.

9 (10) An insurer may not charge points or surcharge a private passenger motor vehicle policy because
 10 of a claim submitted under the insured's policy if the insured was not at fault.

11 ~~———— (11) (a) For the purposes of this subsection (11), "credit history" means that portion of a credit report or~~
 12 ~~background report that addresses the applicant's or insured's debt payment history or lack of history but does~~
 13 ~~not include public information including convictions, lawsuits, bankruptcies, or similar public information.~~

14 ~~———— (b) An insurer writing automobile or homeowner insurance may not refuse to insure, refuse to continue~~
 15 ~~to insure, charge higher rates, or limit the scope or amount of coverage or benefits available to an individual~~
 16 ~~based solely on the insurer's knowledge of the individual's credit history unless:~~

17 ~~———— (i) the insurer possesses substantial documentation that credit history is significantly correlated with the~~
 18 ~~types of risks insured or to be insured;~~

19 ~~———— (ii) the insurer sends written communication to the individual disclosing that the insurance coverage was~~
 20 ~~declined, not renewed, or limited in scope or amount of coverage or benefits because of credit information~~
 21 ~~relating to the applicant or the insured; and~~

22 ~~———— (iii) upon subsequent request of the individual, mailed within 10 days of receipt of the denial,~~
 23 ~~nonrenewal, or limitation, the insurer provides the individual with a copy of the credit report at issue or the name~~
 24 ~~and address of a third party from whom the individual may obtain a copy of the credit report, within 10 days of~~
 25 ~~receipt of the request.~~

26 ~~———— (c) The provisions of this subsection (11) are not intended to conflict with any disclosure provisions of~~
 27 ~~state law or the federal Truth in Lending Act applicable to lending institutions, credit bureaus, or other credit~~
 28 ~~service organizations that maintain or distribute credit histories on insurance applicants or policyholders."~~

29
 30 **NEW SECTION. Section 13. Codification instruction.** [Sections 1 through 11] are intended to be

1 codified as an integral part of Title 33, chapter 18, and the provisions of Title 33, chapter 18, apply to [sections
2 1 through 11].

3
4 NEW SECTION. **Section 14. Severability.** If a part of [this act] is invalid, all valid parts that are
5 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,
6 the part remains in effect in all valid applications that are severable from the invalid applications.

7
8 NEW SECTION. **Section 15. Applicability.** [This act] applies to personal insurance policies written
9 to be effective or renewed on or after October 1, 2005.

10 - END -