



Protecting Montana's consumers through insurance and securities regulation

EXHIBIT 1
 DATE 1-28-05
 HB 41

Credit Scoring Law Comparisons

HB 41, modeled after Washington law, offers considerably more protection for Montanans than current law or the NCOIL Model.

HB 41	Washington Law (HB2544)	NCOIL Model (LC1475)
Adverse action includes cancellation, denial, nonrenewal, or any other unfavorable action to the consumer of personal insurance.	Adverse action includes cancellation, denial, nonrenewal, or any other unfavorable action to the consumer of personal insurance.	Definition of adverse action is vague and may not apply to nonrenewals.
Definition of "credit history" does not include public information such as lawsuits, etc.	Definition of "credit history" does not mention exclusion of public information.	Definition of "credit history" does not mention exclusion of public information.
An insurer may not deny (refuse to offer) personal insurance based on a credit history or score, unless they have given substantial weight to other underwriting factors.	An insurer may not deny (refuse to offer) personal insurance based on a credit history or score, unless they have given substantial weight to other underwriting factors.	Allows insurers to rate policies based on credit as long as they consider any other applicable underwriting actor. *This is similar to current Montana law.
Insurer cannot cancel or nonrenew personal insurance based in whole or in part on a consumer's credit history or insurance score. Offer of placement with an affiliate insurer does not constitute cancellation or nonrenewal.	Insurer cannot cancel or nonrenew personal insurance based in whole or in part on a consumer's credit history or insurance score. Offer of placement with an affiliate insurer does not constitute cancellation or nonrenewal.	Allows insurers to deny, cancel or nonrenew a policy based on credit, as long as they consider any other applicable underwriting factor. *(Credit could be weighed 99% and other factors such as driving record only 1%) This is similar to existing law in Montana.
An insurer may not take any adverse action against a consumer based on the absence of credit history. *Important to protect senior citizens and other Montanans who don't use credit cards.	Insurers cannot deny personal insurance coverage based on the absence of credit history, if the insurer has received accurate and complete information from the consumer, nor can this factor be used in developing a insurance score.	Allows insurers to take an adverse action against a consumer who uses cash rather than credit.
An insurer may not take any adverse action against a consumer based on the number of credit checks against a consumer. *Important as checks are run for anything from shopping for insurance to buying a home or vehicle.	Insurers cannot deny personal insurance coverage based on the number of credit inquiries nor can this factor be used in developing a insurance score.	Allows insurer to take an adverse action against a consumer if someone has requested the consumer's credit history.

HB 41	Washington Law (HB2544)	NCOIL Model (LC1475)
An insurer may not take any adverse action against a consumer based on the consumer's total available line of credit or total debt, except that an insurer may consider the total amount of outstanding debt if it exceeds the total line of credit.	Insurers cannot deny personal insurance coverage based on the consumer's total available line of credit or total debt, nor can this factor be used in developing a insurance score, except that an insurer may consider the total amount of outstanding debit if it exceeds the total line of credit.	Allows insurer to take an adverse action against a consumer for their total available line of credit. *Even if consumer pays all their credit card bills on time, this can still be counted against them.
An insurer shall develop reasonable underwriting exceptions concerning the use of a consumers credit history or scores when the consumer has catastrophic injury, temporary loss of employment, or has been a victim of identity theft.	Not included.	Not included.
Requires the insurer to provide notice to consumer that an adverse action has been taken on basis of credit. Insurer must state at least the four greatest negative factors on the credit score that led to the action.	Requires the insurer to provide notice to consumer that an adverse action has been taken on basis of credit. The notice must state the significant factors of the credit history that resulted in the action.	Requires the insurer to provide notice to consumer that an adverse action has been taken on basis of credit. Requires up to four reasons for the action.
Requires insurer to inform the consumer that they are entitled to a fee copy of their credit report. Requires insurer to provide the name and number of the reporting agency that the insurer used to determine the credit score.	Requires insurer to inform the consumer that they are entitled to a fee copy of their credit report.	Does not require the insurer to inform the consumer that they are entitled to a free copy of their credit report.
If the insurer uses credit history or a credit score in determining personal underwriting, rates or premiums, they must file the credit scoring methodology used with the insurance commissioner. Insurer must specify and justify the reasons for its use.	Credit history cannot be used to determine personal insurance, rate, and eligibility for coverage unless the scoring models are filed with the insurance commissioner.	Must file scoring model with insurance commissioner, however do not have to include loss experience to justify the use of credit information.
An insurer may not use the services of a third party to develop a credit score unless the third party, without qualification, consents to provide to the insurance commissioner their scoring model.	Not included.	A third party reporting agency does not have to file scoring model on behalf of insurer.
Not included.	A year after enactment, insurance commissioner must report to the legislature how the act has been implement and how it has impacted consumers.	Not included.