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Arkansas House Credit Ban Catches Insurers Off Guard

By Steve Tuckey

NU Online News Service, March 1, 2:43 p.m. EST—The insurance industry may have been caught off guard by the recent lopsided vote in the Arkansas House of Representatives to ban the controversial use of credit background to rate insurance customers, said an insurers' trade association leader.

The Democrat-controlled chamber voted 72-20 last week to ban the use of credit in personal lines underwriting. Opponents of the process argue that it unfairly penalizes poor and minority groups and individuals who rely on cash and can have skewed results based on unique financial events.

Insurers argue that it is an objective, proven method of evaluating risks that keeps down rates for all persons with good credit background, who include low income and minority individuals.

Neil Alldredge, state affairs director for the National Association of Mutual Insurance Companies, said he expects the industry to mount a more spirited effort to block the bill in the Senate, also Democrat-controlled, where he thinks the bill will fall short of passage.

"The fact that the committee voted against moving the bill one day and then the next day suddenly moved it to the floor is a pretty good indication that something is amiss," Mr. Alldredge said. "But now that we have this bill in the Senate, there will be more of an effort on the industry's part, and it will be more coordinated. In addition, the commissioner will get more involved in the issue."

An estimated ten states have bills pending that would ban credit scoring, all with varying degrees of chance of passage, he noted.

"But we have been successful in Colorado, where a ban was introduced in both houses and was defeated," Mr. Alldredge said.

While the number of states with bills regulating credit scoring has diminished this year, the number of outright bans has increased. "The stakes in this debate have been raised a little bit. We are not seeing anywhere near the number of bills that we have in the past couple of years. But what we are seeing is this small number of states that would just like to ban it."

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