

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4283-01
Bill No.: SB 1173
Subject: Insurance - General; Insurance Dept.; Credit and Bankruptcy; Consumer Protection
Type: Original
Date: February 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated Fund	\$0 to \$25,250	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to \$25,250	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state insurance companies who use credit information to underwrite or rate would be required to re-file their credit scoring models. There are currently 290 insurance companies licensed to write private passenger auto, 201 licensed to write homeowners, and 14 licensed to write dwelling-owners for a total of 505 insurers. Filings must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to range from \$0 to \$25,250.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>INSURANCE DEDICATED FUND</u>			
<u>Income - Department of Insurance</u>			
Form Filing Fees	<u>\$0 to \$25,250</u>	<u>\$0</u>	<u>\$0</u>
<u>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</u>	<u>\$0 to \$25,250</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may impact small businesses whose insurance is affected by credit scoring.

DESCRIPTION

This proposal makes several changes to the laws regarding the use of credit information by insurance companies.

This proposal modifies the definition of "adverse action" to have the same meaning as provided in federal law. Adverse actions include cancellation, denial, or non-renewal of personal insurance coverage or any unfavorable change in the terms of coverage, including charging a higher premium. This proposal adds several specific types of insurance products to the definition of an insurance "contract". The current law on the use of credit information only applies automobile insurance policies and property insurance policies.

This proposal repeals a provision that allows insurers to take adverse actions against persons based on an inability to compute their insurance credit scores. The proposal prohibits insurance companies from using loss information in calculating its insurance credit scores if it also uses loss information separately to calculate its rates. This proposal prohibits insurers from considering an absence of credit information or the inability to calculate an insurance score in underwriting insurance. This proposal requires insurers to use underwriting factors other than credit information to underwrite any policy that has been in force for more than 36 months. This proposal allows any insured to request a current credit report and a re-rating of their policy at each annual renewal.

This proposal prohibits insurers and credit reporting agencies from using as a negative factor in underwriting any credit inquiry not initiated by the insured, collection accounts with a medical industry code, multiple credit inquiries within a 30-day period, the absence of credit history, the use of a particular type of credit or debit card, or a consumer's total available line of credit. This proposal also requires insurers to file their credit scoring models or processes with the department and makes any insurer's filing of a model or process related to credit information a trade secret and protected from public disclosure pursuant to Sections 417.450 through 417.467, RSMo.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Insurance

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
February 16, 2004