

SENATE FILE 2245  
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Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act prohibiting the use of credit information for underwriting  
2 or rating risks for personal insurance and providing penalties  
3 and an applicability date.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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COMMERCE  
SF 2245

1 Section 1. Section 507B.4, Code 2005, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 15. USE OF CREDIT INFORMATION. Any  
4 violation of section 515.109A.

5 Sec. 2. Section 515.109A, subsections 1 and 2, Code  
6 Supplement 2005, are amended to read as follows:

7 1. DEFINITIONS. As used in this section unless the  
8 context otherwise requires:

9 a. "Adverse action" means a denial of issuance,  
10 cancellation, or refusal to renew, an increase in any charge  
11 for, or a reduction or other unfavorable change in the terms  
12 of coverage or amount of any personal insurance existing or  
13 applied for, or in connection with the underwriting of  
14 personal insurance.

15 ~~b. "Affiliate" means any company that controls, is~~  
16 ~~controlled by, or is under common control with another~~  
17 ~~company.~~

18 e. b. "Applicant" means an individual who has applied to  
19 be covered by a personal insurance policy with an insurer.

20 ~~d.~~ c. "Consumer" means an insured whose credit  
21 information is used or whose insurance score is calculated in  
22 the underwriting or rating of a personal insurance policy or  
23 an applicant for such a personal insurance policy.

24 e. d. "Consumer reporting agency" means any person that,  
25 for monetary fees, dues, or on a cooperative nonprofit basis,  
26 regularly engages in whole or in part in the practice of  
27 assembling or evaluating consumer credit information or other  
28 information concerning consumers for the purpose of furnishing  
29 consumer credit reports to third parties.

30 ~~f.~~ e. "Credit information" means any information related  
31 to credit that is contained in or derived from a credit  
32 report, or provided in an application for personal insurance.  
33 Information that is not related to credit shall not be  
34 considered "credit information" regardless of whether the  
35 information is contained in or derived from a credit report or

1 an application for credit or is used to calculate an insurance  
2 score.

3 g- f. "Credit report" means any written, oral, or other  
4 communication of information by a consumer reporting agency  
5 that relates to a consumer's creditworthiness, credit  
6 standing, or credit capacity and that is used or expected to  
7 be used or is collected, in whole or in part, for the purpose  
8 of serving as a factor in determining personal insurance  
9 premiums, eligibility for personal insurance coverage, or tier  
10 placement.

11 h- g. "Insurance score" means a number or rating that is  
12 derived from an algorithm, computer application, model, or  
13 other process that is based in whole or in part on credit  
14 information for the purposes of predicting the future  
15 insurance loss exposure of a consumer.

16 i- h. "Insured" means an individual who is covered by a  
17 personal insurance policy.

18 j- i. "Personal insurance" means personal insurance and  
19 not commercial insurance and is limited to private passenger  
20 automobile, homeowners, farm owners, personal farm liability,  
21 motorcycle, mobile home owners, noncommercial dwelling fire,  
22 boat, personal watercraft, snowmobile, and recreational  
23 vehicle insurance policies, term life insurance policies  
24 issued pursuant to chapter 508, and accident and health  
25 insurance policies issued pursuant to chapter 514A, that are  
26 individually underwritten for personal, family, farm, or  
27 household use. No other type of insurance is included as  
28 personal insurance for the purposes of this section.

29 2. USE OF CREDIT INFORMATION -- PROHIBITED. An insurer  
30 authorized to do business in Iowa ~~that uses~~ shall not use  
31 credit information to underwrite or rate risks for a policy of  
32 personal insurance ~~shall not do~~ including but not limited to  
33 doing any of the following:

34 a. ~~Use~~ Using an insurance score ~~that is calculated using~~  
35 ~~income, gender, address, zip code, ethnic group, religion,~~

1 marital-status, race, or nationality of a consumer as a  
2 factor.

3 b. ~~Deny~~ Denying issuance, ~~cancel~~ canceling, or ~~refuse~~  
4 refusing to renew a policy of personal insurance solely based  
5 on the basis any consideration of credit information, without  
6 ~~consideration of any other applicable underwriting factors~~  
7 ~~independent of credit information that are not otherwise~~  
8 ~~prohibited under paragraph "a"~~.

9 c. ~~Base~~ Basing a consumer's renewal rates for personal  
10 insurance solely on the basis any consideration of credit  
11 information, without ~~consideration of any other applicable~~  
12 ~~underwriting factors independent of credit information that~~  
13 ~~are not otherwise prohibited under paragraph "a"~~.

14 d. ~~Take~~ Taking adverse action against a consumer solely  
15 because based on any consideration of the fact that the  
16 consumer does not have a credit card account, without  
17 ~~consideration of any other applicable underwriting factors~~  
18 ~~independent of credit information that are not otherwise~~  
19 ~~prohibited under paragraph "a"~~.

20 e. ~~Consider~~ Considering an absence of credit information  
21 or an inability to calculate an insurance score in  
22 underwriting or rating personal insurance ~~unless the insurer~~  
23 ~~does one of the following:~~

24 (1) ~~Treats the consumer as if the consumer has neutral~~  
25 ~~credit information, as defined by the insurer.~~

26 (2) ~~Excludes the use of credit information as an~~  
27 ~~underwriting factor and only uses other underwriting criteria.~~

28 f. ~~Take~~ Taking adverse action against a consumer based on  
29 credit information, ~~unless the insurer obtains and uses a~~  
30 ~~credit report issued or an insurance score calculated within~~  
31 ~~ninety days before the date a personal insurance policy is~~  
32 ~~first written or a renewal is issued.~~

33 g. ~~Use credit information unless not later than every~~  
34 ~~thirty-six months following the last time that the insurer~~  
35 ~~obtained current credit information for the insured, the~~

1 insurer-recalculates-the-insurance-score-or-obtains-an-updated  
2 credit-report-for-the-insured.--Regardless-of-the-requirements  
3 of-this-paragraph:

4 (1)--At-annual-renewal,--upon-the-request-of-the-consumer-or  
5 the-consumer's-agent,--the-insurer-shall-re-underwrite-and-re-  
6 rate-the-personal-insurance-policy-based-upon-a-current-credit  
7 report-or-insurance-score.--An-insurer-is-not-required-to  
8 recalculate-an-insurance-score-or-obtain-a-current-credit  
9 report-more-than-once-in-a-twelve-month-period.

10 (2)--The-insurer-shall-have-the-discretion-to-obtain  
11 current-credit-information-for-a-consumer-more-frequently-than  
12 every-thirty-six-months,--if-consistent-with-the-insurer's  
13 underwriting-guidelines.

14 (3)--Notwithstanding-subparagraph-(1),--an-insurer-is-not  
15 required-to-obtain-current-credit-information-for-a-consumer  
16 if-any-of-the-following-applies:

17 (a)--The-insurer-is-treating-the-consumer-as-otherwise  
18 approved-by-the-commissioner-of-insurance.

19 (b)--The-consumer-is-in-the-most-favorably-priced-tier-of  
20 the-insurer,--within-a-group-of-affiliated-insurers.--However,  
21 the-insurer-shall-have-the-discretion-to-obtain-current-credit  
22 information,--if-consistent-with-the-insurer's-underwriting  
23 guidelines.

24 (c)--Credit-information-was-not-used-for-underwriting-or  
25 rating-the-insured-when-the-personal-insurance-policy-was  
26 initially-written.--However,--the-insurer-shall-have-the  
27 discretion-to-use-current-credit-information-for-underwriting  
28 or-rating-the-insured-upon-renewal-of-the-policy,--if  
29 consistent-with-the-insurer's-underwriting-guidelines.

30 (d)--The-insurer-reevaluates-the-insured-beginning-no-later  
31 than-thirty-six-months-after-the-personal-insurance-policy-was  
32 initially-written-and-thereafter,--based-on-other-underwriting  
33 or-rating-factors,--excluding-credit-information.

34 h. g. Use Using any of the following as a negative factor  
35 in any insurance-scoring methodology or-in-reviewing-credit

1 information used for the purpose of underwriting or rating a  
2 personal insurance policy:

3 (1) Credit inquiries not initiated by the consumer or  
4 inquiries requested by the consumer for the consumer's own  
5 credit information.

6 (2) Inquiries relating to insurance coverage, if so  
7 identified on a consumer's credit report.

8 (3) Collection accounts with a medical industry code, if  
9 so identified on a consumer's credit report.

10 (4) Multiple lender inquiries, if coded by a consumer  
11 reporting agency on the consumer's credit report as being from  
12 the home mortgage industry and made within thirty days of one  
13 another, unless only one inquiry is considered.

14 (5) Multiple lender inquiries, if coded by a consumer  
15 reporting agency on the consumer's credit report as being from  
16 the automobile lending industry and made within thirty days of  
17 one another, unless only one inquiry is considered.

18 Sec. 3. Section 515.109A, subsections 3 through 8, Code  
19 Supplement 2005, are amended by striking the subsections.

20 Sec. 4. Section 515.109A, subsection 9, Code Supplement  
21 2005, is amended by striking the subsection and inserting in  
22 lieu thereof the following:

23 9. VIOLATIONS. A violation of this section is an unfair  
24 insurance practice as provided in chapter 507B.

25 Sec. 5. Section 515.109A, subsection 10, Code Supplement  
26 2005, is amended to read as follows:

27 10. APPLICABILITY DATE. This section applies to personal  
28 insurance contracts or policies delivered, issued for  
29 delivery, continued, or renewed in this state on or after  
30 October 1, ~~2004~~ 2006.

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#### EXPLANATION

32 This bill amends Code section 515.109A to prohibit the use  
33 of credit information by insurers for underwriting or rating  
34 risks for personal insurance. The bill also changes the  
35 definition of personal insurance to include term life

1 insurance policies issued under Code chapter 508, and accident  
2 and health insurance policies issued under Code chapter 514A.  
3 Currently, the use of credit information for such purposes is  
4 allowed under certain circumstances and regulation of the use  
5 of credit information does not apply to term life or accident  
6 and health insurance policies.

7 Uses of credit information prohibited by the bill include  
8 using an insurance score; denying issuance, canceling, or  
9 refusing to renew a personal insurance policy based on any  
10 consideration of credit information; basing a consumer's  
11 insurance renewal rates on any consideration of credit  
12 information; taking any adverse action against a consumer  
13 based on any consideration of the fact that the consumer does  
14 not have a credit card account; considering an absence of  
15 credit information or an inability to calculate an insurance  
16 score in underwriting or rating personal insurance; and taking  
17 any adverse action against a consumer based on credit  
18 information. For purposes of the bill, "adverse action" means  
19 a denial of issuance, cancellation, or refusal to renew, an  
20 increase in any charge for, or a reduction or other  
21 unfavorable change in the terms of coverage or amount of any  
22 personal insurance existing or applied for, or in connection  
23 with, the underwriting of personal insurance.

24 The bill provides that a violation of Code section 515.109A  
25 is an unfair insurance practice as provided in Code chapter  
26 507B and the proceedings, orders, and penalties contained in  
27 Code chapter 507B are applicable to violations of the bill.

28 The bill is applicable to personal insurance contracts or  
29 policies delivered, issued for delivery, continued, or renewed  
30 in this state on or after October 1, 2006.

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