

First Regular Session
Sixty-fourth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 03-0312.01 Kristen Forrestal

HOUSE BILL 03-1055

HOUSE SPONSORSHIP

Tochtrop

SENATE SPONSORSHIP

(None)

House Committees

Business Affairs & Labor

Senate Committees

A BILL FOR AN ACT

101 CONCERNING A PROHIBITION AGAINST THE USE OF CREDIT SCORING IN
102 CONNECTION WITH THE ISSUANCE OF INSURANCE.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Makes a legislative declaration detailing the use of credit scoring by the casualty insurance industry and declaring that it is an unfair and deceptive method, inappropriate for determining a consumer's insurance risk.

Makes the use of credit scores for the purpose of issuing insurance an unfair practice in the business of insurance. Prohibits a consumer reporting agency from furnishing a consumer report to a person the agency has reason to believe intends to use credit scoring information for

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

the purpose of underwriting or rating insurance.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 hereby finds that:

4 (a) Increasingly, the casualty insurance industry is using credit
5 scoring, which does not follow traditional credit scoring guidelines by
6 considering certain undisclosed credit characteristics, rather than
7 measuring the creditworthiness of a consumer;

8 (b) In using select criteria from a complete credit report, an
9 insurance company is not using full disclosure of which items on a
10 complete report are being used to assess a consumer's risk of loss, as
11 calculated by such company;

12 (c) The type of individuals who score low on these credit scoring
13 models include lower income Americans, small business owners,
14 consumers who choose not to use credit in their personal finances, and
15 consumers with limited or no credit history;

16 (d) Subjective insurance credit scoring enables insurance
17 companies to raise rates arbitrarily by varying over time their accepted
18 credit score, without first applying to the department of insurance for a
19 rate increase; and

20 (e) When an insurance company decides to change the score that
21 it will accept, a consumer who has maintained a consistent credit report
22 becomes subject to a rate increase despite retaining the same personal
23 credit score in the same period of time.

24 (2) Accordingly, the general assembly determines and declares
25 that insurance credit scoring is an unfair and deceptive method used by

1 insurers to underwrite and rate insurance and that a score based solely on
2 the information chosen by an insurance company from a consumer's
3 credit report is an inappropriate determination of a consumer's insurance
4 risk.

5 **SECTION 2.** 10-3-1104 (1) (f), Colorado Revised Statutes, is
6 amended BY THE ADDITION OF A NEW SUBPARAGRAPH to read:

7 **10-3-1104. Unfair methods of competition and unfair or**
8 **deceptive acts or practices.** (1) The following are defined as unfair
9 methods of competition and unfair or deceptive acts or practices in the
10 business of insurance:

11 (f) (XIII) USING A CONSUMER'S CREDIT SCORING INFORMATION AS
12 A BASIS FOR DETERMINING EITHER SUCH CONSUMER'S ELIGIBILITY FOR
13 INSURANCE OR THE PREMIUM TO BE CHARGED TO SUCH CONSUMER;

14 **SECTION 3. Repeal.** 12-14.3-103 (1) (c) (III), Colorado
15 Revised Statutes, is repealed as follows:

16 **12-14.3-103. Permissible purposes - prohibition.** (1) A
17 consumer reporting agency may furnish a consumer report only under the
18 following circumstances:

19 (c) To a person which the consumer reporting agency has reason
20 to believe:

21 ~~(III) Intends to use credit scoring information in connection with~~
22 ~~the underwriting or rating of insurance involving the consumer and such~~
23 ~~person establishes that the consumer has received written notification, or~~
24 ~~notification in the same medium as the application for insurance, that a~~
25 ~~credit report may be requested in connection with his or her application~~
26 ~~for insurance, and that credit scoring information may be used to~~
27 ~~determine either the consumer's eligibility for insurance or the premium~~

1 ~~to be charged to the consumer; or~~

2 **SECTION 4. Safety clause.** The general assembly hereby finds,
3 determines, and declares that this act is necessary for the immediate
4 preservation of the public peace, health, and safety.