

REFERENCE TITLE: insurance; credit scoring

State of Arizona
Senate
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SB 1395

Introduced by
Senators McGuire, Landrum Taylor, Lopez: Bradley, Farley, Jackson Jr.,
Tovar

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-470; AMENDING SECTION 20-2110, ARIZONA REVISED STATUTES; RELATING TO INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 20, chapter 2, article 6, Arizona Revised Statutes,
3 is amended by adding section 20-470, to read:

4 20-470. Use of credit ratings, credit reports, credit scoring
5 models or credit information prohibited

6 NOTWITHSTANDING ANY OTHER LAW, AN INSURER SHALL NOT USE CREDIT RATINGS,
7 CREDIT REPORTS, CREDIT SCORING MODELS OR CREDIT INFORMATION TO UNDERWRITE,
8 CLASSIFY OR RATE INSURANCE POLICIES IN THIS STATE. AN INSURER SHALL NOT
9 CANCEL OR RENEW OR REFUSE TO ISSUE AN INSURANCE POLICY BASED ON CREDIT
10 RATINGS, CREDIT REPORTS, CREDIT SCORING MODELS OR CREDIT INFORMATION.

11 Sec. 2. Section 20-2110, Arizona Revised Statutes, is amended to read:

12 20-2110. Reasons for adverse underwriting decisions

13 A. In the event of an adverse underwriting decision the insurance
14 institution or insurance producer responsible for the decision shall either
15 provide the applicant, policyholder or individual proposed for coverage with
16 the specific reason for the adverse underwriting decision in writing or
17 advise the person, in writing, that ~~upon~~ ON written request the person may
18 receive the specific reason in writing and provide the applicant,
19 policyholder or individual proposed for coverage with a summary of the rights
20 established under subsection B of this section and sections 20-2108 and
21 20-2109.

22 B. ~~Upon~~ ON receipt of a written request within ninety business days
23 from the date of the mailing of notice or other communication of an adverse
24 underwriting decision to an applicant, policyholder or individual proposed
25 for coverage, the insurance institution or insurance producer shall furnish
26 to the person within twenty-one business days from the date of receipt of the
27 written request:

28 1. The specific reason for the adverse underwriting decision, in
29 writing, if the information was not initially furnished in writing pursuant
30 to subsection A of this section.

31 2. The specific items of personal and privileged information that
32 support those reasons except that:

33 (a) The insurance institution or insurance producer is not required to
34 furnish specific items of privileged information if it has a reasonable
35 suspicion, based ~~upon~~ ON specific information available for review by the
36 director, that the applicant, policyholder or individual proposed for
37 coverage has engaged in criminal activity, fraud, material misrepresentation
38 or material nondisclosure.

39 (b) Specific items of medical record information supplied by a medical
40 care institution or medical professional shall be disclosed either directly
41 to the individual about whom the information relates or to a medical
42 professional designated by the individual and licensed to provide medical
43 care with respect to the condition to which the information relates, at the
44 option of the insurance institution or insurance producer.

1 3. The names and addresses of the institutional sources that supplied
2 the specific items of information pursuant to paragraph 2 of this subsection,
3 except that the identity of any medical professional or medical care
4 institution shall be disclosed either directly to the individual or to the
5 designated medical professional, whichever the insurance institution or
6 insurance producer prefers.

7 C. The obligations imposed by this section ~~upon~~ ON an insurance
8 institution or insurance producer may be satisfied by another insurance
9 institution or insurance producer authorized to act on its behalf.

10 D. If an adverse underwriting decision results solely from an oral
11 request or inquiry, the explanation of the specific reasons and summary of
12 rights required by subsection A of this section may be given orally.

13 ~~E. In providing the specific reason for an adverse underwriting
14 decision based on credit related information contained or not contained in an
15 individual's consumer report, the insurance institution or agent shall
16 provide at least the following information:~~

17 ~~1. That the decision was based in part on a consumer report or the
18 absence of credit history.~~

19 ~~2. The source of the consumer report and how the individual may obtain
20 a copy of the consumer report.~~

21 ~~3. A description of up to four factors that were the primary cause for
22 the adverse action that resulted from the insurance score.~~

23 ~~F. An insurer shall not use the following types of credit history to
24 calculate an insurance score to determine property or casualty premiums for
25 insurance transactions that are subject to this article and shall not
26 knowingly use an insurance score developed by a third party if the score is
27 calculated using any of the following types of credit history:~~

28 ~~1. The absence of credit history or the inability to determine the
29 consumer's credit history unless the insurer's action is actuarially
30 justified or the insurer treats the consumer as if the consumer had neutral
31 credit information, as defined by the insurer.~~

32 ~~2. Credit history or an insurance score based on collection accounts
33 identified with a medical industry code.~~

34 ~~3. A bankruptcy or a lien satisfaction that is more than seven years
35 old.~~

36 ~~4. The consumer's use of a particular type of credit card, charge card
37 or debit card unless actuarially justified.~~

38 ~~5. The consumer's total available line of credit, except that an
39 insurer may consider the total amount of outstanding debt in relation to the
40 total available line of credit.~~

41 ~~6. An insurance score that is calculated using the income, gender,
42 address, zip code, ethnic group, religion, marital status or nationality of
43 the consumer as a factor. This section does not prohibit an insurer from
44 using zip code, address, gender and marital status information for
45 underwriting purposes.~~