

W a s h i n g t o n S t a t e
Office of the Insurance Commissioner

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News Release

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Final implementation of Credit Scoring Law

OLYMPIA, Wash. — As the final phase of Washington's groundbreaking credit scoring law takes effect June 30, consumers will no longer see their auto or homeowners insurance premiums increase because of certain factors in their credit history.

The first phase of Washington's law was implemented in January. It forbids insurers from canceling or non-renewing policies because of a consumer's credit history or denying them insurance because they lack a credit history or have too many inquiries into their credit history.

The final phase restricts how insurers use credit information in setting premiums. It had a later effective date to allow companies time to modify their credit scoring models and gain their approval from the Office of the Insurance Commissioner (OIC). Insurers wishing to use credit scoring had to re-run their entire books of business through the new models.

"As of June 30, Washington consumers will receive the full benefits of a law that began with their outcry against credit scoring nearly two years ago," said Insurance Commissioner Mike Kreidler. "The full implementation of our new credit scoring law offers some of the toughest consumer protection in the country."

[Washington's new credit scoring law](#) was passed by the 2002 Legislature with overwhelming bipartisan support. Under the new law, an insurer can no longer use a consumer's credit score to cancel or non-renew personal lines of insurance or use the following factors to deny insurance coverage or determine their premiums:

- ◆ The absence of credit history;
- ◆ The number of credit inquiries;
- ◆ Collection accounts identified as medical bills;
- ◆ The initial purchase or finance of a vehicle or house that adds a new loan to the consumer's existing credit history;
- ◆ The use of a particular type of credit card, debit card or charge card; or
- ◆ The total available line of credit held by the consumer.

Another consumer protection under the new law directs an insurance company that uses an inaccurate credit history to reissue or re-rate the policy retroactive to the effective date of the current policy term. Companies must disclose up to four specific factors that negatively impacted a consumer's credit score

in clear and concise language. Negative impacts include consumers not receiving the best possible rate.

“We still need to hear from consumers,” said Kreidler. “While this is one of the toughest laws in the country, it’s not perfect. We will be reporting to the Legislature next year on how the new law works. If there are problems or concerns we want to hear them. I urge consumers to call our Consumer Hotline at 1-800-562-6900.”

Commissioner Kreidler currently co-chairs the National Association of Insurance Commissioner’s (NAIC) working group on credit scoring that is evaluating how credit scoring is applied nationwide and what regulatory options states have to limit its use.

Editor’s Note: The Office of the Insurance Commissioner is a state consumer protection agency offering free advocacy services to insurance consumers. If you would like assistance in settling a dispute with your insurance company or if you have questions about insurance coverage, contact the OIC consumer hotline at 1-800-562-6900. For additional information about your rights and OIC activities visit our web site at www.insurance.wa.gov.