

ASSEMBLY BILL NO. 404—ASSEMBLYMEN SMITH, PARKS, CONKLIN,
LESLIE, ANDERSON, ARBERRY, BEERS, BUCKLEY,
GANSERT, GERHARDT, GOEDHART, GOICOECHEA, KIHUEN,
KIRKPATRICK, KOIVISTO, MCCLAIN, OCEGUERA, PARNELL,
PIERCE AND SETTELMEYER

MARCH 16, 2007

Referred to Committee on Commerce and Labor

SUMMARY—Revises provisions governing the use of credit
information by insurers. (BDR 57-1335)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in **bolded italics** is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to insurance; prohibiting an insurer from using
certain credit information concerning an applicant or
policyholder in underwriting or rating a policy; and
providing other matters properly relating thereto.

Legislative Counsel's Digest:

- 1 Existing law regulates the use by an insurer of the credit information of a
- 2 policyholder or an applicant for insurance. (NRS 686A.680) This bill prohibits an
- 3 insurer from using the number of times that an applicant or policyholder opens or
- 4 closes credit accounts during any specific period as a negative factor in any
- 5 insurance scoring methodology or in reviewing credit information for the purpose
- 6 of underwriting or rating a policy.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 686A.680 is hereby amended to read as
- 2 follows:
- 3 686A.680 An insurer that uses information from a consumer
- 4 credit report shall not:
- 5 1. Use an insurance score that is calculated using income,
- 6 gender, address, zip code, ethnic group, religion, marital status or



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1 nationality of the consumer as a factor, or would otherwise lead to
2 unfair or invidious discrimination.

3 2. Deny, cancel or fail to renew a policy on the basis of credit
4 information unless the insurer also considers other applicable
5 underwriting factors that are independent of credit information and
6 not expressly prohibited by this section.

7 3. Base renewal rates for a policy upon credit information
8 unless the insurer also considers other applicable factors
9 independent of credit information.

10 4. Take an adverse action against an applicant or policyholder
11 based on the applicant or policyholder not having a credit card
12 account unless the insurer also considers other applicable factors
13 independent of credit information.

14 5. Consider an absence of credit information or an inability to
15 calculate an insurance score in underwriting or rating a policy unless
16 the insurer does any one of the following:

17 (a) Treats the applicant or policyholder as otherwise approved
18 by the Commissioner, after the insurer presents to the Commissioner
19 information indicating that such an absence or inability relates to the
20 risk for the insurer.

21 (b) Treats the applicant or policyholder as if the applicant or
22 policyholder had neutral credit information, as defined by the
23 insurer.

24 (c) Excludes the use of credit information as a factor, and uses
25 only underwriting criteria other than credit information.

26 6. Take an adverse action against an applicant or policyholder
27 based on credit information, unless an insurer obtains and uses a
28 consumer credit report issued or an insurance score calculated
29 within 90 days from the date the policy is first written or renewal is
30 issued.

31 7. Except as otherwise provided in this subsection, use credit
32 information regarding a policyholder without obtaining an updated
33 consumer credit report regarding the policyholder and recalculating
34 the insurance score at least once every 36 months. At the time of the
35 annual renewal of a policyholder's policy, the insurer shall, upon the
36 request of the policyholder or the policyholder's agent, reunderwrite
37 and rerate the policy based upon a current consumer credit report or
38 insurance score. An insurer need not, at the request of a policyholder
39 or the policyholder's agent, recalculate the insurance score or
40 obtain an updated consumer credit report of the policyholder more
41 frequently than once in any 12-month period. An insurer may, at its
42 discretion, obtain an updated consumer credit report regarding a
43 policyholder more frequently than once every 36 months, if to do so
44 is consistent with the underwriting guidelines of the insurer. An



insurer does not need to obtain an updated consumer credit report for a policyholder if any one of the following applies:

(a) The insurer is treating the policyholder as otherwise approved by the Commissioner.

(b) The policyholder is in the most favorably-priced tier of the insurer and all affiliates of the insurer. With respect to such a policyholder, the insurer may elect to obtain an updated consumer credit report if to do so is consistent with the underwriting guidelines of the insurer.

(c) Credit information was not used for underwriting or rating the policyholder when the policy was initially written. The fact that credit information was not used initially does not preclude an insurer from using such information subsequently when underwriting or rating such a policyholder upon renewal, if to do so is consistent with the underwriting guidelines of the insurer.

(d) The insurer reevaluates the policyholder at least once every 36 months based upon underwriting or rating factors other than credit information.

8. Use the following as a negative factor in any insurance scoring methodology or in reviewing credit information for the purpose of underwriting or rating a policy:

(a) Credit inquiries not initiated by the applicant or policyholder, or inquiries requested by the applicant or policyholder for his or her own credit information.

(b) Inquiries relating to insurance coverage, if so identified on the consumer credit report.

(c) Collection accounts relating to medical treatment, if so identified on the consumer credit report.

(d) Multiple lender inquiries, if identified on the consumer credit report as being related to home loans or mortgages and made within 30 days of one another, unless only one inquiry is considered.

(e) Multiple lender inquiries, if identified on the consumer credit report as being related to a loan for an automobile and made within 30 days of one another, unless only one inquiry is considered.

(f) The number of times that the applicant or policyholder opens or closes credit accounts during any specific period.

