

Theodore R. Kulongoski
Governor



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Use of Credit Scores in Insurance Sales to be Limited

(Salem) Governor Theodore Kulongoski last week signed into law a bill that bans insurance companies from using a policyholder's credit information to raise premiums. Senate Bill 260 passed the Oregon Legislature in the closing days of the recent legislative session. The bill also prohibits insurers from canceling or refusing to renew existing policies because of credit history problems.

"Use of credit scoring by insurers is controversial all across the country," Governor Kulongoski said. "This bill stops potential abuses by making it clear that insurance companies can't raise premiums or cancel a person's policy based on his or her credit history. Existing policyholders should be judged and their premiums set based on their claims history - not their credit history."

Most automobile and homeowner insurers now use "credit scoring" or "insurance scoring" when determining whether to issue a policy and how much to charge.

As approved, SB 260 will allow insurers to continue using credit information when deciding whether to issue a new policy, but only if they can document that it helps them predict future claim costs and price their products fairly for consumers. At the same time, they must demonstrate that credit information is used as part of an evaluation system that also relies on other actuarially relevant factors.

The bill also requires insurers using credit history to file their scoring models with the Department of Consumer & Business Services (DCBS).

The bill augments a DCBS administrative rule, adopted earlier this year, that prohibited insurers from canceling or refusing to renew existing policies because of credit history problems. "We continue to receive lots of complaints about this practice," said DCBS Director Cory Streisinger, "so we commend the legislature for taking additional action to protect policyholders from unfair uses of credit scoring."

The bill is effective for policies renewed January 1, 2004 or later.