

NEWS

State law imposes new credit guidelines on insurers

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Starting in January 2004, companies selling homeowner and automobile insurance will face new state guidelines in the use of credit reports and credit scores when deciding whether to insure applicants and how much consumers should pay.

"We hope it provides additional consumer protection," said Justin Glover, spokesman for the Florida Department of Financial Services.

The new law, signed by Gov. Jeb Bush in June, will prohibit insurers from using applicants' credit history against them if they are dealing with unexpected medical bills or the death of a spouse. It also will prohibit insurers from denying coverage or raising rates based solely on a credit report or score, Glover said.

It requires that insurers notify an applicant or an insured customer if their credit report is being requested for underwriting or rating purposes, he said. If credit history played a role in an insurance company's decision to deny coverage or raise an insured's rates, insurers must inform the consumers and provide them with a copy of their credit report, Glover said.

Current state law requires insurance companies to notify consumers when their report is used and if an adverse decision is made based on the report.

Under the new law, consumers that are adversely affected by the credit report will have their credit histories re-evaluated every two years by the insurance company. "They're re-evaluating every two years in case the credit rating improves, so their rates can decrease," Glover said.

Additionally, insurance companies will be prohibited from raising rates or denying coverage to a consumer based on past-due medical bills, place of residence, the absence of credit history or insufficient credit report.

Glover said this law protects young people and people who use cash most often and may not have a credit history.

Bill Newton, executive director of Tampa-based Florida Consumer Action Network, said the new law puts some checks and balances on insurance companies, but that's not enough.

"We think if insurance companies are allowed to do that (use credit reports), then why don't consumers get lower rates," Newton said.

Newton said nobody pays attention to insurance companies' notifications that they are using a consumers credit report.

"When all of a sudden your insurance goes through the roof and you realize there's a problem, it's too late," Newton said.

A state task force was appointed in fall 2001 to examine the use of credit reports by homeowner and automobile insurance companies.

Four public hearings were held around the state, and the task force recommendations went to the Legislature to craft the new law, Glover said.

Federal law, under the Fair Credit Reporting Act, allows insurers to use credit reports in underwriting, but the companies must notify the consumer and give the name of the credit bureau that supplied the report if the credit history influenced the decision to deny coverage.

The new Florida law will not conflict with the federal law because the state law is specific to insurance companies and the Fair Credit Reporting Act refers to credit reports in general, Glover said.