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FISCAL IMPACT REPORT

SPONSOR Leavell DATE TYPED 3/18/05 HB _____

SHORT TITLE Personal Insurance Credit Information SB 560/aSJC/aSFI#1/aSFI#2/aHJC

ANALYST Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

Relates to SB 359

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

SUMMARY

Synopsis of HJC Amendment

The House Judiciary Committee amendment removes the Senate Floor amendment #2.

Synopsis of SFI#2 Amendment

The Senate Floor amendment #2 to Senate Bill 560 adds an insurer or group of affiliated insurers authorized to do business in New Mexico that uses credit information to underwrite, rate or re-new personal insurance coverage shall not consider credit card information.

Synopsis of SFI#1 Amendment

The Senate Floor amendment #1 to Senate Bill 560 amends the consumer protection notification and disclosure form. Deletes language that a credit bureau will not change negative credit information they have determined to be correct. Deletes language that credit bureaus will include a consumer statement pertaining to negative credit information each time a credit report is requested. The amendment adds language requiring the inclusion of names, phone numbers and web sites of national credit bureaus. The amendment deletes references to federal law regarding a consumer's right to a free credit report.

Synopsis of SJC Amendment

The Senate Judiciary Committee amendment more clearly defines the time an insurer is required to grant an extraordinary life circumstances exception. Once that time is exhausted, the insurer is not required to grant another exception for the same extraordinary life circumstance. The amendment further defines an insurer's duty to disclose to the consumer if credit information is being used to calculate an insurance score, either at the time of the application or first renewal subsequent to December 31, 2005. The amendment provides a form for notifying consumers of their rights and protections under New Mexico State law regarding insurance coverage, dividend benefits, rates, surcharges, discounts and credit scores.

Synopsis of Original Bill

Senate Bill 560 regulates the use of credit information in the underwriting and rating of automobile, homeowners and other types of personal insurance. This bill specifically bans the use of credit information in the rating of automobile insurance policies.

This bill contains a number of consumer protections, including requiring insurers to:

- ✓ Treat consumers with little or no credit history as if they had average credit
- ✓ Disclose to consumers that their credit information is being used as well as list the key negative items in their credit reports
- ✓ Provide exceptions for consumers whose credit has been negatively impacted by medical and other extraordinary life circumstances beyond their control
- ✓ Rectify premium charges and other actions if credit report errors are uncovered
- ✓ Ignore from credit reports all credit inquiries made by consumers.

Significant Issues

In recent years most insurance companies have been using credit report information to help them determine whether to accept, and how much premium to charge, applicants for automobile and homeowners insurance. Insurers do so because many studies indicate a correlation between consumers' credit standing and their costliness as insurance customers.

Many consumers and consumer advocate groups oppose this use of credit information. Consumers often disbelieve that their credit history can be an indicator of whether they will have an automobile or homeowners' insurance claim. Consumer advocates often believe that various low-income and ethnic groups have poorer than average credit histories and are further disadvantaged by having to pay higher than average premiums due to credit rating.

The Superintendent of Insurance convened a task force in 2002 to advise him on this issue. The task force concluded its study in October 2002 and submitted to the Superintendent a list of recommendations for regulating the use of credit report information in the rating and underwriting of both automobile and homeowners insurance in order to protect consumers from potential

FISCAL IMPLICATIONS

The Insurance Division of the PRC has the financial resources to handle the provisions of this

bill as part of its ongoing responsibilities.

ADMINISTRATIVE IMPLICATIONS

This bill allows insurers to immediately use credit-related rating models upon filing those models with the Insurance Division, subject to the Superintendent's subsequent review and potential disapproval. This "file and use" provision is an exception to the "prior approval" requirements of the Insurance Rate Regulation Law.

RELATIONSHIP

SB 560 relates to SB 359, Prohibit Certain Car Insurance Cancellations.

DW/yr