



General Assembly

February Session, 2006

Raised Bill No. 427

LCO No. 1904

01904_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT CONCERNING HOMEOWNERS INSURANCE RATING PRACTICES BASED ON CLAIMS AND CLAIM INQUIRIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2006*) As used in this section:

2 (1) "Adverse action" means a denial or cancellation of, an increase in
3 any charge for, or a reduction or other adverse or unfavorable change
4 in the terms of coverage or amount of, any insurance, existing or
5 applied for, in connection with the underwriting of insurance;

6 (2) "Claim" means a demand to an insurer for payment of a benefit
7 by the insured or the payment of a covered benefit by an insurer to an
8 insured. A report of loss or a question relating to coverage shall not
9 constitute a claim;

10 (3) "Claims history report" means information provided by a claims
11 history report provider to an insurer, insurance producer or other
12 authorized party regarding the claims history or loss experience of
13 natural persons or properties, including reports generated from or by
14 the A-PLUS Property Database and the Comprehensive Loss

15 Underwriting Exchange;

16 (4) "Claims history report provider" means any person that
17 regularly engages in the practice of assembling, collecting or
18 evaluating information regarding the claims history or loss experience
19 of natural persons or properties for the primary purpose of providing
20 such information to insurers, insurance producers or other authorized
21 parties for underwriting or rating. For the purposes of this section, a
22 government institution, insurer or an insurance producer shall not be
23 considered a claims history report provider;

24 (5) "Consumer" means an insured or an applicant for insurance
25 coverage;

26 (6) "Inquiry" means a telephone call or other communication made
27 to an insurer regarding the terms, conditions or coverage afforded
28 under an insurance contract that does not result in a claim being filed
29 or paid, including questions concerning whether a policy will cover a
30 loss or the process for filing a claim;

31 (7) "Insurer" means an insurance company authorized to do
32 business in this state; and

33 (8) "Natural causes" means an unpredictable or extreme act of
34 nature caused without human intervention or agency.

35 (b) No insurer shall refuse to issue, cancel or nonrenew
36 homeowners insurance coverage or establish homeowners insurance
37 rates based solely on the insurance claims history or loss experience of
38 a previous owner of the property to be insured.

39 (c) No insurer shall refuse to issue, cancel or nonrenew homeowners
40 insurance coverage or establish homeowners insurance rates based in
41 whole or in part on: (1) Inquiries made by any consumer to an insurer,
42 or (2) claims or losses for which no payment was or has been made to
43 or on behalf of any insured, unless more than three incidents occur
44 within the previous three years.

45 (d) Notwithstanding the provisions of subsections (b) and (c) of this
46 section, an insurer may refuse to issue, cancel or nonrenew
47 homeowners insurance coverage or establish homeowners insurance
48 rates based on the known condition of the premises as determined
49 through a physical inspection of the premises or other means.

50 (e) When a consumer applies for homeowners insurance, an insurer
51 may not use the following information to determine whether to issue a
52 policy or to determine rates or other terms or conditions of coverage:
53 (1) The prior claim experience of the property to be insured or of the
54 consumer that occurred more than five years preceding the date of
55 application for homeowners insurance; and (2) a single claim related to
56 the property that is the result of natural causes or water damage,
57 unless the insurer can demonstrate that action reasonably requested by
58 the insurer to prevent a recurrence of damage to the property has not
59 been taken.

60 (f) If it is determined through the dispute resolution process set
61 forth in the federal Fair Credit Reporting Act, 15 USC 1681i(a)(5) that
62 the claims history information of an insured or property was incorrect
63 or incomplete and if the insurer receives notice of such determination
64 from either the consumer reporting agency or the insured, the insurer
65 shall reunderwrite and rerate the consumer not later than thirty days
66 after receiving such notice. After reunderwriting or rerating the
67 insured, the insurer shall make any adjustments necessary consistent
68 with its underwriting and rating guidelines. If an insurer determines
69 that the insured has overpaid premium, the insurer shall refund to the
70 insured the amount of overpayment calculated back to the shorter of
71 either the last twelve months of coverage or the actual policy period.

72 (g) If a homeowner's insurer takes an adverse action based upon the
73 claims or loss history of a consumer or property, the insurer shall meet
74 the notice requirements of this subsection. Such insurer shall: (1)
75 Provide notification to the consumer that an adverse action has been
76 taken, in accordance with the requirements of the federal Fair Credit

77 Reporting Act, and (2) provide notification to the consumer explaining
78 the specific claim information and events that resulted in the adverse
79 action.

80 (h) (1) A homeowner's insurer shall not disclose or submit to any
81 claims history report provider or any other consumer reporting agency
82 that an inquiry was made to the insurer by a consumer.

83 (2) A claims history report provider shall not provide an insurer,
84 insurance producer or any other person with a claims history report
85 that an inquiry was made to an insurer by a consumer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2006	New section

Statement of Purpose:

To prohibit insurers from refusing to issue, canceling or nonrenewing homeowners insurance coverage or establishing homeowners insurance rates (1) based solely on the insurance claims history or loss experience of a previous owner of the property, and (2) based in whole or in part on inquiries made by any consumer to an insurer or claims or losses for which no payment was made to any insured, unless more than three incidents occur within the previous three years.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]