

SESSION OF 2010

**SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2390**

As Recommended by House Committee on
Insurance

Brief*

Sub. for HB 2390 would amend the Kansas Insurance Score Act and enact new law supplemental to the Act. Specifically, the bill would enact new law to create an exception to the Kansas Insurance Score Act for extraordinary life circumstances. An insurance company that uses credit information would be required, upon written request from an applicant for insurance coverage or its insured, to provide "reasonable exceptions" to the insurer's rates, rating classifications, company or tier placement, or underwriting rules or guidelines for a consumer who has experienced and whose credit information has been directly influenced by an extraordinary life circumstance.

The bill outlines those circumstances for which an exception would be granted:

- Catastrophic event, as declared by the federal or any state government;
- Serious illness or injury to the consumer or the consumer's immediate family;
- Death of a spouse, child or parent of the insured;
- Divorce or involuntary interruption of legally-owed alimony or support payments;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- Identity theft;
- Temporary loss of employment for a period of three months or more, if it results from involuntary termination;
- Military deployment overseas; or
- Any other events as determined by the insurer.

The bill also would provide that if a consumer submits a request for an exception, an insurer may, in its sole discretion:

- Require the consumer to provide reasonable written and independently verifiable documentation of the event;
- Require the consumer to demonstrate that the event had a direct and meaningful impact on the consumer's credit information; and
- Require such request be made no more than 60 days from the date of the application for insurance or the policy renewal.

The bill also would create notification requirements for insurers. Insurers would be required to provide notice to consumers that reasonable exceptions are available and information about how the consumer may inquire further. Within 30 days of the insurer's receipt of sufficient documentation of an extraordinary life circumstance, the insurer is required to inform the consumer of the outcome of his or her request. The insurer also is permitted to grant an exception in the event where a consumer has not made a request in writing for the exception or where a consumer asks for consideration of repeated circumstances or the insurer has previously considered this circumstance.

Amendments to the Kansas Insurance Score Act

Adverse Action Notice

The bill would amend the definition for the term “adverse action” to eliminate a notification of adverse action be provided to the consumer when the consumer is not receiving the best rate. (An “adverse action” would continue to include a denial of cancellation of coverage and a reduction or other adverse or unfavorable change in the terms of coverage of any insurance).

Look-back Requirement

The bill also would delete a requirement that the credit report used for an insurance score be no older than three years.

Background

The House Committee on Insurance recommended the introduction of a substitute bill. The substitute bill incorporates the provisions of 2010 HB 2563, with one technical amendment to one of the extraordinary life circumstances specified in the bill. [The extraordinary life circumstances provisions incorporate the National Conference of Insurance Legislators (NCOIL) amendment to its model act on the use of credit information in personal lines insurance]. The original bill contained provisions that would have incorporated the notice provisions and premium subsidy requirements of the federal American Recovery and Reinvestment Act of 2009 (ARRA). Continuation of coverage provisions were enacted in 2009 HB 2214.

The fiscal note prepared by the Division of the Budget for HB 2563 states that the Kansas Insurance Department indicates the bill could be implemented within existing resources since the monitoring of insurance companies is a regular activity of the Department.