2011 ASSEMBLY BILL 98

April 21, 2011 – Introduced by Representatives YOUNG, E. COGGS, TURNER and GRIGSBY. Referred to Committee on Insurance.

1   AN ACT *to amend* 625.12 (1) (e), 625.12 (2), 625.15 (1) and 628.34 (3) (a); and *to*

2   *create* 632.06 and 632.367 of the statutes; **relating to:** prohibiting the use of

3   zip codes or information in credit reports for issuing or renewing, or setting

4   premiums for, certain types of insurance.

Analysis by the Legislative Reference Bureau

Current law contains prohibitions against unfairly discriminating among policyholders by charging different premiums or offering different terms of coverage except on the basis of classifications related to the nature and degree of risk covered. Current law also specifies the factors on which insurance rates may be based. These prohibitions and specifications apply to all types of insurance. Current law specifically prohibits an insurer from using odometer reading data collected in the course of an emissions inspection as a factor in setting rates or premiums for motor vehicle insurance.

This bill prohibits an insurer from considering information in an individual's credit report when issuing or renewing motor vehicle insurance or renter's or homeowner's (property) insurance, or when setting premiums for motor vehicle or property insurance. The bill also prohibits an insurer from considering an individual's zip code when issuing or renewing, or when setting premiums for, motor vehicle insurance. In addition, the bill prohibits a rating plan for motor vehicle insurance from using information in an individual's credit report or an individual's

zip code as a rating factor, and prohibits a rating plan for property insurance from using information in an individual's credit report as a rating factor.

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The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1   SECTION 1. 625.12 (1) (e) of the statutes is amended to read:

2   625.12 **(1)** (e) Subject to s. ss. 632.06, 632.365, and 632.367, all other relevant

3   factors, including the judgment of technical personnel.

4   SECTION 2. 625.12 (2) of the statutes is amended to read:

5   625.12 **(2)** CLASSIFICATION. Risks may be classified in any reasonable way for

6   the establishment of rates and minimum premiums, except that no classifications

7   may be based on race, color, creed, or national origin, and classifications in

8   automobile insurance may not be based on physical condition or developmental

9   disability as defined in s. 51.01 (5). Subject to s. ss. 632.06, 632.365, and 632.367,

10   rates thus produced may be modified for individual risks in accordance with rating

11   plans or schedules that establish reasonable standards for measuring probable

12   variations in hazards, expenses, or both. Rates may also be modified for individual

13   risks under s. 625.13 (2).

14   SECTION 3. 625.15 (1) of the statutes is amended to read:

15   625.15 **(1)** RATE MAKING. An insurer may itself establish rates and

16   supplementary rate information for one or more market segments based on the

17   factors in s. 625.12 and, if the rates are for property insurance, subject to s. 632.06

18   or, if the rates are for motor vehicle liability insurance, subject to s. ss. 632.365 and

19   632.367, or the insurer may use rates and supplementary rate information prepared

20   by a rate service organization, with average expense factors determined by the rate

1   service organization or with such modification for its own expense and loss

2   experience as the credibility of that experience allows.

3   SECTION 4. 628.34 (3) (a) of the statutes is amended to read:

4   628.34 **(3)** (a) No insurer may unfairly discriminate among policyholders by

5   charging different premiums or by offering different terms of coverage except on the

6   basis of classifications related to the nature and the degree of the risk covered or the

7   expenses involved, subject to ss. <u>632.06,</u> 632.365, <u>632.367,</u> 632.746, and 632.748.

8   Rates are not unfairly discriminatory if they are averaged broadly among persons

9   insured under a group, blanket, or franchise policy, and terms are not unfairly

10   discriminatory merely because they are more favorable than in a similar individual

11   policy.

12   SECTION 5. 632.06 of the statutes is created to read:

13   **632.06 Prohibited use of credit report information. (1)** In this section,

14   "property insurance" means renter's insurance and homeowner's insurance.

15   **(2)** A rating plan for property insurance may not use information in an

16   individual's credit report as a rating factor.

17   **(3)** For determining whether to issue or renew coverage under a property

18   insurance policy, or for setting premiums for coverage under such a policy, an insurer

19   may not consider information in the credit report of any of the following:

20   (a) An individual who is, or who if coverage is issued would be, a named insured

21   under the policy.

22   (b) The spouse or other family member of an individual under par. (a).

23   SECTION 6. 632.367 of the statutes is created to read:

1   **632.367 Prohibited use of zip code or credit report information. (1)** A

2   rating plan for motor vehicle insurance may not use as a rating factor information

3   in an individual's credit report or the zip code of an individual's residence.

4   **(2)** For determining whether to issue or renew coverage under a motor vehicle

5   insurance policy, or for setting premiums for coverage under such a policy, an insurer

6   may not consider the zip code of the residence, or information in the credit report, of

7   any of the following:

8   (a) An individual who is, or who if coverage is issued would be, a named insured

9   under the policy.

10   (b) The spouse or other family member of an individual under par. (a).

11   SECTION 7. **Initial applicability.**

12   (1) This act first applies to motor vehicle insurance policies and property

13   insurance policies that are renewed, or for which application is made, on the effective

14   date of this subsection.

15   **(END)**