

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairperson Patricia Barbieri-Lightner at 3:30 on March 25, 2003 in Room 527-S of the Capitol.

All members were present.

Committee staff present: Bill Wolff, Legislative Research
Ken Wilke, Revisor of Statutes
Renaë Hansen, Secretary

Conferees appearing before the committee: **Ron Gaches**, Consumer Information Data Association
Mike Stewart, Trans Union, Overland Park

Others attending: Eighteen total, including some who signed the attached register.

Presentation:

Ron Gaches, Consumer Information Data Association, introduced:
Mike Stewart, Trans Union, Overland Park, to review the fundamentals of the Fair Credit Reporting Act, and Consumer Reports. (Attachment #1) He presented a very high level power point overview of the Fair Credit Reporting Act that's been in place since 1971, amended in 1997. Certain regulations that Credit Reporting agencies are under obligation to concerning consumers. The disclosure of the file is everything in that file, but not necessarily a score unless the consumer requests it. Negative things in a file can stay up to seven years, and positive information has no limitations on how long it can stay in the file. Other information presented to the committee can be obtained from the conferee, or in the Legislative Library.

Questions were posed by: Representatives Ray Cox, Cindy Neighbor, Mario Goico, Mike Burgess, Bonnie Sharp, Mary Kauffman, Patricia Barbieri-Lightner, Bob Grant, and Nile Dillmore.

The Committee moved on to work the bill.

Sub SB144- Enacting the Kansas Insurance Score Act.

Representative Mary Kaufman summarized to the committee that what we are doing in this bill is simply giving the Insurance Committee the authority to regulate or control the credit scoring.

Representative Mary Kaufman moved to pass Sub SB144 out of committee and to the house floor favorably, seconded by Representative Scott Schwab.

Representative Bob Grant moved to amend the bill (Attachment #2), seconded by Representative Nile Dillmore.

The floor was opened for discussion. Representative Bob Grant stated that this amendment added some teeth in the bill allowing for some checks and balances back to the legislature from the Insurance Department. Jerry Wells, Insurance Department, was brought to the floor to comment. His opinion was that this amendment asked them to do things that they are not in the business of doing and that outside help would have to be brought in to gather the data and analyze it at a cost ranging from perhaps \$50,000-\$200,000.

Questions were posed to Mr. Wells by: Representatives Bonnie Sharp, Scott Schwab, Bob Grant, Nile Dillmore, Cindy Neighbor, Mario Goico, and Nancy Kirk.

Representative Ray Cox called the question on the amendment before the committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE at 3:30 p.m. on March 25, 2003 in Room 527-S of the Capitol.

Amendment failed.

Representative Cindy Neighbor moved to amend section 9 line 29 to include the word "shall" instead of the word "may" adding "and shall report to the President and the minority leader of the Senate and the Speaker and the minority leader of the House of Representatives by January 26, 2005, on issues relating to the use of credit history in personal insurance underwriting and rating and the implementation of this act." seconded by Representative Patricia Barbieri-Lightner, amendment passes.

Representative Patricia Barbieri-Lightner moved to make, on page 2, line 27-28, "farm owner", one word to "farmowner", seconded by Representative Nile Dillmore, amendment passes.

Representative Patricia Barbieri-Lightner called the question on the motion on the floor to pass out the bill favorably as amended.

Motion carried.

Meeting Adjourned.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: March 25, 2003


NAME	REPRESENTING
Ron Gaches	CDIA
Evan Wilton	Trans Union
Mike Howard	Trans Union
Ala Murphy	" "
Mike McGren	ICS Task Force
Keith Beckley	Budget
John Benton	KID
David Hanson	K's Insurance Assns / NAII
Chris Steadman	INTERN
Michelle Hanft	Intern
Lee Wright	FARMERS INS.
Chris Wilson	KBIA
Martha Lee Smith	KMHA
Gary With	KID
Paul Jones	KID
Todd Johnson	KLA
Larry Magill	KAIA
Wari Renner	Rep. Mike Burgess

Fair Credit Reporting Act (FCRA)

Congress passed the original legislation on April 25, 1971.

An amended version became law on October 1, 1997.


All credit bureaus (Trans Union, Experian formally TRW, Equifax and their affiliates CSC and CBI must comply with the Fair Credit reporting Act.



1

Credit Bureau Disclosure

Disclosure is the process for consumers to get a copy of their credit report. Any consumer who offers proper identification and requests to know what is in his/her file should be told, clearly and accurately, the nature and substance of everything that is in their file.




2

Credit Bureau Disclosure

Disclosure to consumers may be made:

- By electronic means (via the internet) – the most popular way to get a disclosure
- By telephone
- In writing
- By any other reasonable means that is available from the credit reporting agency.



3

What is contained in a Disclosure?

A copy of the consumers' credit history, in a easy to read consumer friendly format.

Summary of Consumer's Rights


A brief description of the FCRA.

Explanation of the way the consumer may exercise their rights under the FCRA.

Statement that a consumer reporting agency is not required to remove accurate derogatory information from a consumer's file unless the information is outdated.

The list of all Federal agencies responsible for enforcing provisions of the FCRA and their addresses and phone numbers.

Statement that the consumer may have additional rights under state law.




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Charges for Disclosures

The Credit Bureau CANNOT Charge if:

- The consumer has been denied credit or employment within the past 60 days.
- The consumer has received a notice from the collection department within the credit bureau.
- The consumer is unemployed and intends to apply for employment with 60 days.
- The consumer is a recipient of public welfare assistance.
- The consumer has reason to believe that they are a victim of fraud.


Otherwise the charge is \$9.00 per file



5

What is contained in the Credit File?

<p><u>Identifying Information:</u></p> <p>Name</p> <p>Current Address</p> <p>Previous Address</p> <p>Social Security Number</p> <p>Age</p> <p>Telephone Number</p>	<p><u>Employment Information</u> - current and previous</p> <p><u>Public Record Information</u> - Civil judgements, tax liens, bankruptcies, etc</p> <p><u>Collection Accounts</u> - accounts referred to collection agencies</p>
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House Insurance
 Date: 3/25/03
 Attachment # 1

What is contained in the Credit File?

Credit Account Information - current and historical credit usage with creditors

Inquiries:

- A. List of companies receiving employment reports on the consumer within the past 2 years.
- B. List of companies receiving the report for credit or any other purpose for the past 12 months.



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Time Limits on Reporting Adverse Information

Most adverse data can be reported for a maximum of 7 years.

The types data covered includes:

- Civil Suits and Judgements
- State and Federal Tax Liens
- Collection Accounts
- Accounts with late payments

The adverse account is reported 7 years from the commencement of delinquency.

Good accounts could stay on the credit file an indefinite period of time.



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Bankruptcy

Chapter 13 - (aka Wage Earner Plan) Reported for 7 years. This type of bankruptcy includes a court approved plan to repay the debts owed over a period of time. Chapter 13 helps a consumer to reestablish his/her credit.

Chapter 7 - (aka Straight BK) Reported for 10 years. This type of bankruptcy provides for a partial repayment of debts out of whatever assets the person has available (non-exempt). Chapter 7 usually leaves most debts unpaid.



9

Credit Bureau Dispute Process

If the consumer disputes the completeness of any item of information in his / her file, the FCRA requires that the credit bureau reinvestigate the item within 30 days from the date on which the agency receives the notice of dispute and record the current status of the item by the end of the 30 days.

If a creditor cannot verify an account which has been disputed by the consumer, the credit bureau must promptly delete all the disputed information.



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Credit Bureau Dispute Process

If the creditor is told, by the consumer, that they dispute an item, the creditor may not report the information to the credit bureau without including a notice that the account is disputed.



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Credit Bureau Dispute Process

If, after reinvestigation, the consumer feels that the disputed account needs further explanation, he/she is entitled to file a statement with the credit bureau which will become part of his/her credit file.

The consumer statement is limited to 100 words.



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Credit Bureau Dispute Process

At or prior to the time the information is deleted from the consumer's file, the credit bureau must advise the consumer that he/she has a right to request that a corrected report reflecting these changes be mailed to all inquiries for credit purposes within the past 12 months, or during the past 2 years if the inquiry was for employment purposes.

Credit bureaus will never charge the consumer for reinvestigation of Disputed Information or for sending corrected copies to credit grantors.



13

Scoring

Scores are designed to segment populations (low risk vs. high risk)

Scoring allows decisions to be consistent, fast, accurate and objective

There are five basic groups of credit characteristics that are used in score calculation

- previous credit performance
- current level of indebtedness
- pursuit of new credit
- types of credit experience
- amount of time credit has been in use



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Scoring

Why Do Scores Decrease?

- Delinquency begins showing on credit report
- Significant balance increases
- Public records
- New accounts
- Several recent inquiries
- Ratio changes



15

Scoring

Why Do Scores Increase?

- Time
- Past due amounts are paid off
- Significant decrease in outstanding balances
- Currently delinquent tradeline no longer appears



16

Opting Out of Credit Offers

All the bureaus share the information, so only one call is necessary

1-888-5OPTOUT
(1-888-567-8688)



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Fraud Assistance

Trans Union	800-680-7289
Equifax (CSC)	888-397-3742
Experian	800-525-6285



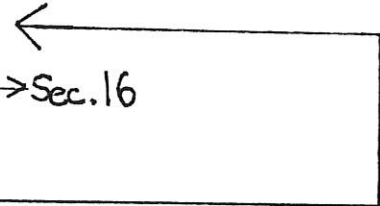
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1 adopt such rules and regulations as may be necessary to carry out the
2 provisions of this act.

3 Sec. 14. (a) If any provision of this act is declared invalid due to an
4 interpretation of or a future change in the federal fair credit reporting
5 act, the remaining portions of the act shall be deemed to be severable
6 and shall remain in full force and effect.

7 (b) If any provision of this act or the application thereof to any person
8 or circumstance is held invalid, the invalidity does not affect other pro-
9 visions or applications of the act which can be given effect without the
10 invalid provision or application, and to this end the provisions of this act
11 are severable.

12 Sec. 15. This act shall take effect and be in force from and after its
13 publication in the statute book.



→ Sec. 16

16 Sec. 15. The commissioner shall report to the president and the minority
17 leader of the senate and the speaker and the minority leader of the
18 house of representatives, and the proponent of this bill by January 26,
19 2005, on issues related to the use of credit history in personal insurance
20 underwriting and rating and the implementation of this act. The report
21 shall include a:
22 (a) Review of how this act has been implemented and how this act
23 has impacted consumers; and
24 (b) review and analysis of insurance scoring, which shall include specific
25 facts and data including, but is not limited to:
26 (1) The relevance of credit history on insurance risk of loss;
27 (2) which types of consumers, based on demographic factors, benefit
28 from the use of credit history in personal insurance rating and
29 underwriting;
30 (3) which types of consumers, based on demographic factors, are
31 harmed by the use of credit history in personal insurance rating and
32 underwriting;
33 (4) the extent to which the use of credit history affects rates charged
34 to the consumer;
35 (5) whether insurance scoring results in discrimination against a
36 protected class of people or the poor; and
37 (6) such other issues as the commissioner may require.
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House Insurance
Date: 3/25/03
Attachment # 2