

1                                   **USE OF CREDIT INFORMATION FOR**  
2   **INSURANCE**

3   2004 GENERAL SESSION

4   STATE OF UTAH

5   **Sponsor: Peggy Wallace**

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7   **LONG TITLE**

8   **General Description:**

9                   This bill amends the Insurance Code to prohibit use of credit information for certain  
10 insurance purposes.

11 **Highlighted Provisions:**

12                   This bill:

- 13                   ▶ prohibits use of credit information for any purpose related to personal lines  
14 insurance; and  
15                   ▶ repeals existing provisions addressing credit information.

16 **Monies Appropriated in this Bill:**

17                   None

18 **Other Special Clauses:**

19                   This bill takes effect on July 1, 2004.

20 **Utah Code Sections Affected:**

21 ENACTS:

22                   **31A-22-1308**, Utah Code Annotated 1953

23 REPEALS:

24                   **31A-22-320**, as enacted by Chapter 221, Laws of Utah 2002

25                   **31A-22-1307**, as enacted by Chapter 105, Laws of Utah 1997

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27 *Be it enacted by the Legislature of the state of Utah:*



28 Section 1. Section 31A-22-1308 is enacted to read:

29 **31A-22-1308. Use of credit information prohibited for personal lines insurance.**

30 (1) As used in this section:

31 (a) "Credit information" means:

32 (i) a consumer report;

33 (ii) a consumer score;

34 (iii) any information obtained by the insurer from a consumer report;

35 (iv) any part of a consumer report; or

36 (v) any part of a credit score.

37 (b) "Consumer report" is as defined in 15 U.S.C. 1681a.

38 (c) (i) "Credit score" means a numerical value, a categorization, or classification that is:

39 (A) derived from information in a consumer report;

40 (B) derived from a statistical tool or modeling system; and

41 (C) developed to predict the likelihood of:

42 (I) future insurance claims; or

43 (II) credit behavior.

44 (ii) "Credit score" includes:

45 (A) a risk predictor; or

46 (B) a risk score.

47 (iii) A numerical value, categorization, or classification described in Subsection

48 (1)(c)(i) is a credit score if it is developed to predict future insurance claims or credit behavior

49 regardless of whether it is developed to predict other factors in addition to predicting future

50 insurance claims or credit behavior.

51 (2) An insurer may not use credit information in whole or in part for any purpose

52 related to personal lines insurance.

53 Section 2. **Repealer.**

54 This bill repeals:

55 Section 31A-22-320, Use of credit information.

56 Section 31A-22-1307, Use of consumer reports by residential dwelling liability  
57 insurers.

58 Section 3. **Effective date.**

This bill takes effect on July 1, 2004.

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**Legislative Review Note**  
**as of 1-14-04 3:48 PM**

This bill prohibits the use of credit information for any purpose related to personal lines insurance. Because the federal Fair Credit Reporting Act (FCRA) permits a credit agency to provide credit reports to persons who intend to use the information in connection with the underwriting of insurance and addresses insurance transactions not initiated by the consumer, this bill might be challenged as being preempted by the FCRA. The FCRA provides that it does not annul, alter, affect, or exempt any person from complying with state law with respect to the collection, distribution, or use of any information, except to the extent that the state law is inconsistent with the FCRA. The FCRA then expressly prohibits certain state laws. In reviewing this bill it would be for a court to decide whether FCRA expressly preempts this bill or whether this bill is consistent with the FCRA.

**Office of Legislative Research and General Counsel**

**State Impact**

This bill has a Legislative Review Note that explains the possibility of a legal challenge to the bill. If there is a challenge there would be legal costs. Otherwise, any fiscal costs can be handled within existing budgets.

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**Individual and Business Impact**

Some insurance companies would have to revise their policy forms and underwriting practices to comply with the law.

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**Office of the Legislative Fiscal Analyst**