

MINUTES OF THE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

The meeting was called to order by Chairperson Senator Ruth Teichman at 9:30 a.m. on February 13, 2003 in Room 234-N of the Capitol.

All members were present except:

Committee staff present: Ken Wilke, Office of the Revisor of Statutes
Dr. Bill Wolff, Kansas Legislative Research Department
Marlene Putnam, Committee Secretary

Conferees appearing before the committee: Eric Rosenberg, Government Relations Liaison
Brad Smoot, Legislative Counsel, American Ins. Assoc.

Others attending: See attached list

Senator Teichman introduced Eric Rosenberg, Government Relations Liaison (See attachment 1) Mr. Rosenberg testified in opposition to certain provisions of **SB 144**. He is with Trans Union, one of the leading providers of consumer credit reporting services in Kansas. The concerns with this bill are (1) The definition of credit information sets an adverse precedent for the State of Kansas as it contradicts existing federal law. (2) The restriction of specific model criteria such as medical and inquiry information will result in lower predictive performance of all models. (3) Smaller companies, both insurers and financial institutions, will suffer a disproportionate impact of the decreased predictive performance. Larger institutions with their own customized scoring models will better be able to react. (4) The sought after fairness are not based on any analysis of the many models actual performance, and is likely to produce other unfair consequences on other groups. (5) Singling our consumer reporting agencies so that they cannot sell data based upon credit inquiries in a consumer report.

In conclusion, this imbalance and contradiction with existing federal standards can be corrected by adding a provision from the legal benchmark, Missouri law, which states:

The provisions of this subsection shall not preclude the exchange of information permitted by the federal Fair Credit Reporting Act, 15 U.S.C. Section 1681, et seq., the Gramm-Leach-Bliley Act 15 U.S.C. Sections 6809 and other applicable federal law.

Brad Smoot, American Insurance Assoc. (See attachment 2 and 2a)

AIA Supports **SB 144** with the technical amendments that the insurance department is going to offer. There are several issues that deserve your attention.

(1) We should want insurers to use the most effective and accurate rating techniques they can find.

(2) Millions of insurance customers are currently benefitting from use of their credit information. It is faulty to assume that credit information only hurts. In fact, credit information helps hundreds of thousands of Kansans. At least half have average or better credit-based insurance scores. Those people are getting better rates than they might otherwise.

(3) We are concerned with proposals to ban the use of credit-based scoring on renewals. This does not accomplish the intended goal.

(4) We are concerned with substituting the word "primarily" in place of the word "solely". Of the eight states that have acted on this issue, only two have opted for the term "primarily." Regulation of credit-based scoring is new and for those carriers operating on a national scene, a uniform and straight forward

law is greatly preferred.

(5) Credit information on commercial lines has not been included.

AIA believes that credit-based insurance scoring should be regulated by the states and that model language should be used whenever possible to improve efficiency and compliance.

Meeting Adjourned.