

1 **State of Arkansas**  
2 **79th General Assembly**  
3 **Regular Session, 1993**  
4 **By: Representative Newman**

# **A Bill**

**ACT 898 OF 1993**  
**HOUSE BILL 1686**

## **For An Act To Be Entitled**

8 "AN ACT TO PROHIBIT *AUTOMOBILE* INSURERS FROM REFUSING TO  
9 INSURE RISKS OR REFUSING TO CONTINUE INSURING RISKS BASED  
10 SOLELY ON *THE CREDIT HISTORY OF THE INSURED OR APPLICANT*;  
11 AND FOR OTHER PURPOSES."

## **Subtitle**

14 "INSURERS\_ SOLE KNOWLEDGE OF THE INSURED\_S CREDIT  
15 HISTORY."

17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

19 SECTION 1. Subchapter 3 of Chapter 66 of Title 23 of the Arkansas Code  
20 is amended by adding the following new section at the end of the existing  
21 subchapter:

22 "Credit History. *'Credit History'* for the purposes of this act shall  
23 mean that portion of a credit report or background report which addresses the  
24 applicant's or insured's debt payment practices or the lack thereof, but does  
25 not include public information such as records of convictions, law suits,  
26 repossessions, bankruptcies, or similar public information.

27 (a) No authorized automobile insurer shall refuse to issue or renew  
28 coverage or shall limit the amount of coverage on an automobile risk in this  
29 state based solely upon the insurer\_s knowledge of the applicant\_s credit  
30 history, unless:

31 (1) (A) The credit history of the insured or applicant substantially  
32 increases any hazard insured or to be insured at or after policy issuance or  
33 renewal pursuant to the insurer\_s underwriting guidelines; and

34 (B) The insurer or its agent sends written communication to the  
35 insured or applicant, wherein the insurer or its agent discloses that the  
36 reason the insurance coverage was declined after application, was non-renewed

1 or was limited in scope or amount or benefits. Upon the subsequent request of  
2 the insured or applicant, the *credit history vendor* shall mail or deliver a  
3 copy of the credit report at issue to the insured or applicant within *ten (10)*  
4 calendar days of receipt of such request; or

5 (2) Fraudulent or material misrepresentations as to the credit history  
6 were made by or with the knowledge of the applicant or insured in obtaining  
7 the policy, continuing or renewing the policy, or in presenting a claim under  
8 the policy.

9 (b) The provisions of this act are intended to and shall apply only to  
10 *automobile* insurance issued by *insurance* companies authorized to transact  
11 insurance business in this state. The provisions of this act are not intended  
12 to conflict with any disclosure provisions of the Federal Fair Truth in  
13 Lending Act applicable to lending institutions, credit bureaus or other credit  
14 service organizations who maintain or distribute credit histories on insurance  
15 applicants or policyholders, or any other similar Arkansas law thereon."  
16

17 SECTION 2. All provisions of this act of a general and permanent nature  
18 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
19 Revision Commission shall incorporate the same in the Code.  
20

21 SECTION 3. If any provision of this act or the application thereof to  
22 any person or circumstance is held invalid, such invalidity shall not affect  
23 other provisions or applications of the act which can be given effect without  
24 the invalid provision or application, and to this end the provisions of this  
25 act are declared to be severable.  
26

27 SECTION 4. All laws and parts of laws in conflict with this act are  
28 hereby repealed.  
29

30 SECTION 5. EMERGENCY. It is hereby found and determined by the General  
31 Assembly that the laws of this state concerning insurance industry usages of  
32 the credit histories of insureds and applicants for personal lines property  
33 and casualty insurance are not consistent or uniform, and do not currently  
34 require adequate disclosure to the insured or applicant when such reports are  
35 relied upon by insurers solely to decline a new policy application, or to

1 limit coverage on the risk, or to non-renew existing coverage. Current laws  
2 are inadequate for the protection of the insurance-buying public in this  
3 state, and the immediate passage of this act is necessary in order to provide  
4 for the protection of the public. Therefore, an emergency is hereby declared  
5 to exist and this act being necessary for the preservation of the public  
6 peace, health and safety shall be in full force and effect from and after July  
7 1, 1993.

8

*/s/Rep. Newman*

9

10

APPROVED: 4/6/93

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

***As Engrossed: 3/11/93***

**HB 1686**

1

**jmb207**