

**MICROFILM DIVIDER**

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ROLL NUMBER

DESCRIPTION

1290

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10/3/03  
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1290

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1290

House Industry, Business and Labor Committee

Conference Committee

Hearing Date January 28, 2003

Tape Number	Side A	Side B	Meter #
2	X		3583-end
2		X	342-3312

Committee Clerk Signature

*Elizabeth R. Feier*

Minutes: **CHAIR KEISER:** Opened hearing on HB 1290.

**REP. KASPER:** Explained the bill concerning the use of credit information with insurance.

**REP. EKSTROM:** How can you prove that the credit report is the sole criterion for the denial of insurance? Where is the burden of proof? Rep. Kasper said that you cannot force them.

**REP. KEISER:** If they only use a score, the consumer will not know what it means. Rep. Kasper said that this would describe the score.

**REP. KLEIN:** Asked for clarification of the source. Rep. Kasper said that the credit report can be used as part of the denial, but not the only reason for denial.

**REP. ZAISER:** In reference to the "no greater or less than 15%" portion of the bill, Rep. Zaiser wanted to know the potential range of insurance to fluctuate. Rep. Kasper deferred to the insurance companies to answer.

**REP. SEVERSON:** How will the out-of-state companies be monitored. Rep. Kasper said the intent is for out-of-state to comply and that the insurance commission would be in charge.

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House Industry, Business and Labor Committee

Bill/Resolution Number 1290

Hearing Date 1-29-03

**REP. KEISER:** Why is there a limit on decreasing insurance? Wouldn't most people want their premiums to go down? Rep. Kasper agreed that it would be a good amendment.

**REP. DOSCH:** What is the reason for saying the credit report cannot be the sole reason? Is it to help the low-income families? Rep. Kasper said that it also hurts people with no credit who most likely pay off their bills right away.

**REP. KEISER:** Would insurance companies still use the scoring if it wasn't valid? Rep. Kasper noted that organizations like Fair, Isaac will not disclose their formula and some say the formula doesn't work.

**PAULA GROSINGER (ND Trial Lawyers Assoc.):** Supports with written testimony. Also stated that the agriculture sector is hurt by the credit reports as well.

**REP. KEISER:** Noted that studies say bad credit does not come from low-income households. Asked Grosinger to supply information to the contrary. She agreed to do so.

**DENNIS PRINDIVILLE (ND Domestic Insurance Companies):** Opposed. The insurance industries use "insurance scoring" and the credit report is part of the score. Insurance studies show a link between bad credit and likelihood of the individual making an insurance claim. The insurance industry is opposed to providing the credit report because they often do not see it. They use a third party and only see the insurance score. The score is meaningless to customers and the companies use the score for different aspects. There is another bill (HB 1260) regarding this issue.

**REP. ZAISER:** What is the potential range premiums can change due to credit rating?

Prindiville responded that in his company (Dakota Fire Ins.), the range is about 10%.

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House Industry, Business and Labor Committee

Bill/Resolution Number 1290

Hearing Date 1-29-03

**REP. NOTTESTAD:** How does the score work? How is it derived from the credit report?

Prindiville said the formulas are done by a third party, so he is not sure. He does know that it does comply with the Fair Credit Act.

**REP. KLEIN:** What else goes into the insurance score? Prindiville said the report goes to ChoicePoint. He does not have the exact information.

**CHAIR KEISER** noted that the formulas are proprietary. The companies will not tell how the formulas are designed.

**REP. KASPER** asked if ChoicePoint is a subsidiary of Fair, Isaac. Prindiville was not sure.

Rep. Kasper questioned how the insurance companies can take the numbers for gospel when they do not know what is going into the score. Prindiville said that the actuarials in the home office may know. Believes the Commissioners bill does address this issue that the formula would have to be filed with the Commissioners office, but they would keep it confidential.

**PAT WARD (ND Domestic Insurance Companies):** Opposes with written testimony.

**REP. KASPER:** How would Ward respond to the people who do not have credit history. Ward noted that the "no-hits" have an adverse score, which HB 1260 addresses. Rep. Kasper asked how the companies can assume the formulas are correct since the information is proprietary. Ward noted that some states have filed the algorithms. When asked about ChoicePoint, Ward did not know if it was a successor, competitor, or subsidiary of Fair, Isaac.

**REP. DOSCH** questioned whether gender and age are used since they are used in insurance underwriting. Ward clarified that factors are used to write the insurance, but not for the credit aspect.

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House Industry, Business and Labor Committee

Bill/Resolution Number 1290

Hearing Date 1-29-03

**JOHN MICHELS** (Farmers Insurance Group): Can live with 1A. His company converts the Fair, Isaac score to a letter score with "A" being the best and "Z" the worst. Advantage of insurance scores is that you get the right premiums to the right people. Putting a 15% increase or decrease limit, you have the good drivers subsidizing the bad drivers. With good scores, you can get a discount anywhere from 17%-57%. They are finding that the "no-hits" are turning out to be better risks because of their rural values. 1B is not fair to the good drivers. Agents do not have the credit reports.

**REP. KASPER:** Are you representing Farmers as a company? Michels said yes, he was. Rep. Kasper asked what happens to a credit report if you apply for a number of credit cards, but do not use them? Michels noted that the more lines of credit you open, the more vulnerable you make yourself. It will negatively impact your score. Rep. Kasper then asked about those who send in multiple applications for auto insurance, just to receive quotes. Does that hurt their score? Michels said that insurance inquiries are only counted as one even though there may be multiple applications in.

**REP. THORPE** asked about renewals if people do not use lines of credit for awhile. Will it hurt their score? Michels responded that you would have to have absolutely no credit history for it to really hurt your score. If you are a "no-hit," you are grouped with the other "no-hits" in your area.

**CHAIR KEISER** closed hearing on HB 1290.

*Ja Costa Rickford*  
Operator's Signature

10/2/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1290

House Industry, Business and Labor Committee

Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
1		X	324-399

Committee Clerk Signature *Elizabeth R. Liew*

Minutes: **Chair Kelser**: Opened discussion on HB 1290.

Passage of 1260 makes this bill obsolete.

Rep. Kasper moved DNP. Seconded by Rep. Ekstrom

Vote: **14** Yes **0** No **0** Absent and not voting Carrier: **Dosch**

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*10/3/03*  
Date

Date: 2/11/03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1290

House INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DNP

Motion Made By Kasper Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Boe	✓	
Vice-Chair Severson	✓		Ekstrom	✓	
Dosch	✓		Thorpe	✓	
Froseth	✓		Zaiser	✓	
Johnson	✓				
Kasper	✓				
Klein	✓				
Nottestad	✓				
Ruby	✓				
Tieman	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Dosch

If the vote is on an amendment, briefly indicate intent:

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10/2/03  
Date

**REPORT OF STANDING COMMITTEE (410)**  
February 11, 2003 9:37 a.m.

Module No: HR-26-2220  
Carrier: Dosch  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**  
**HB 1290: Industry, Business and Labor Committee (Rep. Kelsner, Chairman)**  
recommends **DO NOT PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1290 was placed on the Eleventh order on the calendar.

(2) DESK, (3) COMM

Page No. 1

HR-26-2220

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IP

2003 TESTIMONY

HB 1290

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