


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: January 10, 2019

SUBJECT: Fiscal Impact Statement – Restrictions on the Use of Credit Information
Amendment Act of 2019

REFERENCE: Draft Bill as shared with the Office of Revenue Analysis on January 4,
2019

Conclusion

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

Background

The insurance industry has found that there is a high correlation between a policy holder's credit profile and the likelihood that individual will file a claim.¹ Insurance companies therefore evaluate individuals' credit profiles to assign them insurance scores and before quoting them a premium on offered policies.

Other states have restricted insurers' use of individual credit information in policy offers and pricing, providing protections for people with no or limited credit history. They have also banned insurance companies from including health-related negative credit marks in insurance score calculations and denying policies solely based on the credit rating of the individual. The bill imposes similar restrictions in the District.

Insurers may still use credit information to establish appropriate premiums, but the bill prohibits an insurer from factoring credit information into a decision to deny, cancel, refuse to renew, or increase a renewal premium for any insurance policy. The bill also ensures applicants with no or

¹ Insurance Information Institute: Credit Scoring, August 2015 (<http://www.iii.org/publications/insurance-handbook/regulatory-and-financial-environment/credit-scoring>).

The Honorable Phil Mendelson

FIS: "Restrictions on the Use of Credit Information Amendment Act of 2019," Draft Bill as shared with the Office of Revenue Analysis on January 4, 2019

unavailable credit history are treated as having neutral credit and that medical related credit issues are excluded from consideration in setting premiums.

Financial Plan Impact

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. There are no costs to the District budget associated with implementing restrictions on the use of an individual's credit ratings in developing an insurance score.

Many states have adopted similar restrictions on the use of credit information and the Department of Insurance, Securities, and Banking does not anticipate any significant impact on premiums paid by District residents as a result of these changes.