

MINUTES

MONTANA SENATE
54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By CHAIRMAN JOHN HERTEL, on March 15, 1995, at
8:00 a.m.

ROLL CALL

Members Present:

Sen. John R. Hertel, Chairman (R)
Sen. Steve Benedict, Vice Chairman (R)
Sen. William S. Crismore (R)
Sen. C.A. Casey Emerson (R)
Sen. Ken Miller (R)
Sen. Mike Sprague (R)
Sen. Terry Klampe (D)
Sen. Bill Wilson (D)

Members Excused: Sen. Gary Forrester (D)

Members Absent: N/A

Staff Present: Bart Campbell, Legislative Council
Lynette Lavin, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 372, HB 387, HB 488
Executive Action: HB 372 BE CONCURRED IN

HEARING ON HB 372

Opening Statement by Sponsor:

REP. JEANETTE MCKEE, HD 60, Hamilton, presented HB 372 which was an act eliminating the requirement that a person who passed the general securities principal's exam was also required to pass the uniform investment advisor law exam. She stated HB 372 had been approved by the State Auditor's Office and worked upon by REP. FISHER.

Proponents' Testimony:

REP. MARJORIE FISHER, HD 80, Whitefish, stated she had worked with the Securities Department on HB 372. She related when a person became a stockbroker, they took a 6 hour test (series 7)

and also a 3 hour test (series 24) when the person became a branch office manager. She said there was a third test (series 65) required for an investment adviser representative and the series 65 test was very similar to the series 24 and there were two fees for those tests. The Securities Department she had talked with thought if anyone was series 24 licensed, the series 65 license would not be needed. She said the test was given in Great Falls and too far to drive during the winter months for many people. She thought it was a duplication of effort; another test that really wasn't much different than the prior test.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. CASEY EMERSON commented terms oftentimes meant the opposite thing. Whenever he purchased a stock it was a gamble. They sold it as a security. He related security was supposed to be secure.

SEN. KEN MILLER asked REP. McKEE why she hadn't signed the fiscal note. REP. McKEE stated REP. FISHER didn't agree with the fiscal note and really didn't feel the costs would be near that high. She didn't think there would be that many people in the State of Montana who would be affected. REP. McKEE didn't sign the fiscal note for that reason.

SEN. MILLER questioned what REP. FISHER's estimate would be and REP. McKEE referred that question to Melissa Brock, Staff Attorney, Securities Department, State Auditor's Office. Ms. Brock answered they had come up with those numbers in the fiscal note based on a sample of the number of salespeople who were registered as investment advisor representatives that actually lived in Montana and from that number they made the estimate on the total number of salepeople in Montana. Ms. Brock stated the reason that number seemed a little high, the number of people who actually live in Montana that were registered as salespeople (approximately 1,200), who had between 25,000 and 30,000 salespeople that were actually registered. She stated the vast majority of people registered in Montana, didn't live in Montana.

SEN. MIKE SPRAGUE asked Ms. Brock if it would be more applicable, or less fiscal impact, if the out-of-staters registered and/or went through the hoops. Ms. Brock stated she didn't know how legally, those people could be distinguished between people that live out-of-state and were registered here and people that live in-state. She thought it might be unconstitutional to require the people who live out-of-state to register and not require the same from the people who live in-state.

Closing by Sponsor:

REP. FISHER stated SEN. STEVE BENEDICT had agreed to carry HB 372 on the Senate floor if it passed in the committee.

HEARING ON HB 387Opening Statement by Sponsor:

REP. WILLIAM BOHARSKI, HD 79, Kalispell, stated HB 387 was in the title. For some 30 years in the State of Montana, insurance companies had been allowed to write "good driver discounts" into insurance policies. Previously, there had been questions he said, but insurance companies had always been permitted to do that. He maintained when they checked the driving records, they checked back a number of years. He said the policy in Montana and law stated they could only look back for a certain period of time. He reported that was not the public policy of the State of Montana. Some companies had many people receiving a good driver discount and what that meant was they could look back beyond that 3 year period of time and under the laws being interpreted by the Insurance Commissioner, that could not be done. He clarified that on page 4, they could write the good drivers' discount.

Proponents' Testimony:

Greg Van Horssen, State Farm Insurance Companies of Montana, stated State Farm did strongly support HB 387. He stated this bill clarified an insurers ability to provide discounts to its' insureds based upon the positive aspect of an insureds' driving history. By way of explanation, State Farm had offered an accident free discount in this state for many years, approaching 30 years.

Mr. Van Horssen said the method State Farm's program operated currently was if a driver had gone beyond 3 years with a good driving history, that driver was offered a 10% premium reduction. He said if they went beyond 6 years with a good driving history, that driver was offered a 15% premium reduction. He related this was a substantial discount enjoyed by nearly 80,000 State Farm insureds. He said during the interim, it was brought to State Farm's attention, that a certain portion of the insurance code could be construed to prohibit this type of good driver discount. He related that provision was in front of the committee today in the unamended portions of 33-16-201, in particular Page 2, lines 16 through 18, where it began with the word "no" that had been stricken, "a special risk classification may not be established based on anything adverse to the insured in a driving record that is 3 years old or older".

Mr. Van Horssen contended the explanation was they were using positive aspects and had been using positive aspects. He stated the fact that a driver had not made a claim for 3 or 6 years or beyond and the provisions of this bill, as amended, simply clarified what they had been doing in this state for 30 years. He declared it took away the gray area they had been wondering about for about a year and a half. He conveyed generally, accident-free discounts, at least with State Farm's operation,

were not based upon adverse information. He expressed they were instead based upon favorable claims histories. **HB 387** simply clarified that, so on behalf of State Farm policy holders in Montana, he asked the committee for a do concur recommendation on **HB 387**.

Jacqueline Lenmark, American Insurance Association (AIA), stated they strongly supported **HB 387**. She maintained this bill was consistent with the message that AIA tried to deliver to the legislature every session, which was affordability of one's insurance. She said it was important that companies were able to use all the information available to them, information that more precisely indicated the cost of any given risk they insured. When they could pinpoint that better, the cost of everyone's insurance came down and ultimately there was more availability to all insureds in all lines. **Ms. Lenmark** said they strongly supported **HB 387** and urged the committee to give it a do concur.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. MIKE SPRAGUE asked **Greg Van Horssen** to explain why on Page 4, lines 9 through 11, the focus was changed to "However, an insurer may provide discounts to an insured based on favorable aspects of an insured's claims history that is 3 years old or older" and claims history replaced driving record which had been struck. **SEN. SPRAGUE** said there was quite a difference between a claims history and a driving record, so the focus had shifted totally. **Mr. Van Horssen** said State Farm had always operated the good driver discount, the accident-free discount, based upon a claims history. He believed it was consistent with the current wording of the statute which stated nothing adverse could be used in a driving record, but it was okay to use positive things in a claims history. He stated if you put driving records into both of those there would be an inherent conflict and that was part of the problem **HB 387** was meant to address. **Mr. Van Horssen** stated if "driving history" was in this particular provision, then it would be difficult to state they were using the positive aspects of a driving record and at the same time state nothing negative was being done with respect to that driving history.

SEN. SPRAGUE questioned **Mr. Van Horssen** about claims such as replacement of a windshield and a parking lot damage; would those be claims history. **Mr. Van Horssen** answered that with respect to State Farm's operation, the good driver discount was based upon the claims history and not the driving record. He said it was based upon the claims history of 3 years or more of a good claims history, and 6 years or more of a good claims history. **SEN. SPRAGUE** again asked if that would be considered a claims history and that he wouldn't qualify because he had his windshield replaced. **Mr. Van Horssen** stated he didn't believe so. He thought they were talking about accidents caused by the driver.

SEN. STEVE BENEDICT asked **Mr. Van Horssen** to differentiate between the broken windshield, which wasn't a driving accident, but it still was a claim. **Mr. Van Horssen** stated "yes" that could be viewed as a claim. **SEN. BENEDICT** gave an example of 5 or 6 infractions on his driving record in the last 15 years for failure to drive in a careful and prudent manner, speeding, etc., but he had a clean claims history, never having had an accident for the last 15 years. He would get the discount, because it was based on the claims history rather than his driving record. **Mr. Van Horssen** said to the extent that those driving record problems were older than 3 years, they could not be used in any way to adversely impact the premiums. **SEN. BENEDICT** asked him if the driving record influenced any discounts in the last 3 years and **Mr. Van Horssen** said as the law read currently, it was possible for an insurer to set the rate based upon adverse information in the driving record that was 3 years old or younger.

SEN. SPRAGUE said they were implying one thing, but in reality they were doing something else. If a person had never had a ticket, never had an accident, but through no fault the car was vandalized, windows broken and the stereo robbed, based on what he read in **HB 387**, it could be construed that person had a claim history and yet had an excellent driving record. **SEN. SPRAGUE** didn't think that was a positive message. He stated people were encouraged to have good driving records; however, through no fault of their own, they had claims. **REP. BOHARSKI** stated this bill was regarding discounts. The point of a claim made, through no fault of that person, may disqualify that person for a discount.

SEN. SPRAGUE asked **Mr. Van Horssen** if he thought that sent a positive message to the very people they were trying to send the positive message. **SEN. SPRAGUE** thought the wording was of better intent with "driving record". **Mr. Van Horssen** clarified "claims history" meant "at fault accidents", caused accidents. He stated it was prudent for them and beneficial to their policy holder to receive an incentive in the form of a premium discount with a claims history that reflected no at-fault accidents.

SEN. SPRAGUE asked why that was changed and **Mr. Van Horssen** stated it was changed at the request of the insurance department. He said after the bill was heard the first time, the insurance department went to State Farm and suggested they wanted to see that language changed from "driving record" to "claims history".

SEN. TERRY KLAMPE asked **Mr. Van Horssen** if other companies were defining claims history as caused problems. **Mr. Van Horssen** said he was not aware of other companies practices and referred that question to **Frank Cote, Deputy Insurance Commissioner, State Auditor's Office**, who said other companies may not give the discount based upon the broken windshield claims, whether it was the driver's fault or not. He maintained that would be part of the claims made.

SEN. BILL WILSON asked Mr. Cote to clarify the case of a fender-bender on a slick street with no tickets issued to either driver, would the claim be used against the driver for purposes of future discounts. Mr. Cote stated for the purposes of those discounts, even though claims record instead of driving record was used, this law allowed the insurance company to withhold the discount.

Closing by Sponsor:

REP. BOHARSKI in closing stated he had introduced the bill but he didn't necessarily agree with the 3 years personally. He thought the insurance company ought to be able to check back further than the 3 years. He maintained it was not the policy of the State of Montana; however, he thought since he was a good driver over an extended period of time, the discount would be appropriate based on that record. He said based on the questions SEN. SPRAGUE and SEN. BENEDICT brought up, go back to the driving record language, stay with claims history, or perhaps go to a combination of both.

EXECUTIVE ACTION ON HB 372

Motion/Vote: SEN. STEVE BENEDICT MOVED HB 372 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on voice vote.

HEARING ON HB 488

Opening Statement by Sponsor:

REP. CARLEY TUSS, HD 46, Great Falls, presented HB 488 which addressed the problem of insurance coverage denial, both for auto liability and home owners insurance based on their credit history. In talking with those people that this happened to, most were quite embarrassed. She stated some cited a single adverse episode in their credit history and some, of course, had more lingering problems. Initially, auto liability insurance denial had come to her attention. Upon further investigation and after receiving a letter from the President of Intermountain Mortgage Company, Inc., in Billings, copies of which were given to the committee members, EXHIBIT #1, cited three people who had applied for federally guaranteed loans for neighborhood housing who were initially promised insurance and then were cancelled. She alleged in two of those instances, the insurance was cancelled after the deal was consummated. She conveyed their history had been sufficient to get the loan, but because the insurance companies checked over the whole credit history time interval and made judgements, that insurance was denied.

REP. TUSS stated, in working with the Insurance Commissioner's Office, they realized sometimes credit issues were problematic. People sometimes didn't have explanations on their credit history and then checked with the insurance company after denial of the

insurance and got nowhere. **REP. TUSS** said that was what they were trying to address on **HB 488**.

REP. TUSS remarked in working with the insurance industry, they too had concerns about the way insurance and credit were being tied. She said a representative from the Insurance Commissioner was here to testify. **Larry Akey** representing the insurance companies had some amendments from the **NAII**, which she was friendly to, but they didn't do quite what she was trying to do. **Mr. Akey** had agreed to work with her within the next couple days. She stated, if it was a single credit event for an unrenovable type of insurance, they should not have insurers denying credit after a loan had been consummated and they would work toward that end.

Proponents' Testimony:

Larry Akey, National Association of Independent Insurers (NAII), said they supported the notion that credit history ought not be the sole reason for an adverse insurance activity; however, there was substantial documentation that showed the credit history was one of the many factors that played in an insurance company's decision to offer insurance, or decision to continue offering the insurance product through that consumer.

Mr. Akey presented the amendments **REP. TUSS** referred to, **EXHIBIT #2**. He explained the three things accomplished with those amendments and the fourth thing the amendments didn't accomplish, but he would work with the sponsor to try to fix. He stated on Page 3 of the bill, it stated the company had to do three things before they could use credit history in their decision. He said the first thing was to show that individual credit history presented a substantial risk, (i) line 10. They suggested replacing that with language stating the company must demonstrate with substantial documentation that credit history was correlated with the risk to be insured or that had been insured.

Mr. Akey stated (ii) the bill, at present, asked them to provide the reason why that coverage was declined or cancelled. In fact, the way credit histories worked for insurance companies, they were sent to a third party vendor for information on credit history. They would ask that vendor to rate the individual. They would run the individual credit history along with a number of other factors used in rating or confirming whether to issue that coverage through a sophisticated computer system that may have 30 or more variables involved and they received a report that stated the individual was a good risk, an acceptable risk, or an unacceptable risk. They didn't know the specific credit event that caused the report to come back. He maintained what they told the applicant, the action taken was based on the credit information of that individual.

Mr. Akey said (iii) on receipt of the request from the insured or applicant that a credit report be sent and they didn't want the

subsequent request to be open-ended, so the amendment, as proposed, stated 10 days. He stated if the committee would be more comfortable with another number that would be fine; however, they thought there needed to be some closed end in which the individual, insured, or applicant, made that request to the company.

Mr. Akey stated those were the three things the amendments before the committee accomplished. He visited with **REP. TUSS** this morning on the potential need for a 4th amendment not before the committee. He said that amendment would state, particularly in the event of nonrenewal, it was the result of credit history. This bill didn't give the insured any real protection in the event the company stated they would not renew because of credit history. He said this bill stated they had to give them the information and they could non-renew anyway. They believed it would be more fair for the consumer if there were an opportunity for that consumer, through some type of specified appeals process, to let the circumstances be brought out and during that process, the policy remained in effect. He would work with the sponsor to give the consumer additional protection. They would ask **HB 448** be concurred in with the proposed amendments.

Jim Lippert, Farmers Insurance Group, said he hadn't been privy to the amendment stated before, but would like to work with the sponsor and **Mr. Akey** on that amendment. He stated their concern primarily was with homeowners' insurance. He related they did not use credit histories in determining risks or rates on auto policies. He said they did; however, use credit history in determining the risk on whether to accept or reject a property risk. He declared, restricting the source of information in determining risks, harmed the business and in the long term harmed the consumer.

Mr. Lippert contended credit history and credit report information of an applicant was significantly correlated to expected losses during the coverage term. Farmers Insurance did not use credit histories to determine the applicants rate. He said credit history reports were not used to charge an existing applicant a higher rate. He declared Farmers Insurance did use credit histories to determine risk on property, but didn't use them as far as auto policies were concerned. They supported the bill if some amendments would be implemented to address those issues.

Roger McGlenn, Executive Director, Independent Insurance Agents Association of Montana, stated they were in support of **HB 488** and thanked **REP. TUSS** for bringing this issue to their attention and discussing it with them prior to introduction of the bill. He said credit history was an important underwriting tool. They had, as independent insurance agents, experienced in some cases abuses of the use of credit history. They believed it was a problem when used as a sole reason for underwriting. There was substantial evidence that documentation of the actual effect of

credit history should be used in a responsible, meaningful fashion and well documented. They thought this was a very responsible bill and they supported it in the introduced form.

Mr. McGlenn just saw the amendments this morning that **Mr. Akey** had proposed and had spoken to him briefly about them. He asked **REP. TUSS** if the independent agents could also be involved in the discussion process of proposed amendments. They asked the committee for a do concur motion in support of **HB 488**.

Jacqueline Lenmark, American Insurance Association (AIA), stated they stood in strong support of **HB 488**. They supported **HB 488** in the House and also very strongly supported the written amendments proposed and the amendments that were verbalized by **Mr. Akey**. She knew this committee in the past had questions about amendments requested in the second hearing of a bill and she would like the committee to know this bill was heard late in the House, before transmittal, while many of them were in other hearings at the same time. She hoped the committee would give the amendments careful consideration. She thought they strengthened the bill for consumers and they strengthened the bill for insurance companies. She stated, this was another tool the companies used to more precisely price their product; the AIA asked the committee to give the bill a do concur recommendation.

Frank Cote, Deputy Insurance Commissioner, State Auditor's Office, said they too supported **HB 488**. He maintained as this committee had heard him state before, the insurance department tended to be the front line of those complaints when abuse happened in the marketplace. He said there had been complaints and abuses in the marketplace with insurance companies using credit histories as their only underwriting characteristic. He related a recent example of that was a person who purchased a home similar to the Habitat to Humanity Program, and as part of the requirement had to insure it. She couldn't get the home insured because of her credit history. She said **HB 488** helped that type of situation and still allowed insurance companies to do the proper underwriting they should be allowed to do.

Cindy Clawson, Professional Insurance Agents of Montana, expressed their association also supported the bill with the amendments. The committee had heard several times how important the credit history was in revealing the risks. She said it was an important bill and the amendments were important to ensure they properly protected the consumer, the agents, and the State of Montana.

Opponents' Testimony: None.

Questions From Committee Members and Responses:

SEN. CASEY EMERSON asked **Frank Cote** if the legislature was not getting a little too far into managing company policy (with the request of the companies) and shouldn't more of this be left for

the market to decide. **Mr. Cote** explained, in a perfect world that would be the case, but what **HB 488** accomplished was to allow the insurance companies to continue using that in their underwriting process, which was very important, and would not limit their underwriting process.

SEN. EMERSON asked, in follow-up, if **Mr. Cote** didn't think this was a perfect place. **Mr. Cote** stated this was as close to being perfect as he had ever seen.

SEN. TERRY KLAMPE asked **Larry Akey** if their insurance companies had computers with data sufficient to significantly correlate those risks with the type of credit history they came up with. **Mr. Akey** stated he would give one example. He said one company, a member of their association, had done an analysis of a number of factor protecting risks, including credit histories on a sample of 400,000 insureds within their company, checking about 30 different factors. That was a pretty sizeable data base. The results of the study indicated with that type of risk, credit history was the number 1 predictor of loss; above anything else that was checked. A standard of substantial documentation of significant correlation was a pretty stiff standard, but he thought their companies ought to be forced to live with that standard if they wanted to use credit histories in their underwriting decisions.


SEN. KLAMPE questioned **Mr. Cote**, along the same line, did their office require that an insurance company could prove they had this capability as statistically correlating the significance. **Mr. Cote** conveyed what they required insurance companies in the property casualty arena was to file documentation to support their rates. He stated that may include some of the information **SEN. KLAMPE** was requesting. He said if they didn't have, what they considered was enough documentation, they were asked for more documentation. He maintained if they found their rates were either excessive or inadequate, they were asked to review their rates and refile.

Closing by Sponsor:

REP. TUSS thanked the committee and wished it were a perfect world. She wanted to remind the committee she wasn't trying to regulate the marketplace. She stated she was not trying to eliminate a valid and valuable tool. She commented, as legislators, it was their intent that tools be used in a responsible manner. She said members of the insurance industry thought there were times when the credit history was not used in a responsible manner and it reflected poorly on their industry. **REP. TUSS** said they wanted the opportunity to ensure their industry was one to be proud of and an asset in the business community.

ADJOURNMENT

Adjournment: The meeting adjourned at 9:00 a.m.


SEN. JOHN HERTEL, Chairman


LYNETTE LAVIN, Secretary

JH/11

MONTANA SENATE
1995 LEGISLATURE
BUSINESS AND INDUSTRY COMMITTEE

ROLL CALL

DATE _____

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SEN:1995

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CS-09

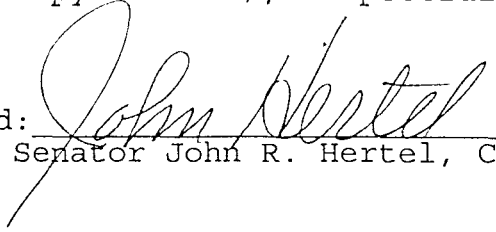
SENATE STANDING COMMITTEE REPORT


Page 1 of 1
March 16, 1995

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration HB 409 (third reading copy -- blue), respectfully report that HB 409 be concurred in.

Signed:


Senator John R. Hertel, Chair

 Amd. Coord.

Sec. of Senate


Senator Carrying Bill

611150SC.SRF

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 16, 1995

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration HB 543 (third reading copy -- blue), respectfully report that HB 543 be amended as follows and as so amended be concurred in.

Signed: 
Senator John R. Hertel, Chair

That such amendments read:

1. Title, line 7.

Following: "SECURITY"

Insert: "IN AN AMOUNT NOT EXCEEDING \$50,000"

2. Page 1, lines 27 through 29.

Strike: "that" on line 27 through "effect" on line 29

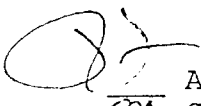
Insert: "not exceeding \$50,000"


3. Page 2, lines 10 through 13.

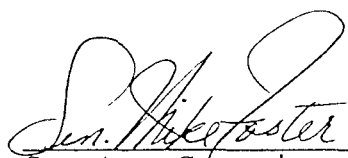
Strike: "A" on line 10 through "order" on line 13

Insert: "This section does not prohibit a person who is
wrongfully enjoined from filing an action for any claim for
relief otherwise available to that person in law or equity
and does not limit the recovery that may be obtained in that
action"

-END-

 Amd. Coord.

 Sec. of Senate


Senator Carrying Bill

611152SC.SRF

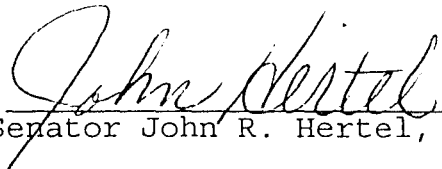
SENATE STANDING COMMITTEE REPORT


Page 1 of 1
March 15, 1995


MR. PRESIDENT:

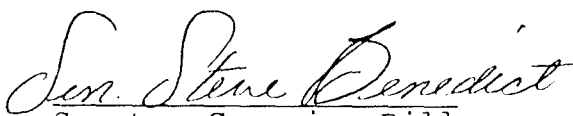
We, your committee on Business and Industry having had under consideration HB 372 (third reading copy -- blue), respectfully report that HB 372 be concurred in.

Signed:


Senator John R. Hertel, Chair

 Amd. Coord.

 Sec. of Senate


Senator Carrying Bill

601125SC.SPV

February 10, 1995

Ms. Carley Tuss
Montana State House of Representatives
Capital Station
Helena, MT 59620

Dear Carley:

I am president of Intermountain Mortgage Co., Inc., in Billings Montana. I am writing to you today because of some serious concerns that I have regarding a recent practice by a number of insurance companies writing homeowners insurance coverage in Montana for Montana citizens. Apparently a number of insurance company underwriters are beginning the use of consumer credit reports in assessing their companies risk in writing homeowners policies. Presumably, they feel that a poor credit history greatly increases the risk of large and unwarranted claims being filed against the insurance policy. I have personal experience with two companies, but believe that this practice is becoming increasingly more widespread.

Intermountain Mortgage Co., Inc. is a locally owned and operated mortgage banking firm whose purpose is the origination and servicing of residential first mortgages, i.e. home loans. For obvious reasons we require an insurance binder for a property, in an amount equal to or greater than the loaned amount. Typically these binders are provided to us a few days before, or on the day of loan closing. Rarely do we receive a **Notice of Cancellation**, immediately after loan closing.

However, over the last month, we have had two separate borrowers who were cancelled by their insurance company after closing, and one borrower who was declined for coverage immediately prior to closing. In all three cases the insurance company cited the reason "**adverse financial concern on a credit report**", (See attachments). And that is the source of my concern.

In all three cases, the borrowers were applying for loans under the Montana Board of Housing program, a program which provides home financing for low to median income families, through the sale of tax exempt revenue bonds. These loans are insured by the



MORTGAGE BANKERS

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3333 2nd Avenue North

Suite 250

BILLINGS, MONTANA 59104

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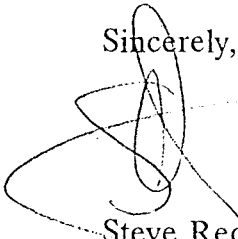
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Federal Housing Administration, and are processed and underwritten accordingly. These borrowers are usually first time homebuyers, and while some may have had credit problems in the past, have cleaned up their credit sufficiently to qualify for these loans. These are not poor credit risk borrowers, but I have some concerns that they are being treated as such by the insurance companies. I am not convinced that credit difficulties, or in some cases a lack of credit, constitutes a greatly enhanced risk on the part of the insurance companies. While I believe that the use of this credit information could in some cases be useful in finding a potential problem, I am also absolutely convinced that it is being misapplied here. I find it very ironic that these applicants can qualify for a mortgage to buy a house, but are denied insurance coverage for it.

I have included a *Notice of Cancellation*, and an internal memo provided to me by our Servicing Manager, as it relates to one of these files. I am concerned that these insurance companies are making arbitrary and capricious decisions about the credit worthiness of this class of borrowers, or homeowners, and are discriminating against them as a class. These borrowers generally tend to be younger, and are earning less than the average Montana homebuyer.

Sincerely,



Steve Redinger
President

SR/sr
Encl

c: Erin McCarthy
file

AMENDMENTS TO HOUSE BILL 488

Third Reading Copy

Requested by the National Association of Independent Insurers

1. Page 3, lines 10 and 11.
Strike subsection (i) in its entirety.
Insert: "(i) the insurer possesses substantial documentation that credit history is significantly correlated with the types of risks insured or to be insured;"
2. Page 3, line 12.
Strike: "the reason"
3. Page 3, line 13.
Following: "benefits"
Insert: "because of credit information relating to the applicant or insured"
4. Page 3, line 15.
Following: "individual"
Insert: "mailed within 10 days of receipt of the declination or nonrenewal,"
5. Page 3, line 16.
Following: "issue"
Insert: ", or the name and address of a third party where the individual may obtain a copy of credit report,"

DATE

March 15, 1995

SENATE COMMITTEE ON

Business and Industry

BILLS BEING HEARD TODAY:

HB 372 Rep. McKee
HB 387 Rep. Boharski HB 488 Rep. Tuss

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PLEASE PRINT

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Check One

Name	Representing	Bill No.	Support	Oppose
Greg Van Horssen	State Farm Ins	HB 387	✓	
Jim Lippert	FARMERS INS	HB 488	✓	
Roger McGlen	IIAM	HB 488	✓	
Cindy Clawson	PIA	HB 488	✓	
LARRY AXET	NAII	HB 488	AMEND	
Mary Fink		372	X	
Reguline Denmark	Am. Ins. Assoc.	HB 387	✓	
Reguline Denmark	Am. Ins. Assoc.	HB 488	amend	
Melissa Boud	State Auditor's ofc	HB 372	X	
Frank Coste	ST. Auditor	HB 488	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY