



# LEGISLATIVE POSITION

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## **Credit scoring protections for commercial lines insurance**

### **Memorandum in support of: A.5181—M. of A. Rivera**

**SUPPORT:** Amend the Insurance Law to provide protections in use of credit information for commercial lines insurance.

Article 28 of the Insurance Law was added by Chapter 215, Laws of 2004, and codified in state Insurance Law the requirements of the federal Fair Credit Reporting Act relative to providing notices to "consumers" when their credit is used in connection with underwriting or rating personal lines insurance. Increasingly, the credit history of individuals also is being accessed and used by insurance companies in underwriting commercial lines of insurance. This is especially true of small businesses.

The credit information of a sole proprietor or partner can affect the ability of such businesses to secure insurance and the rates they pay. PIANY supports proposals to provide similar protections now found in Article 28 to such individuals.

Specifically, if the individual's credit information will be used, the insurer should be required to notify the person of this fact. Further, if the insurer makes an adverse decision based on the individual's credit information, the individual must be given notice of such action and the reasons and the source of the credit-related information that formed the basis for the insurer's action.

PIANY supports proposals to require commercial lines insurers to provide notice to consumers when credit information is used in the rating or underwriting of such insurance.

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