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Contact: Suzanne Bingham  
(317) 464-2452  
smb@insuranceinstitute.org

## **Indiana General Assembly Eliminates Credit Mandate**

**INDIANAPOLIS** – The Indiana General Assembly has passed House Enrolled Act (HEA) 1246, which removes a provision in Indiana law requiring insurance companies to re-rate an insurance policy at least once every three years based on current credit information. The Insurance Institute of Indiana worked with Democrat Representative Ron Herrell from Kokomo to come to a positive solution. The decision to re-run credit information is now left to Hoosier consumers, who can request a re-rating with current credit information at the annual renewal of the policy.

Commonly referred to as the “three-year look back” provision, it was put into law in 2003 to benefit consumers. The Legislature believed that people’s credit scores would improve over time, and their insurance premiums would drop as new scores were re-run. Given these difficult economic times; however, it is not clear that Hoosiers’ credit scores are going up. As a result, the mandatory three-year look back that is currently in law may have an adverse effect on one’s insurance premium. HEA 1246 corrects the issue and reaffirms the positive use of credit, which benefits the significant majority of Hoosiers with lower rates.

The bill, authored by Representative Herrell, will take effect on July 1, 2009. At that point a consumer’s credit may be a factor in the initial underwriting process, but an insurer will not be required to re-run the credit score arbitrarily every three years.

“I think the passage of this act is going to benefit the Hoosier consumer, even in these hard financial times,” said Representative Herrell. “I really appreciate the collaborative efforts of legislators, the Insurance Institute of Indiana and consumers who assisted us in passing needed legislation.”

With the passage of this bill, an insurance consumer or the consumer’s agent will still have the ability to request that his policy is re-rated every year at the renewal of his/her policy. In doing so, the insured has control and can ask for a policy re-rating when he believes it makes sense for him/her. If the insured believes his/her credit score has gone up, they can ask for a re-write. If the insured thinks his/her credit score has gone down, they do not have to re-run their credit. HEA 1246 makes it the consumer’s decision, not an arbitrary timeline from the state.

The Insurance Institute of Indiana is a non-profit trade association representing insurance companies in the state of Indiana. Its ultimate purpose is to create and maintain a business, legislative and public awareness climate in Indiana that promotes the continued success of the insurance segment in the free enterprise system. Visit us on the web at [www.insuranceinstitute.org](http://www.insuranceinstitute.org).

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