MEMORANDUM

Agenda Item No. 11(A)(6)

TO:	Honorable Chairman Dennis C. Moss and Members, Board of County Commissioners	**DATE:**	September 1, 2009
FROM:	R. A. Cuevas, Jr. County Attorney	**SUBJECT:**	Resolution urging Congress and the Florida Legislature to pass legislation prohibiting the use of credit scores for automobile insurance underwriting

The accompanying resolution was prepared and placed on the agenda at the request of Prime Sponsor Chairman Dennis C. Moss.

R. A. Cuevas, Jr.
County Attorney

RAC/jls

MEMORANDUM

(Revised)

TO: Honorable Chairman Dennis C. Moss and Members, Board of County Commissioners

DATE: September 1, 2009

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Agenda Item No. 11(A)(6)

Please note any items checked.

_____ **"4-Day Rule" ("3-Day Rule" for committees) applicable if raised**

_____ **6 weeks required between first reading and public hearing**

_____ **4 weeks notification to municipal officials required prior to public hearing**

_____ **Decreases revenues or increases expenditures without balancing budget**

_____ **Budget required**

_____ **Statement of fiscal impact required**

_____ **Bid waiver requiring County Mayor's written recommendation**

_____ **Ordinance creating a new board requires detailed County Manager's report for public hearing**

✓ **Housekeeping item (no policy decision required)**

_____ **No committee review**

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 11(A)(6)
9-1-09

RESOLUTION NO. _____

RESOLUTION URGING CONGRESS AND THE FLORIDA LEGISLATURE TO PASS LEGISLATION PROHIBITING THE USE OF CREDIT SCORES FOR AUTOMOBILE INSURANCE UNDERWRITING

WHEREAS, beginning in the 1990s, automobile insurers increasingly used credit scores and related credit history information as underwriting tools in determining whether to issue a policy to an applicant and the rates to charge; and

WHEREAS, actuarial studies have indicated that persons with low credit scores have higher claims experience and therefore are higher insurance risks; and

WHEREAS, a 2007 report to Congress by the Federal Trade Commission concluded that credit-based insurance scores that are developed and used by the insurance industry serve as a proxy for race and ethnicity in three out of four lines of automobile insurance; and

WHEREAS, the report found that when credit-based insurance scores are used to predict claims risk, the predicted risk of African-Americans and Hispanics increases by 10 percent and 4.2 percent respectively, while the predicted risk for non-Hispanic whites decreases by 1.6 percent; and

WHEREAS, credit scores have little or no bearing on how likely a person is to have a car accident, break speed limits or otherwise engage in risky driving behavior that could result in an insurance claim; and

WHEREAS, while the insurance industry maintains that there is a slight correlation between lower credit scores and increased claims risk, a correlation does not imply causation; and

WHEREAS, it is unfair to make someone pay more for insurance because they have been laid off from a job, come down with a major medical problem, gone through a divorce or other life changing event that often results in lower credit scores but that has nothing to do with a person's risk as a driver; and

WHEREAS, basing insurance rates on credit scores also unfairly discriminates against people who tend to have lower credit scores because they have less credit history, such as recent immigrants, some elderly people and persons with low incomes; and

WHEREAS, insurance rates should be based on a person's driving record, not on a person's credit history; and

WHEREAS, at the federal level, bills were filed during the 110th Congress, including H.R. 5633 by Representative Luis Gutierrez, which would ban the use of credit scores for underwriting in any line in which the FTC found a proxy effect, and H.R. 6062 by Representative Maxine Waters, which would ban the use of credit-based insurance scores altogether, but these bills did not pass; and

WHEREAS, at the state level, the Florida Legislature in 2003 passed S.B. 40-A, Chapter 2003-207, Laws of Florida, which attempted to limit the use of credit scores in insurance underwriting decisions, but insurance companies in Florida continue to use credit scores in setting rates; and

WHEREAS, bills were filed during the 2009 session of the Florida Legislature, including SB 1524 by Senator Ronda Storms and HB 683 by Representative Priscilla Taylor that would have prohibited the use of credit reports and credit scores in making insurance rate determinations, but these bills did not pass,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board:

Section 1. Urges Congress and the Florida Legislature to pass legislation prohibiting the use of credit scores for automobile insurance underwriting.

Section 2. Directs the Clerk of the Board to transmit a certified copy of this resolution to the members of the Miami-Dade Congressional Delegation; Florida's Governor, Senate President and House Speaker; and the Chair and Members of the Miami-Dade County State Legislative Delegation.

Section 3. Directs the County's federal and state lobbyists to advocate for the legislation set forth in Section 1 above, and authorizes and directs that the 2009 and 2010 Federal Legislative Package and the 2010 State Legislative Package be amended to include this item.

The Prime Sponsor of the foregoing resolution is Chairman Dennis C. Moss. It was offered by Commissioner , who moved its adoption. The motion was seconded by Commissioner and upon being put to a vote, the vote was as follows:

Dennis C. Moss, Chairman
Jose "Pepe" Diaz, Vice-Chairman

Bruno A. Barreiro	Audrey M. Edmonson
Carlos A. Gimenez	Sally A. Heyman
Barbara J. Jordan	Joe A. Martinez
Dorrin D. Rolle	Natacha Seijas
Katy Sorenson	Rebeca Sosa
Sen. Javier D. Souto	

The Chairperson thereupon declared the resolution duly passed and adopted this 1st day of September, 2009. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By:_____
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency. JMM

Jess M. McCarty