

Bill Would Ban Insurance Company Use Of Credit Scores *Another Would Set Guidelines For Use* *TheKCRChannel*

SACRAMENTO, Calif. -- There are currently two bills dealing with credit scores making their way through the state Capitol: one that would ban using scores for insurance purposes and another that would set guidelines for how insurance companies use credit scores.

The insurance industry is fighting the former bill.

"There is a relationship between how people manage their credit obligation and the likelihood that they'll have an insurance loss," said Association of California Insurance Companies spokesman Sam Sorich.

However, insurance companies support an Assembly Bill that outlines exactly how insurance companies can use credit information.

"We do not look at a person's race, income, the person's gender, where a person lives. We look at how the person manages his or her credit information," Sorich said.

Sorich added that insurance companies are looking for bankruptcies, the number of accounts people have and how close they are to their credit limits.

Consumer advocates argue that there is too much room for companies to manipulate the numbers to raise rates.

"I think it is outrageous that the number of credit cards you have or the types of loans you have determines how much

you pay for home or auto insurance," said credit expert Birny Birnbaum.

California Insurance Commissioner John Garamendi emphatically opposes the use of credit scores in setting insurance rates, saying it will hurt low-income residents and minorities.

"This state is 50 percent minority. I will not tolerate a situation where people cannot get insurance. It is essential for every individual to have access to insurance so they can climb the economic ladder," Garamendi said.

Still, insurance companies believe that their way of evaluating would be good for consumers, especially for those with good credit.

If credit scores remain legal for use in the insurance agency, Garamendi says he may call on insurance companies to explain their use of credit scores to ensure that there is no discrimination against any consumer.

Farmers Hit With \$9.9 Million Bad Faith Judgment

By AMANDA BRONSTAD
Los Angeles Business Journal

A Los Angeles jury awarded \$9.9 million to two policyholders of Farmers Insurance Exchange who were forced to borrow money to settle a lawsuit that should have been covered by the insurance company, the law firm that represented the plaintiffs announced Friday.

B.J. Walker and Linda Williams, who live in a Los Angeles condominium, were sued in Los Angeles Superior Court by an 86-year-old neighbor who was injured after being hit by their garage door, which the neighbor claimed was unsafe, according to the Quisenberry Law Firm.

In the lawsuit, Farmers defended the homeowners association, which also named it as a defendant. But the insurer, a subsidiary of Farmers Group Inc., did not defend Walker and Williams, who belonged to the association and claimed also to be covered by the policy individually.

Walker, 80, and Williams, 65, borrowed money from friends, and their credit cards, to settle with the neighbor just before trial. They sued Farmers in March 2004 for breach of contract.

The award includes \$51,900 in contract damages, \$1.5 million in emotional distress and \$8.3 million in punitive damages, Quisenberry said.

Calls to a Farmers spokesperson were not returned.

