

Connecticut Law on Using Credit History to Underwrite or Rate Personal Risk Insurance Policies

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Issue

Summarize Connecticut's law regarding the use of credit history by insurers when underwriting or rating a personal risk insurance policy, such as automobile or homeowners insurance. (This report updates, in relevant part, OLR Report [2018-R-0247](#).)

Summary

Connecticut law expressly prohibits insurers from using credit history when underwriting or rating personal risk insurance policies (e.g., automobile or homeowners insurance) unless they (1) use a financial history measurement program filed with the Connecticut Insurance Department and (2) comply with all the statutory and regulatory requirements that govern the use of such a program.

A "financial history measurement program" is any program an insurer uses that incorporates an applicant's credit history, including credit score, when assessing his or her risk of loss ([CGS § 38a-686\(b\)\(6\)](#)).

By law, an insurer can use a financial history measurement program that meets the filing and disclosure requirements described below, but only when underwriting or rating a (1) new personal risk insurance policy or (2) renewal policy at the insured's request or when doing so would reduce the renewal policy's premium ([CGS § 38a-686\(b\)\(6\)\(C\)](#)).

Additionally, upon an applicant's written request, the law requires an insurer, during its underwriting, rating, or rate quote review process, to (1) consider any extraordinary life circumstance the applicant experienced within the three years before the application to determine if it adversely affected the applicant's credit history and (2) if so, grant a reasonable exception in its rating or underwriting rules ([CGS § 38a-686\(b\)\(6\)\(D\)](#)).

Financial History Measurement Program Requirements

Filing and Reporting Requirements

Filing. By law, an insurer that wants to use a financial history measurement program must file it with the insurance commissioner. The filing must include (1) the program's description, rules, and procedures; (2) any characteristics from which a measurement is derived; and (3) an explanation of the impact of credit information on insurance rates over time. (Any program filing is deemed a trade secret for purposes of the state Freedom of Information Act.) The law also prohibits these programs from unfairly discriminating among applicants or producing excessive rates ([CGS § 38a-686\(b\)\(6\)\(A\)](#)).

The insurer must also prove to the commissioner a correlation between the use of the program and expected risk of loss, as well as the anticipated impact on consumers based on their ages and where they live (i.e. urban or nonurban territories) ([CGS § 38a-686\(b\)\(6\)\(B\)\(i\)](#)).

Reporting. The commissioner may require an insurer to report to him on its financial history measurement program after it has been in effect for two years. The report must prove that the rates are supported by data and include an analysis of consumer complaints related to the insurer's use of a financial history measurement program ([CGS § 38a-686\(b\)\(6\)\(F\)](#)).

Required Disclosures

By law, insurers must disclose their use of a financial history measurement program to personal risk insurance applicants and provide the applicants with, among other things, detailed information about how credit reports or history are used to underwrite policies and a summary of consumer protection laws regarding the use of credit information ([CGS § 38a-686\(b\)\(6\)\(B\)\(ii\)](#)).

If an insurer uses financial history information to take an adverse action (e.g., denying a policy or charging a higher rate), it must disclose to the applicant or insured that the (1) action was based on his or her credit report, (2) person is entitled to a free copy of his or her credit report, and (3) person may request an extraordinary life circumstance exemption ([CGS § 38a-686\(b\)\(6\)\(E\)](#)).

Extraordinary Life Circumstances

The law allows an applicant or insured who believes that an extraordinary life circumstance that occurred within the three years before the application has adversely affected his or her credit history to ask the insurer in writing to grant a rating policy exception. An insurer may require the applicant to provide reasonable, independently verifiable written documentation of the extraordinary life circumstance and its effect on the person's credit report or history. If an insurer grants an exception, it must (1) use only the credit information unaffected by the extraordinary life circumstance or (2) treat the applicant or insured as if he or she had neutral or better than neutral credit, as defined by the insurer.

By law, an "extraordinary life circumstance" means a catastrophic illness or injury; divorce; involuntary unemployment for more than three months; the death of a spouse, child, or parent; any loss that makes the family home uninhabitable; identity theft; or any other circumstances adopted in regulations or that an insurer chooses to recognize ([CGS § 38a-686\(b\)\(6\)\(D\)](#)).

Prohibited Characteristics

The law generally prohibits insurers from using the following information pertaining to an applicant or insured in a financial history measurement program:

1. the number of credit inquiries to a credit report or history;
2. the use of a particular type of credit, debit, or charge card;
3. the total available line of credit;
4. any disputed credit information while the dispute is ongoing;
5. any collection accounts associated with a medical debt; or
6. the lack of credit history ([CGS § 38a-686\(b\)\(6\)\(C\)\(ii\)](#)).

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