



April 27, 2009

Property and Casualty (C) Committee
Market Regulation and Consumer Affairs (D) Committee
Public Hearing on Credit-Based Insurance Scores
Arlington, Virginia

Director Michael McRaith (IL)
Commissioner Kim Holland (OK).

Dear Director McRaith and Commissioner Holland:

The Delaware Insurance Commissioner's Office worked with the Delaware General Assembly to pass a new law in 2007 that makes Delaware one of the five strictest states in the country with regards to how credit information can be used in setting insurance rates. The new law took effect on January 1, 2008.

Many Delawareans believe credit scoring would increase the cost of insurance for those who are already least able to afford insurance and who are already having the most difficulty paying their bills. Further, it has a disproportionate impact on poor and minority policyholders.

As of January 1, 2008, auto and homeowners insurance companies in Delaware have been prohibited from adjusting their current policyholders' rates based on changes in the policyholders' credit ratings. This ban is the result of legislation passed in June 2007 by the General Assembly and signed into law by the Governor.

Policyholders can also take advantage of one provision of the new law. After January 1, 2008 policyholders can ask their insurance companies to recalculate their credit ratings once a year when their policies come up for renewal and if their credit has improved they may see a benefit in their insurance rates. If their credit has worsened, their insurance rates will not be affected.

Commissioner Stewart said: "The law, consistent with my long held position, is that a change in a policyholder's credit score must only help and not harm a current policyholder." The Commissioner further stated: "Thanks to our new law, policyholders have a right to ask for this possible discount without the need to read or understand any deceiving or contradictory fine print. Why? Because there isn't any."



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A regulation requiring insurance companies to notify their policyholders of this new right to have their credit recalculated at renewal took effect on April 1, 2008.

The Delaware Insurance Department provides consumers with a guide to Delaware's new law regarding insurance and credit. The guide is available online at <http://delawareinsurance.gov/credit>.

As respects to our concerns we would like the following issues addressed during the hearing:

How do insurers handle improvement (or deterioration) in scores from year-to-year?

How do insurers handle those who wish not to have their scores checked, thin-files, or no-hits?

What variety is out there for what insurers do with the scores?

Least use: not use credit at all. Next: yes/no for eligibility for insurance. Next: use for tiering (underwriting only, not rating). Next: Use as rating factor. Most use: integrated into the rating through a multi-point model.

How do insurers avoid double-counting so-called negative characteristics, like urban dwellers with poor credit, or youthful drivers with poor credit, or low-valued homes whose owners have poor credit?

We appreciate the opportunity to submit our comments and concerns and look forward to the results of the hearing.

Sincerely,

Karen Weldin Stewart, CIR-ML
Delaware Insurance Commissioner