

April 28, 2009

Commissioner Kim Holland  
Oklahoma Insurance Department  
P.O. Box 53408  
Oklahoma City, OK 73152-3408

Director Michael McRaith  
Illinois Division of Insurance  
320 W. Washington Street  
Springfield, IL 62767-0001

Dear Regulators:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write in advance of your April 30 hearing on insurance credit scoring because we also have recognized the importance of this issue. We wish to offer insight into the 2002 model law that we developed in response—specifically, into the model’s long-standing and well-accepted consumer protections. We also note that NCOIL will soon revise its model to more directly assist victims of today’s economic climate.

The NCOIL *Model Act Regarding Use of Credit Information in Personal Insurance* was and remains a timely and effective response to consumers who feel blindsided by insurer use of their credit information. NCOIL believes strongly that insurers should not have free reign and that we as legislators have a duty to promote balanced public policy that safeguards our constituents from possible abuse. The NCOIL model act—which evolved through two years of special sessions, model drafts, and many hours of debate with all key players—does just that. It has become the standard for state insurance scoring policy and would, among other things:

- promote so-called credit “passes” for persons impacted by **extraordinary life events**—such as divorce, illness, job loss, or death of a spouse—which could encompass fallout from the financial crisis.
- prohibit an insurer from **calculating an insurance score** based on income, gender, address, zip code, ethnic group, religion, marital status, or nationality.
- discourage insurers from taking an adverse action based on “**thin**” or **non-existent credit**—a circumstance common among seniors, young people, and low-income consumers.
- prohibit insurers from treating negatively **credit inquiries** that a consumer did not initiate—as when banks mine credit reports prior to sending credit card offers.
- prohibit insurers from looking negatively upon **collection accounts** related to a sickness or other medical event for which a consumer could not pay.
- provide that insurers can only consider **multiple inquiries** from the mortgage or auto lending industries in any 30-day period as one credit “hit”—as these multiple inquiries indicate that a consumer has wisely shopped around for the best deal.
- require insurers, before taking an adverse action, to use credit reports issued or insurance scores calculated **within 90 days** from the time a policy was initiated or renewed.

- direct insurers to **re-underwrite or re-rate** if a consumer or his/her agent requests it at annual renewal.
- require an insurer, if a consumer **challenges his/her credit report** and has it corrected, to re-underwrite or re-rate based on the new information—and return any amount of **overpayment**.
- mandate that insurers provide key **consumer notifications**—including up to four credit-related reasons for an adverse action if credit was a factor and up-front notice that credit will be considered in underwriting and/or rating.
- direct insurers to **file their insurance scoring models** with state insurance departments.
- prohibit credit reporting agencies from **selling insurance-related data** to third-parties that do not deserve it.

NCOIL will consider an amendment at the July 9 through 12 NCOIL Philadelphia Summer Meeting to target consumers whose fallen credit is traceable to the financial crisis not of their making—even though the model’s extraordinary life events language already applies.

The amendment would correlate the time a person’s credit began suffering with decline of the U.S. economy. It would specifically acknowledge certain major credit events, such as foreclosures, that run counter to a person’s otherwise solid credit history. The amendment will be drafted to capture only people who are true crisis victims, rather than people who are victims of their own poor decisions. NCOIL will have further details as the Summer Meeting approaches.

We look forward to dialoging with you regarding suitable insurance-scoring public policy, and we appreciate your efforts during this difficult time. As legislators and regulators—and first and foremost consumers—we agree that too many in this country are struggling to pay bills and stay in homes. We must stand together to protect consumers from credit misuse and encourage strong insurance markets that benefit us all. The NCOIL model law—which has been adopted in your states of Illinois and Oklahoma, as well as in 24 others—strikes the critical balance.

Please feel free to contact the NCOIL National Office at 518-687-0178 should you have any questions.

Sincerely,



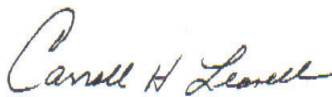
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NCOIL President



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