Credit Scores
Use in Insurance in Iowa

Ramona C. Lee
Iowa Insurance Division
5/30/2009 10:00 a.m.
# “Insurance Score”

<table>
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<th>5</th>
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<td>bankruptcy</td>
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<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>9</td>
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<tr>
<td># of credit cards</td>
<td>0–2</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
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<tr>
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<tr>
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<td>5 or more</td>
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<td>9</td>
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<td>tickets</td>
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<td></td>
<td>4</td>
<td>9</td>
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<td>drunk driving</td>
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<td></td>
<td></td>
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<td>sum</td>
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<td>720</td>
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</table>

Multiply by 80
Regulation

- Federal Fair Credit Reporting Act
  15 U.S.C. § 1681

- Iowa Credit Law for Personal Insurance
  515.103

- Iowa Rating Laws
  515.4, 515.5, 515.24
Underwriting

Should we write the policy?

Send notice

In which company?

A
B
C
D
Base Rate
- Des Moines: $200
- Elsewhere: $300

Insurance Score
- 0–500: -10%
- 501–1000: 0%
- 101–1600: +10%

Construction
- Glass: 2.0
- Stone: 1.0

Loss Surcharge**
- No losses: 0%
- Prior losses: 100%

$200

$200 + 0% = $200

$400

$400 \times 2.0 = $800

$800
Notification Requirements

Initial notification

Notification of adverse action
Including reasons
Sole Basis

Cannot

Deny issuance
Cancel
Refuse to renew

Use as basis of renewal rates

solely based on credit information
Disclosure and Dispute Resolution

- Disclose use in underwriting or rating
- Re-underwrite or re-rate if incorrect or incomplete information corrected
- Age of credit information used
Prohibited Factors

- Income
- Gender
- Address
- Zip code
- Ethnic group
- Religion
- Marital status
- Race
- Nationality

Insurance Scores

Rating Factors

- Race
- Creed
- National Origin
- Religion
Credit Inquiries

those that may not be used as negative factors

- Not initiated by consumer
- For consumer’s own information
- Relating to insurance coverage
- Medical collections
- Multiple inquiries for
  - Home mortgages
  - Automobile lending

** if so identified
No Hits

absence of credit information
inability to calculate an insurance score

Underwriting
Exclude credit information
Only use other criteria

Rating
Treat as if neutral credit information
Defined by the insurer
Rate Filings

Competitive markets

Filings by companies and rating agencies

Trade Secret
Rate Justification

Overall Rate Levels
Classifications

Risk
Other Rating Considerations

- Minor Traffic Violations
- Catastrophe Loss Surcharges
Resources

- Iowa Insurance Division
  - www.iid.state.ia.us
  - 515–281–5705 or Toll Free 877–955–1212

- Ramona C. Lee, Actuarial Administrator
  - Ramona.Lee@iid.iowa.gov
  - 515–281–4095

- Iowa Code
  - www.legis.state.ia.us
  - 515.103
  - 515F.4, 515F.5, 515F.24

- Federal Fair Credit Reporting Act
  - www.ftc.gov