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NCOIL INSURANCE SCORING MODEL PROTECTS CONSUMERS, LEGISLATORS ADVISE NAIC

Troy, New York, April 29, 2009 — Amid growing economic unrest and destabilized consumer credit, the National Conference of Insurance Legislators (NCOIL) advised state insurance regulators yesterday that an NCOIL insurance scoring model law will protect struggling consumers throughout the nation. The letter, sent in advance of an April 30 National Association of Insurance Commissioners (NAIC) hearing on use of credit information, tells of the many consumer protections in the 2002 model and offers insight into proposed amendments that would more directly assist victims of today's economy.

The letter, signed by NCOIL Officers, says that 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" and reflects NCOIL's strong belief that the insurance industry should not have free reign with consumer credit data.

"We as legislators have a duty," the letter states, "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..."

The letter identifies consumer protections contained in the NCOIL model, including those related to disclosure, use of updated and accurate credit data, banning use of certain personal information, filing of scoring models, and prohibitions against selling data. In addition, the letter says that the model, which has been adopted in 26 states:

- promotes so-called credit "passes" for persons impacted by **extraordinary life events**
- discourages insurers from taking an adverse action based on "**thin**" or **non-existent credit**
- prohibits insurers from treating negatively **credit inquiries** that a consumer did not initiate
- prevents insurers from looking negatively upon **collection accounts** related to a sickness or other medical event for which a consumer could not pay
- provides that insurers can only consider **multiple inquiries** from the mortgage or auto lending industries in any 30-day period as one credit "hit"

Regarding amending the model, the letter notes that at the July 9 through 12 NCOIL Summer Meeting in Philadelphia, legislators will consider a revision "to target consumers whose fallen credit is traceable to the financial crisis not of their making"—although, the letter says, the model act's extraordinary life events language already applies.

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 says. “It will correlate the time a person’s credit began suffering with decline of the U.S. economy. It also will specifically acknowledge certain major credit events, such as foreclosures, that run counter to a person’s otherwise solid credit history.”

“As legislators and regulators—and first and foremost consumers,” the Officers write, “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...strikes the critical balance.”

The letter was sent to Commissioner Kim Holland (OK) and Director Michael McRaith (IL), who are respective chairs of the NAIC Market Conduct & Consumer Affairs (E) and Property-Casualty Insurance (C) Committees. The two committees are jointly holding the April 30 NAIC hearing in Washington, DC.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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