

May 13, 2010

The Honorable Luis V. Gutierrez, Chair
Financial Institutions & Consumer Credit Subcommittee
2266 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Gutierrez:

As President of the National Conference of Insurance Legislators (NCOIL), I write to applaud your interest in a May 12 hearing entitled *Use of Credit Information Beyond Lending: Issues and Reform Proposals* in protecting consumers from possible insurer mishandling of credit data. I also write to apprise you of long-standing and recently strengthened state restrictions—based on a 2002 NCOIL model law—that protect against negative ratings for seniors, people with medical debt, and victims of extraordinary events. We ask that you enter this letter into the official hearing record.

To be clear, the NCOIL *Model Act Regarding Use of Credit Information in Personal Insurance*—used in 26 states—does not support or oppose insurance scoring. It was and remains guidance for states that allow the practice, having evolved through more than two years of special sessions, model drafts, and debate with all key players.

The model discourages adverse actions based on “thin” or non-existent credit—thereby protecting seniors, young adults, and low-income consumers who may use credit differently. The bill also bans adverse actions tied to medical collection accounts, to multiple inquiries by mortgage and auto lenders, and to credit “hits” not initiated by a consumer—such as when banks mine credit reports to solicit customers.

Insurers under the NCOIL model must use updated and accurate credit information, must return any overpayment that faulty data has caused, and must make various consumer disclosures. Companies also must give insurance departments full access to scoring models.

In July 2009, when we reevaluated the NCOIL model in light of the financial crisis, we strengthened our bill to feature exceptions for extraordinary life circumstances (ELCs). Our new language—*which states are considering*—captures temporary and involuntary loss of employment for three months or more; federal or state-declared catastrophes; serious illnesses or injuries; death of a spouse, child, or parent; identity theft; overseas military deployment, and other items.

We thank you again for your awareness of this issue. As fellow policymakers, we too realize that an insurance score is more than a simple number—it is a very personal record of a consumer’s situation in life and extraordinary circumstances. It deserves our careful review.

Sincerely,



Rep. Robert Damron (KY)
NCOIL President

cc: U.S. House Financial Services Committee
NCOIL Legislators

Attachment