

September 20, 2010

Director Michael McRaith
Chair, NAIC Property & Casualty
Insurance (C) Committee
Illinois Division of Insurance
320 W. Washington Street
Springfield, IL 62767-0001

Dear Director McRaith:

As leaders of the National Conference of Insurance Legislators (NCOIL), we write in advance of your September 30 hearing on risk classification to express our concerns with your proposed data call—concerns related to required information, compliance, and confidentiality—and to request ongoing dialogue regarding development of the initiative. We believe that NCOIL already has promoted cautious use of consumer credit information and that a successful, long-standing NCOIL model law is a more effective tool against abuse.

Rather than pursue a questionable data call, we maintain that regulators should work to support the NCOIL *Model Act Regarding Use of Credit Information in Personal Insurance*, now passed in its 27th state. Our bill—which addresses many of the issues mentioned in your survey—helps young people with “thin” credit files, seniors without credit cards, low-income and minority consumers, and extraordinary life event victims, among others. It also requires disclosure and updated data, bans use of certain details, mandates filing of scoring models, and says “no” to data selling.

The NAIC has indicated in congressional testimony and elsewhere that the data call’s objective is to gather facts that will help inform policy debate. However, we have heard the following concerns from reputable parties that we feel merit further attention:

- The data required may be irrelevant to evaluating use of credit in rate-setting and may amount to overreaching.
- Complying with the survey may place an undue burden on insurers, particularly small carriers.
- The questions fail to appreciate the complexity of scoring models—the numerous variables, for instance, and weights assigned to different elements.
- Terms in the survey are ambiguous.
- Insurers do not maintain much of the requested data, such as decline-to-quote details.
- There are no guarantees that proprietary data will stay confidential, including when it is aggregated.

Legislators are committed to weighing in on this regulatory plan—one with substantial consequence for insurers and their oversight—that may needlessly impact successful NCOIL and other state policy. We ask that an NAIC representative further elaborate—beginning at the November 18 through 21 NCOIL Annual Meeting in Austin, Texas—on the reasons for and merits of this sweeping initiative, so that state legislators and other officials have a say in the debate.

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

Sincerely,



Rep. Robert Damron (KY)
NCOIL President



Rep. George Keiser (ND)
NCOIL President-Elect



Sen. Ruth Teichman (KS)
NCOIL Property-Casualty Insurance
Committee Chair

cc: NCOIL Legislators
NAIC Property-Casualty Insurance (C) Committee
NAIC Officers
Therese Vaughan
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