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NCOIL READOPTS CREDIT SCORING MODEL ACT, LOOKS TO CONSIDER EXTRAORDINARY LIFE CIRCUMSTANCES

San Diego, California, November 21, 2005 — Recognizing that the regulation of insurance (credit) scores is still a key issue in many states, legislators at the National Conference of Insurance Legislators (NCOIL) Annual Meeting here unanimously readopted on November 19 an NCOIL *Model Act Regarding Use of Credit Information in Personal Insurance*. The model law, originally adopted by NCOIL in November 2002, has been enacted via legislation and/or regulation in 26 states.

According to NCOIL, the model protects consumers while encouraging a competitive insurance market and has served as the standard in states looking to lay groundwork for use of credit information in underwriting and rating. NCOIL bylaws require that the organization periodically review its model acts.

Legislators also voted to consider at the February 23 through 26 NCOIL Spring Meeting a drafting note that would offer guidance to states wishing to include in their NCOIL-based bills exceptions for extraordinary life circumstances. Such exclusions permit insurers to exclude or treat as neutral credit information related to a catastrophic life event, such as significant illness or injury, death of a loved one, or divorce. Generally, an insured needs to verify such a circumstance. Seven states have incorporated extraordinary life event provisions into their NCOIL laws.

The NCOIL model act would, in part, 1) require an insurer to re-underwrite and re-rate an insured whose credit report was corrected; 2) require an insurer to notify an applicant that credit information would be used, as well as notify when an adverse action was based on credit information and what the four primary credit-related factors were; 3) indemnify insurance agents/brokers obtaining credit information and/or insurance scores according to an insurer's procedures and according to applicable law and regulation; 4) restrict a

consumer reporting agency's ability to provide or sell information submitted in conjunction with an insurance inquiry; and 5) require an insurer to file its scoring models with the Department of Insurance, which would consider them trade secret.

The NCOIL Property-Casualty Insurance Committee unanimously readopted the NCOIL model law on November 17 and referred it to the Executive Committee, which readopted it unanimously on November 19.

The NCOIL Spring Meeting will take place in Fort Lauderdale, Florida.

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

For further details, please contact NCOIL at 518-687-0178.

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