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NCOIL QUESTIONS PROPOSED NAIC DATA CALL, URGES BROAD STATE INPUT

Troy, New York, September 21, 2010—NCOIL leaders questioned the need for a proposed NAIC data call on insurance scoring yesterday—urging broad state input during NAIC deliberations and asserting that states—such as the 27 that rely on a 2002 NCOIL model law—successfully regulate the insurer practice. The letter, which NCOIL sent prior to a September 30 NAIC hearing on the issue, pointed also to concerns over requested information, compliance, and confidentiality.

According to NCOIL President Rep. Robert Damron (KY)—who co-signed the letter with President-Elect Rep. George Keiser (ND) and P-C Insurance Committee Chair Sen. Ruth Teichman (KS):

While NCOIL shares regulator interest in promoting fair use of credit-based scores, the proposed NAIC data call may very well be an answer in search of a problem. Rather than pursue their initiative, regulators should support the successful NCOIL insurance scoring model—which addresses many of the items mentioned in the survey, including concerns over extraordinary life events.

Rep. Keiser stressed the importance of wide-ranging participation in the NAIC debate—beginning at the November NCOIL Annual Meeting—and said that:

Review of a proposal with such significant and questionable impacts on effective state policy must include the input of state legislators and other officials—particularly since there seems to be little cause for the initiative. The NAIC says that it wants to gather objective data that would help inform policy debate. But we wonder what events, in particular, have prompted the effort and what the merit of the plan would be.

In their letter, the legislators said they had heard the following data call concerns:

- 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.

The NCOIL *Model Act Regarding Use of Credit Information in Personal Insurance*, in general, 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 consumer details, mandates filing of scoring models, and says “no” to data selling.

The November 18 through 21 Annual Meeting will take place at the Hilton Austin in Austin, Texas.

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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