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**NCOIL ADOPTS INSURANCE SCORING MODEL ACT**

**San Francisco, California, November 24, 2002-**The National Conference of Insurance Legislators (NCOIL) adopted on November 22 a proposed *Model Act Regarding Use of Consumer Credit Information in Personal Insurance*, which would regulate how insurers could use consumer credit reports to underwrite and rate personal lines insurance risks.  The action, taken during the NCOIL Annual Meeting in San Francisco, California, comes as some 40 state legislatures prepare to consider insurance scoring legislation next session.

The model, sponsored by Rep. Timothy Osmond (IL) and collectively endorsed by the property-casualty insurance industry and the agents (among others), was submitted as a substitute amendment to the proposed insurance scoring model introduced at the July NCOIL Summer Meeting.  In part, the adopted model would:

        Require an insurer to re-underwrite and re-rate an insured whose credit report was corrected

        Require an insurer to notify an applicant for insurance that credit information would be used in underwriting and rating

        Require an insurer to notify a consumer in the event of an adverse action based on credit information, including notification of up to four factors that were the primary influences on the adverse action

        Indemnify insurance agents/brokers who obtained credit information and/or insurance scores according to an insurer’s procedures and according to applicable law and regulation

        Restrict a consumer reporting agency’s ability to provide or sell information submitted in conjunction with an insurance inquiry

        Require an insurer to file its scoring models with the Department of Insurance and have them considered trade secret

In a 20-5 vote, the NCOIL Property-Casualty Insurance Committee adopted the model after approving a handful of revisions reached by Committee consensus.  Legislators then referred the model to the Executive Committee, which later that day adopted it via voice vote.

According to Rep. Osmond, who also sponsored the earlier proposal considered in July:

                        NCOIL’s decisive adoption of this model will allow states to

establish uniformity regarding how insurers can use credit information

to determine eligibility for insurance coverage, as well as how

they can use it to make rating and renewal decisions.  This truly is

a historic opportunity for states to protect consumers and support

a free market.

            P-C Insurance Committee consideration of a *Model Act Regarding Use of Consumer Credit Information in Personal Insurance* followed a November 21 hearing from 3:00 to 5:30 p.m. in which nearly a dozen insurance industry, agent, regulatory, consumer, credit modeling, and credit-reporting agency experts testified to specific provisions of the proposed model act.  The hearing preceded a special 5:30 to 6:30 p.m. Committee meeting to discuss the issue and the Committee’s regularly scheduled 7:30 to 10:00 a.m. meeting the next day.

            Several amendments to the July proposal, again sponsored by Rep. Osmond, were withdrawn in favor of considering the substitute amendment.  Committee Chair Rep. Craig Eiland (TX) also submitted amendments to the earlier model but, rather than consider them in Committee, encouraged legislators to review his proposals in their individual state houses. *(Please see the attached comparison chart for further details.)*

            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 committees responsible for insurance legislation in their respective state houses across the country.

            For more information, please contact the NCOIL National Office at (518) 449-3210.

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Enclosures

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