

## **IIABA Policy Statement Regarding Use of Consumer Credit Information and Credit/Insurance Scores**

***Adopted by the IIABA Board of Directors, September 20, 2002/January 25, 2004***

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In recent years, consumer credit information, credit histories, and credit-related scores have been increasingly utilized by financial services providers of all varieties. Banks and other lenders use such information to evaluate loan applications, determine creditworthiness, and predict the likelihood of default and delinquency – and they measure potential borrowers against millions of other similarly situated individuals. In addition, many insurers use consumer credit histories to help set prices and to predict future losses and claim costs.

Insurers have increasingly relied on consumer credit information in the underwriting and rating process, and IIABA members recognize that most personal lines insurance carriers consider credit histories and credit-related scores to be useful tools in evaluating risks and the potential for loss. IIABA supports the use of underwriting tools that foster enhanced competition and the fair and accurate pricing of risk, and consumer credit histories are powerfully predictive when used appropriately. Their use by some insurers, however, has at times been controversial. The policies and business practices of some companies using credit information are particularly troublesome, and this has led to concern and skepticism among policyholders, policymakers, and independent insurance agents and brokers.

IIABA recognizes that credit information is a powerful tool for insurance companies, but independent insurance agents and brokers believe such information must be used in reasonable, balanced, and consumer-friendly ways. Accordingly, IIABA encourages the insurer community to proactively adopt and implement appropriate business practices regarding their use of credit histories. Specifically, IIABA calls on companies that utilize credit information to:

- In the event that an adverse action is taken because of a consumer's credit history, provide the consumer with a list and meaningful description of the factors that were the primary basis for the determination.
- Disregard an absence of credit information or an inability to calculate a credit-based insurance score for underwriting or rating purposes, unless the insurer does one of the following: (1) excludes the use of credit information as a factor and only uses other criteria; (2) treats the consumer as if he/she has neutral credit information; or (3) treats the consumer in a manner otherwise approved by the insurance commissioner, if the insurer presents information that such an absence or inability relates to the risk of the insurer.
- Consider other applicable underwriting factors beyond credit information or credit-related scores when evaluating whether to underwrite, deny, cancel, or non-renew insurance policies.
- Ignore the following factors in the underwriting or rating process: information subjected to identity theft; credit inquiries not initiated by the consumer; information that has been disputed by a consumer; insurance-related inquiries and inquiries related to shopping for insurance coverage; medical-related debts, if the information can be captured on a credit report; and mortgage or lender-related inquiries from multiple entities within a 45-day period.

- Re-underwrite and re-rate a consumer's insurance policy within 30 days after being notified by a credit bureau of a correction in a person's credit history and refund any amount of overpayment of premium back to the last 12 months of coverage.
- Recheck the credit histories and recalculate the credit-related scores of consumers at least every three years, unless the insured is in the most favorably priced tier, and establish additional procedures that allow consumers and their insurance agents or brokers to request that a person's credit history or score be reexamined.
- Hold agents harmless from civil and administrative actions and liability, costs, fees, and expenses and indemnify agents for such liability, costs, fees, and expenses when the agent actions are consistent with company procedures.
- Recognize that a reliance on credit-related formulas and models can result in anomalies and provide an "appeals process" for consumers whose credit information and credit-related scores are unduly influenced by extraordinary life events or not truly indicative or representative of their situation and circumstances.
- Provide agents with adequate training and educational materials and undertake efforts to educate consumers about the industry's use of credit-related information.
- Fulfill their own adverse action disclosure and compliance obligations directly and not shift these responsibilities to agents.
- Assume the costs associated with obtaining credit reports and/or credit-based insurance scores and not shift these costs to agents.

Credit bureaus, credit reporting agencies, and providers of credit-related scores also play important roles – and IIABA calls on such entities to:

- Recognize that independent insurance agents and brokers own their expirations and not share, sell, or otherwise utilize any data or information provided in the credit scoring or insurance application process for any purpose other than that for which it is provided.
- Recognize the importance of maintaining accurate records and undertake efforts to ensure that data is current and correct.
- Quickly update and correct data or information that is inaccurate or incomplete and promptly provide such corrections to all insurers that previously received the inaccurate or incomplete information.