

# Credit Scores

## Use in Insurance in Iowa

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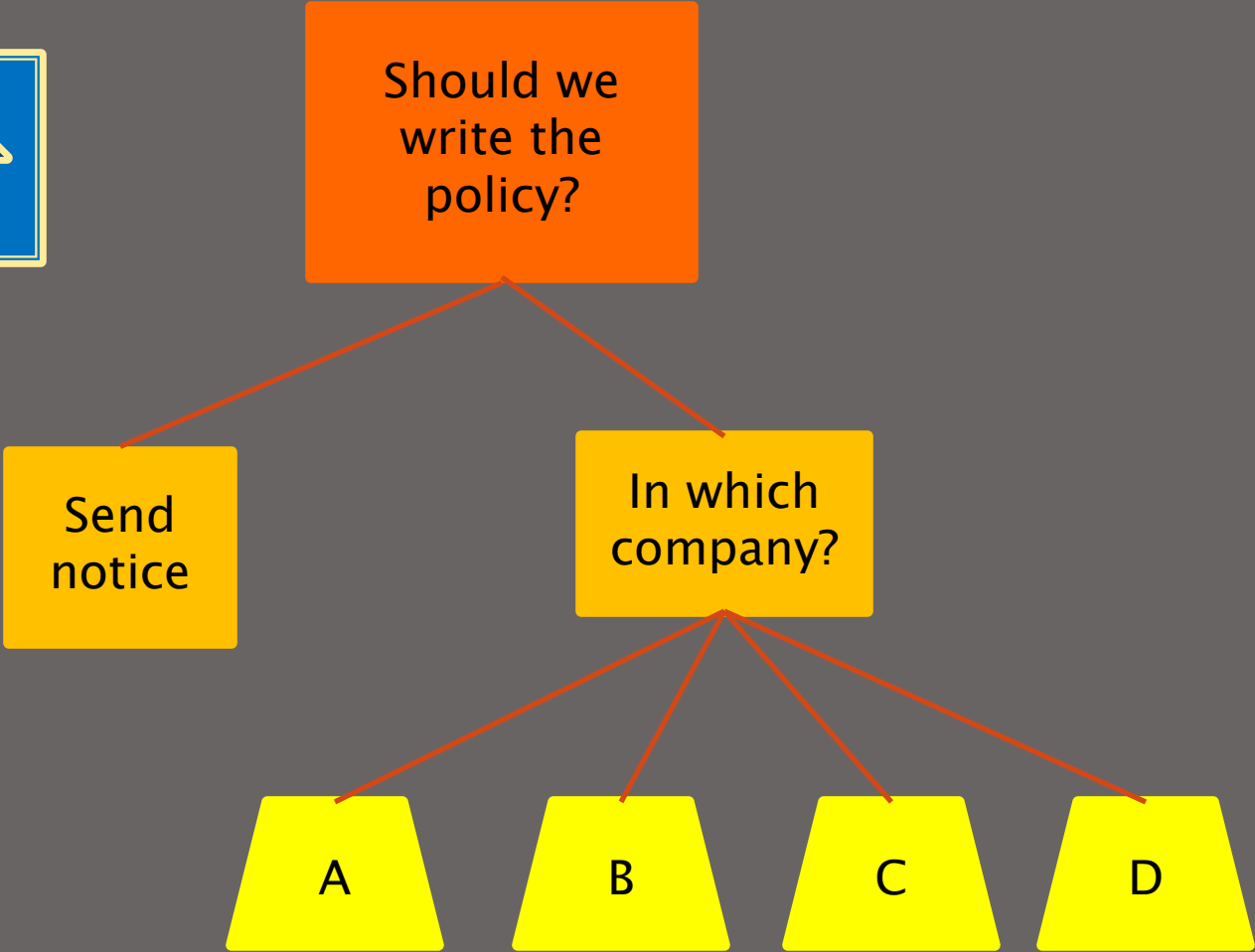
# *“Insurance Score”*

bankruptcy	No	0	
	Yes	5	.....5
# of credit cards	0-2	3	
	3-4	0	.....0
	5 or more	5	
tickets	none except	0	
	speeding**	4	.....4
	drunk driving	10	
sum			9
Multiply by 80			<u>720</u>

# *Regulation*

- ▶ Federal Fair Credit Reporting Act  
15 U.S.C. § 1681
- ▶ Iowa Credit Law for Personal Insurance  
515.103
- ▶ Iowa Rating Laws  
515.4, 515.5, 515.24

# *Underwriting*



# Premium

## Base Rate

Des Moines     \$200  
Elsewhere     \$300

**\$200**

## Insurance Score

0-500            -10%  
501-1000        0%  
101-1600        +10%

**+0% = \$200**

## Construction

Glass 2.0  
Stone 1.0

**x 2.0 = \$400**

## Loss Surcharge\*\*

No losses        0%  
Prior losses     100%

**x 100% = \$800**

# *Notification Requirements*

Initial notification

Notification of adverse action

Including reasons

# *Sole Basis*

Cannot

Deny issuance

Cancel

Refuse to renew

Use as basis of renewal rates

solely based on credit information

# *Disclosure and Dispute Resolution*

- ▶ Disclose use in underwriting or rating
- ▶ Re-underwrite or re-rate if incorrect or incomplete information corrected
- ▶ Age of credit information used



# *Prohibited Factors*

Income  
Gender  
Address  
Zip code  
Ethnic group  
Religion  
Marital status  
Race  
Nationality

Race  
Creed  
National Origin  
Religion

Insurance Scores

Rating Factors

# *Credit Inquiries*

those that may not be used as negative factors

- ▶ Not initiated by consumer
- ▶ For consumer's own information
- ▶ Relating to insurance coverage
- ▶ Medical collections
- ▶ Multiple inquiries for
  - Home mortgages
  - Automobile lending

\*\* if so identified

# *No Hits*

absence of credit information  
inability to calculate an insurance score

## Underwriting

Exclude credit information  
Only use other criteria

## Rating

Treat as if neutral credit information  
Defined by the insurer

# *Rate Filings*

Competitive markets

Filings by companies and rating agencies

Trade Secret

# *Rate Justification*

Overall Rate Levels  
Classifications

Risk

# *Other Rating Considerations*

- ▶ Minor Traffic Violations
- ▶ Catastrophe Loss Surcharges

# *Resources*

- ▶ Iowa Insurance Division
- ▶ [www.iid.state.ia.us](http://www.iid.state.ia.us)  
515-281-5705 or Toll Free 877-955-1212
- ▶ Ramona C. Lee, Actuarial Administrator
- ▶ [Ramona.Lee@iid.iowa.gov](mailto:Ramona.Lee@iid.iowa.gov)  
515-281-4095
- ▶ Iowa Code
- ▶ [www.legis.state.ia.us](http://www.legis.state.ia.us)
  - 515.103
  - 515F.4, 515F.5, 515F.24
- ▶ Federal Fair Credit Reporting Act
- ▶ [www.ftc.gov](http://www.ftc.gov)
  - 15 U.S.C. § 1681