CONSUMER DATA INDUSTRY ASSOCIATION
Empowering Economic Opportunity
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October 20, 2008

Ms. Petra Wallace
National Association of Insurance Commissioners
2301 McGee Street,
Suite 800
Kansas City, MO 64108-2662

Via email: pwallace@naic.org

Re: Draft Credit Scoring Paper

Dear Ms. Wallace:

On behalf of the Consumer Data Industry Association (CDIA), I offer comments on the NAIC draft credit scoring paper.

By way of background, CDIA was founded in 1906 and is the international trade association that represents more than 300 consumer data companies. CDIA members represent the nation's leading institutions in credit reporting, mortgage reporting, check verification, fraud prevention, risk management, employment reporting, tenant screening and collection services. Included among the many services provided by several of our members are credit information for credit-based insurance scores and the scores themselves.

Parts III and IV of the draft report summarize insurer benefits and consumer concerns with credit-based insurance scoring. We feel that a key element in part III is missing. While part IV addresses consumer concerns, nowhere did we find a section addressing the consumer benefits of insurance scoring. While insurers are in a far better position to respond to this point, the reason insurance scoring is so successful is because it presents a further way for consumers to save money on insurance. All data we have seen from insurers shows that a strong majority of all consumers benefit when credit is a contributing factor to an insurance decision. We hope the final report will address consumer benefits from the use of credit-based insurance scoring.

Perhaps the best way to highlight consumer benefits is to refer back to the FTC study that was released last summer. In that report, the FTC undertook a "careful and comprehensive consideration" of all of the information it reviewed and developed a number of findings and conclusions. The FTC concluded that

> Credit-based insurance scores are effective predictors of risk under automobile policies. They are predictive of the number of claims consumers file and the total cost of those claims. The use of scores is therefore likely to make the price of insurance better match the risk of loss posed by the consumer. Thus, on average, higher-risk consumers will pay higher premiums and lower-risk consumers will pay lower premiums.

The FTC report also suggested that, although “little hard data was submitted or available to quantify the magnitude of [] benefits to consumers, the

> [u]se of credit-based insurance scores may result in benefits for consumers. For example, scores permit insurance companies to evaluate risk with greater accuracy, which may make them more willing to offer insurance to higher-risk consumers for whom they would otherwise not be able to determine an appropriate premium. Scores also may make the process of granting and pricing insurance quicker and cheaper, cost savings that may be passed on to consumers in the form of lower premiums..”

We hope this comment has been helpful to you. Please do not hesitate to contact is with any questions.

Sincerely,

Eric J. Ellman
Vice President, Public Policy and Legal Affairs