



National Association of Insurance Commissioners

June 18, 2008

Commissioners William E. Kovacic, Chairman;  
Pamela Jones Harbour; Jon Leibowitz; J. Thomas Rosch  
Federal Trade Commission/Office of the Secretary  
Room H-135 (Annex C)  
600 Pennsylvania Avenue, N.W.  
Washington, DC 20580

RE: Credit-Based Insurance Score – Homeowners Insurance – P044804

Dear Commissioners:

This letter is in response to the FTC’s request for public comments on the model order to obtain data for the FTC study on the effect of credit-based insurance scores on consumers of homeowners insurance.

Founded in 1871, the National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. The NAIC provides a forum for the development of uniform policy when uniformity is appropriate. A state regulator's primary responsibility is to protect the interests of insurance consumers, and the NAIC helps regulators fulfill that obligation. That assistance is related to the regulators' shared objectives of financial and market conduct regulation. As such, the NAIC believes it is uniquely qualified to provide the appropriate expertise regarding the FTC’s specifications for the homeowners study.

The NAIC is pleased to see the FTC intends to collect the data through a compulsory process as the NAIC believes this will ensure a more complete and accurate submission of data by companies. In turn, we believe this will enhance the ultimate conclusions and findings of the FTC study. However, it should be kept in mind that even if the methodology used is correct, any inaccuracy in the underlying data will raise questions and possibly invalidate its use and final conclusions reached.

The NAIC also believes that focusing on the nine highest premium insurance companies in the homeowners market will provide a representative sample of the entire marketplace. These nine insurer groups write just over 60% of the national homeowners insurance market, based on 2007 data. The market shares of the nine largest insurer groups range from 2.30% for the Citizens Property Insurance Corporation to 21.54% for the State Farm Group. Given these variables, the FTC should be careful to identify and recognize the differences in the individual company’s book of business and the differences in how each individual company uses credit-based insurance scores.

As part of ensuring a broad perspective of the entire marketplace is covered, the NAIC urges the FTC to focus not only on consumers that were ultimately issued homeowners policies, but to also focus on application data as well as consumers not issued homeowners policies. Through this broader review, the FTC will be able to make a more accurate determination regarding the impact of credit-based insurance scores. This broader review will include consumers who were denied coverage or priced out of the market because their credit scores resulted in very high premiums.

<b>EXECUTIVE HEADQUARTERS</b>	2301 McGee Street, Suite 800	Kansas City, MO 64108-2662	p   816 842 3600	f   816 783 8175
<b>GOVERNMENT RELATIONS</b>	444 N. Capitol Street, NW, Suite 701	Washington, DC 20001-1509	p   202 471 3990	f   202 471 3972
<b>SECURITIES VALUATION OFFICE</b>	48 Wall Street, 6th Floor	New York, NY 10005-2906	p   212 398 9000	f   212 382 4207

Regarding specific data elements of the study, the NAIC is pleased to see a reference to the collection of “occupation” and “education” in data element 7t. The NAIC has seen an increased use of occupation and education ratings, which may share the same characteristics of credit-based insurance scores. The NAIC also suggests appropriate address and zip code information be collected to identify the impact credit-based insurance scores have on Native Americans. State insurance regulators are particularly sensitive to rating factors that are highly correlated with race, ethnicity, religious background or income level. As such, the FTC should seek to answer the question of whether there is a relationship between credit scoring and race/ethnicity/income and whether this relationship is strong enough to prohibit its use. Finally, our members recognize there are distinct differences in the Mobile Home market in comparison to the traditional Homeowners market and therefore we ask the FTC to give due consideration to adding this data element to Section 7 – Risk Data.

As the recognized experts in insurance regulation with clear regulatory authority over insurance companies, state insurance regulators working through the NAIC are committed to offering their assistance to the FTC in the collection of data. The NAIC would also be willing to become a more active participant in the FTC study, such as serving in a formal peer review function if such structure is permitted under the guidelines of the FTC.

The NAIC appreciates the opportunity to comment, supports the FTC’s efforts and looks forward to having an ongoing dialogue with the FTC on this very important consumer protection issue. As we have noted in the past, many state legislatures have taken steps to address concerns about consumer protection issues in the area of credit-scoring.

If you have any questions, please do not hesitate to contact Tim Mullen, NAIC’s Director of Market Regulation, at 816-783-8260 or [tmullen@naic.org](mailto:tmullen@naic.org).

Very truly yours,

Sandy Praeger  
Kansas Insurance Commissioner  
NAIC President

Roger Sevigny  
New Hampshire Insurance Commissioner  
NAIC President-Elect

Jane Cline  
West Virginia Insurance Commissioner  
NAIC Vice President

Susan Voss  
Iowa Insurance Commissioner  
NAIC Secretary & Treasurer

Catherine J. Weatherford  
NAIC Executive Vice President & CEO