

Congress of the United States
Washington, DC 20515

FEDERAL TRADE COMMISSION

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CONG. CORRES. BRANCH

June 16, 2008

Honorable William E. Kovacic
Chairman
Federal Trade Commission
600 Pennsylvania Avenue, N.W.
Washington D.C. 20580

Dear Mr. Chairman:

We are writing to express our concern regarding the Federal Trade Commission's decision to issue subpoenas to collect information from insurers to study the impact of credit-based insurance scores on homeowners' insurance.

In the Fair and Accurate Credit Transactions Act (FACT Act), Congress directed the Commission to study the effects of using credit scores on the availability of automobile and homeowners insurance. In its July 2007 report on auto insurance, the Commission found that credit-based insurance scores are effective predictors of risk and thereby assure that consumers pay premiums that more closely correlate insurance prices with insurance risk. The Commission is now beginning its study of homeowners' insurance and determining how to best collect the necessary information.

At the Financial Services Oversight and Investigations Subcommittee hearings on May 21, 2008 and October 2, 2007, the Commission stated that it had received full cooperation from the insurance industry for the study. The Commission also confirmed in its testimony that it was satisfied with the reliability of the data used for the study. Yet, the Commission has decided to take the unusual step of issuing subpoenas to demand information from insurers for the study on homeowners' insurance due to an alleged "perception" issue.


We have serious concerns as to whether the Commission has the authority for such action under section 215 of the FACT Act and section 6 of the FTC Act, and we are concerned that a mandate would involve the Commission and the industry in lengthy and costly legal battles that would further delay the homeowners' insurance study. While the Commission testified at last month's hearing that the compulsory process was routine, we are unaware of this procedure being customary under the FACT Act.

In addition, in more recent discussions with the FTC, we have learned that the extensive automobile study has already cost taxpayers millions of dollars and that a compulsory request for data from insurers for the homeowners' study could cost taxpayers as much as double or even triple the amount of the first study.


With these concerns in mind, we would strongly urge the Commission to exhaust all other alternatives for gathering data in the homeowners' insurance study before attempting a compulsory process.

Thank you for your consideration in this important matter. We look forward to your response.


Sincerely,


Member of Congress

Dan Boren
Member of Congress


Member of Congress

Ron Paul
Member of Congress


Member of Congress

Kevin McCarthy
Member of Congress