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National Association of Insurance Commissioners that we, as regulators, are most worried about in terms of af

Those are the two areas that I promote. I immediate family member, death of a spouse, child or parent, divorce or involuntary interruption of legally owed alimony or support payments. If you are a spouse, ex-spouse, and your situation makes it difficult, following a divorce, for you to support yourself, this also relates to child-support payments that you may no longer be getting because your ex-spouse is a victim of the economic crisis. This has a wide-reach: identity theft, temporary loss of employment for a period of three months or more if it results from involuntary termination. This covers the autoworkers that have been laid workers, the GM and Chrysler dealerships; military deployment overseas and there is a catch-all category for insurance companies to consider extraordinary events they deem appropriate.

I should say that when you try to craft language that appropriately encompasses people who are real victims, who are not suffering as a result of their poor financial decisions, but are victims. It is extraordinarily difficult to do that without letting irresponsible people through the same door. The extraordinary events that are listed do touch people who are victims, but to try to craft out and give time frames, for instance, when the economic crisis really hit in this country, when your credit deteriorated, when you actually play that out, it is very difficult to do something that really works.

The amendment states that the insurance company has to give an exception, but it may require that the consumer prove that the extraordinary event happened. It may require that the event had a direct impact. It says that an insurance company may require that the consumer asks for the pass within sixty days of the renewal or the request for coverage. It says that an insurance company doesn't have to require that the request is made in writing. For instance, if you go to your insurance agent and talk about how bad your situation is, it is possible that the agent can go to the insurance company and ask for help. It also

George Bradner (CT): Most companies in most states use credit when they write new business. So that score is used to price that risk. So if nothing is done at renewal, that price that was established at the new business writing will continue to go forward, unless the insured request a new score be generated because it is going to benefit them.

Director McRaith: How many states have adopted NCOIL model?

Ms. Thorson: Twenty-six.

Director McRaith: So in the other states, Maryland and California is another, how many states don't have any regulation at all on the use of credit scores? Do we know that?

Ms. Thorson: I don't know

Commissioner Ario: Most states have something.

Director McRaith: How many states have, I think Illinois is one that has adopted the extraordinary circumstances provision.

Ms. Thorson: Yes it is. I should mention that when NCOIL first adopted the model law, there were two legislators that really increasing. There are other questions that go along with uninsured issue as well, such as what role does compulsory auto insurance play in that? Those kind of questions are also part of the answer too, I don't think that you can just be about scoring and that there is an increase, therefore, there is a direct correlation with an increase in people who are uninsured. We just don't see it. It is a fair question on what happens to those individuals if people are displaced?

Dave Snyder (AIA): Let me add to what Mr. Alldredge said. There was some testimony from an actuary from an insurance company that said that about 90% of their policy holders either pay less or were unaffected as result of their going to credit scoring. That is in your summary. In addition, we included in written materials included for that hearing, an example from a major national company about the percentages of people that would see increases and what those increases would be. For example, drivers 60 years or older, about 80% of them would see an increase if you ban credit scoring and the increase would be 8-10% for them. There is significant data regarding the cost shifting that would occur with subsidies being paid by better

Then the other issue that recently came to my attention, and I would like verification. If you have individuals who have credit cards and pay those credit cards off each month, I am told that

Commissioner Kreidler: Mr. Alldredge just testified that seniors that have no credit generally have a much better credit profile than younger people who have no credit history. But it is absolutely clear under the NCOIL model that the seniors can be treated exactly like the young people, so they do not get credit in the model for having good loss predictive value. Correct?

Mr. Bumell: I believe that is correct. But when we talk about seniors, they generally have a lower losses than the younger folks with the same no hit or thin file.

Commissioner Ario: I'm trying to make a point that when you say they get a neutral score that is an adverse thing for them on how they should fit into the spectrum. You are right companies don't have to do it, but if they do it neutrally or lump everyone together, then it has an adverse affect on the seniors.

Mr. Alldredge: I would remind everyone that the insurance score is one piece of the whole underwriting puzzle, so it is only one factor.

Joel Laucher (CA): On that last comment that you just made, I think that we need a little more discussion on the NCOIL on the component that says you can't take an adverse action based solely on the credit score component. I think that is major item to discuss. When there are ten underwriting components that a company considers, any single one of them can end up causing the adverse action, including credit score, because it can be the only one out of line.

A question for the industry, which is impacted negatively? We are hearing the positive, is the burden of the 90% falling on some of the population, what is the range of the negative impact and who is that burden falling on?

Mr. Snyder: The negative is falling on the worst-risk policyholders. Because the use of credit is a way to predict risk and the likelihood of filing a claim. The economic effects fall on those who are the worst risks under cost-based pricing. The issue of

Mr. Snyder: Yes, we can bring in individual companies and work with you to understand that.

Commissioner Holland: In many respects it is rather an intractable situation because most people don't want to pay for someone else's risk. I appreciate the fact that we have to get to pricing and actually realistically, is reflective of an individual's risk. The challenge, however, is the extent as we ha