



News Release

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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States, Industry Reach Agreement on Credit Scoring Study

KANSAS CITY, Mo. (August 4, 2004) – An agreement was reached today between states involved in an ongoing credit scoring study and the major associations representing the property and casualty insurance industry, with the states deciding to suspend their “multi-state study” in exchange for the industry agreeing to provide data and to support the collaboration between state and federal regulators on a Congressionally-mandated study on the same topic. Under the agreement, the officers of the National Association of Insurance Commissioners (NAIC) will appoint a five-member state panel to work with the Federal Trade Commission (FTC) and the Federal Reserve Board to analyze industry data and make findings as to the actuarial validity of credit scoring and its impact on various demographic groups.

“This is a win-win proposition for consumers and the industry,” said Scott B. Lakin, director of insurance in Missouri, the lead state in what was the multi-state study. “Independent researchers will have access to the data needed to answer the important questions that state insurance officials have been asking about the effect of credit scoring on consumers, and the industry can keep its administrative burdens to a minimum.”

Noting that federal regulators would retain the data collected and have final responsibility for the findings reported back to Congress, Lakin said he was confident that the collaborative effort would be successful. “If not,” he added, “the states have reserved the right to renew our multi-state study.”

“I’m pleased that the NAIC leadership can play a role in bringing the parties together on a contentious issue such as credit scoring,” observed Joel Ario, insurance administrator in Oregon and secretary-treasurer of the NAIC. “We look forward to implementing this agreement by appointing a fair and balanced panel of state regulators to work with the FTC.”

The FTC study is being designed pursuant to Section 215 of the Fair and Accurate Credit Transactions Act. The Act calls for a final report to Congress by December 2005.

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