

June 19, 2009

Mr. Eric Nordman
National Association of Insurance Commissioners
Joint Property and Casualty Insurance (C) Committee and Market Regulation and Consumer Affairs (D)
Committee

Re: Follow-up information – insurance scoring

Dear Eric:

I am writing to you on behalf of LexisNexis to provide follow-up information to questions that were raised concerning insurance scoring at the joint meeting of the Property and Casualty Insurance (C) Committee and Market Regulation and Consumer Affairs (D) Committee at the recent NAIC meeting in Minneapolis.

Since 1997, LexisNexis has been a leading provider of decision-making technology and information that helps reduce fraud and mitigate risk. LexisNexis provides information, identification, verification, and fraud prevention tools to business, government, and law enforcement customers. Specifically, LexisNexis is a market leading provider of comprehensive risk assessment information to the property and casualty insurance market, including credit information utilized in our modeling services.

LexisNexis appreciates the opportunity to provide the below information, and welcomes the continued opportunity to work with NAIC on this issue.

1. **No Hits / Thin Files**

The “no hit/thin file” terminology is used to denote when a particular consumer has no credit data or insufficient credit data from which an insurance score can be developed, or when the credit bureau is otherwise unable to return a credit file on the particular consumer, such as when there is incorrect or unavailable matching criteria on the consumer, such as SSN or date of birth.

From the LexisNexis perspective, this is statistically an infrequent occurrence that occurs on a small percentage basis. Additionally, carrier’s have the ability to switch to an alternative bureau for no hits which also greatly reduces the no hit volume.

Notwithstanding, in such a situation, Lexis returns to the agent/carrier a message that there is no report on file or insufficient data to score.

At this juncture, how a carrier underwrites the consumer is largely, if not exclusively, dictated by the relevant and controlling state regulation and/or statutory law. As you may be aware, under the NCOIL model that is largely in place throughout the 50 states by statute or regulation, a “no hit/thin file” consumer is to be treated neutrally, or pursuant to the submitted insurer filing as approved by the insurance commissioner. Below is the relevant language from the NCOIL model:

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E. Consider an absence of credit information or an inability to calculate an insurance score in underwriting or rating personal insurance, unless the insurer does one of the following:

- 1. Treat the consumer as otherwise approved by the Insurance Commissioner/Supervisor/Director, if the insurer presents information that such an absence or inability relates to the risk for the insurer.*
- 2. Treat the consumer as if the applicant or insured had neutral credit information, as defined by the insurer.*
- 3. Exclude the use of credit information as a factor and use only other underwriting criteria.*

2. Payment on Revolving Accounts

A question was presented on the effect of complete balance payment on revolving accounts. Under the LexisNexis models, payment on revolving accounts, including paying off total account balances on a monthly basis, has no detrimental result on a consumer's insurance score. To the contrary, such an occurrence lowers existing account balances and debt ratios, which would reflect positively on insurance score calculation. Similarly, paying off monthly balances by result eliminates any potential delinquencies on the account, which would also reflect positively on score calculation. The consumer caution would be to not close out all revolving accounts, which eliminates a consumer's positive credit history.

Thank you for this opportunity to provide our additional comments. Please do not hesitate to contact me if I can be of further assistance. I can be reached at 678-694-3383 during the day, and by email at Jon.Burton@LexisNexis.com.

Sincerely,

Jon Burton, Senior Director
State Government Relations