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| [July 27, 2009](#) ~~[June 23, 2009](#)~~

Via E-mail to enordman@naic.org

Mr. Eric Nordman
National Association of Insurance Commissioners
2301 McGee Street, Suite 800
Kansas City, MO 64108

*re: Followup to Insurance Scoring Questions by Commissioner Sharon Clark (KY) from 6/15/09
Joint Meeting of Property and Casualty Insurance (C) Committee and Market Regulation and
Consumer Affairs (D) Committee*

Dear Mr. Nordman:

This comment letter is submitted on behalf of TransUnion LLC ("TransUnion") in response to the captioned matter.

By way of background, TransUnion is a Delaware limited liability company that operates as a consumer reporting agency ("CRA") as that term is defined under the Fair Credit Reporting Act ("FCRA"). As a provider of the credit information used by insurers, we combine our data with insurer's client information to create insurance risk models that match insurance underwriting strategies. Our data solutions provide transparency at all levels of the insurance policy cycle, which leads to stronger, more valuable relationships. Through a broad range of consumer data and comprehensive analytics, we help insurers establish prices fairly, manage risk effectively and maintain the loyalty of policyholders.

TransUnion responds to two questions asked by Kentucky Insurance Commissioner Sharon Clark: 1) How are no-hits/thin files are treated when scoring and 2) Are consumers that pay off their credit cards each month treated more negatively than consumers that revolve their credit card balance each month?

How are no hit/thin files treated when scoring?

A "no hit" file is simply our response to an inquiry from an insurance company indicating our inability to locate information and to return a credit report on the individual subject of their inquiry. This occurs because the individual has no previous credit history with us or incorrect or insufficient information about the individual was given to us by the insurer. If TransUnion cannot return a credit report on the individual, then we cannot generate a score for the individual. As a result, TransUnion does not provide a score on a "no-hit".

In general, “thin files” are consumer reports with sparse information about the consumer that information is requested upon. It is important to point out that there is no standard industry definition as to what constitutes a thin file. TransUnion credit and insurance scoring models can apply scores for many “thin files”. The term “thin file” is often inappropriately confused with “unscorable” credit reports. An unscorable credit report occurs when a query from an insurance company to a consumer reporting agency to return an individual’s score does not contain the minimum scoring criteria to calculate a valid predictive score. For TransUnion Insurance Risk Scores, the minimum scoring criteria is that the consumer not be deceased and have at least one tradeline (such as mortgage, auto loan, bankcard, etc.), public record, or collection. Guidance for the treatment of thin credit files (insufficient credit information available to calculate a score) is provided in the NCOIL Model Act and as adopted by all states with NCOIL Model Act language in their statutes. If there is insufficient data, insurers shall: 1) not consider credit information; or 2) treat the consumer as if he or she had a neutral insurance score; or 3) treat as otherwise approved by the state insurance agency.

Are consumers that pay off their credit cards each month treated more negatively than consumers that revolve their credit card balance each month?

While account condition (open or closed), pay status (60 days late, 30 days late, or charge off, for example), date account opened, date reported, balance and limit, payment and terms, high balance, and past due are tradeline fields on a consumer credit report, currently there is not a distinction in credit information reported to consumer reporting agencies between an individual that pays off his or her account in full each month or an individual that revolves a balance. Each tradeline that is reported to a consumer reporting agency from a data furnisher may show a specific balance (such as \$0 or say \$1000) but the credit file does not distinguish between \$0 balance as an account being paid in full each month, or if that is a tradeline that has not seen activity during the previous reporting time period. Because TransUnion does not report this type of information, there is no more negative or positive treatment in our scoring models for paying off or revolving their credit card balance each month. TransUnion Insurance Risk Models do not take this aspect of credit behavior into consideration, and thus is not included in our scores.

We hope you find our responses educational, and as representational of our commitment to be transparent in credit-based insurance scoring so agents, and prospective and current policy holders will have an understanding of the items impacting the score and how they may be improved. Please feel free to contact us with any questions.

Sincerely,

Eric Rosenberg