

State of Idaho
DEPARTMENT OF INSURANCE

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DATE: November 12, 2008

TO: Property and Casualty Insurers and Producers writing Property and Casualty Business in Idaho

FROM: William W. Deal, Director

SUBJECT: Use of Credit Related Scores for Insurance Purposes

The recent downturn in the U.S. economy has affected the finances of many Idaho households. For some, the result has been declines in credit related scores used by insurers for rating and underwriting purposes. In many cases these declines have been brought about by events outside the control of the insureds. During this difficult period, the Department is strongly encouraging insurers to be fair and reasonable in their use of credit related information. Insurers should carefully review their use of credit related information to make certain they are in compliance with Idaho's laws and rules governing the use of credit history for insurance purposes. These requirements are summarized below.

Idaho Code § 41-1843 prohibits an insurer from charging a higher premium rate, canceling, nonrenewing or declining to offer a property or casualty policy based primarily on an individual's credit rating or credit history. For purposes of that section, a rating or underwriting decision is considered to be "based primarily" on credit history if the weight given to an individual's credit based score exceeds the weight given by the insurer to all other criteria considered in making the decision to charge a higher premium or to cancel, nonrenew or decline coverage.

Department of Insurance Rule 19 (IDAPA 18.01.19) provides additional guidance on the application of Section 41-1843 credit scoring limitations. Under Rule 19, an insurer that cancels, nonrenews, or declines to issue a policy, or imposes a rate increase based in any part on the insured's credit record must be able to demonstrate to the satisfaction of the Department of Insurance that the insurer also relied on non-credit related factors and that the non-credit related factors played at least as great a role in the decision as did any credit related factors. **Under no circumstances may an insurer cancel, nonrenew, decline to issue or increase the premium rate for a property or casualty policy in Idaho based solely or primarily on the insured's credit information.**

Any complaints received by the Department relating to the use of credit history will be carefully scrutinized, and Idaho's laws and rules governing the use of credit information for insurance purposes will be strictly enforced.