


BULLETIN NUMBER 2002 - 04

(Issued upon May 24, 2002)

To: Property and Casualty Insurers

From: Ernst N. Csiszar 
Director

Subject: Credit Scoring and Private Passenger Automobile Insurance

SCOPE AND EFFECTIVE DATE

This bulletin applies to the rating, underwriting, cancellation or renewal of any policy of automobile insurance covering an individual private passenger automobile, as defined in Section 38-77-30, South Carolina Code of Laws.

The effective date for this bulletin is January 1, 2003.

PROHIBITED USES

An insurer shall not:

- a. Refuse to insure, cancel, or non-renew a policy based solely on an insured's credit history or credit score, without consideration of any other underwriting criteria. Offering to write a policy by an affiliated insurer or within a different tier of the same insurer with continuous coverage shall not constitute a refusal to insure, cancellation or non-renewal within the terms of this bulletin.
- b. Refuse to insure, cancel, or non-renew a policy based solely on an insured's credit history or credit score that the insurer knows is inaccurate or incomplete. Information contained in a credit report shall not be considered inaccurate or incomplete because an insured has protested that information unless the credit reporting agency finds that the information is inaccurate or incomplete.
- c. Use credit history or a credit score for any arbitrary, capricious, or unfairly discriminatory reason.

ACTUARIAL JUSTIFICATION AND USE

A filing that includes credit scoring must include loss experience justifying the applicable surcharge or credit. The justification may consist of an exhibit demonstrating the relationship between credit score and the loss experience. When an insurer is unable to obtain sufficient information to evaluate a

consumer's credit history or to calculate a consumer's credit score, the insurer underwriting the risk shall have the option of doing one of the following:

1. Treating the consumer as otherwise filed, if the insurer demonstrates that having no credit score is related to the risk of insurance,
2. Treating the consumer as if the applicant or insured had a neutral credit history or credit score, as defined by the insurer, or
3. Excluding the use of credit as a factor and using only other underwriting criteria.

PROPRIETARY INFORMATION

A filer may request that its credit score data be kept proprietary as a commercially valuable trade secret and designate parts of its filings accordingly. The Department, absent court order, will not release information that is filed on a proprietary basis. Any proprietary information shall be submitted under separate cover and must clearly state the desires of the party filing the information as to its confidentiality.

RECHECKING OF CREDIT SCORES

An insurer has the option of checking or rechecking an insured's credit history or credit score prior to renewal. An insured may request that the credit score be rechecked no more than once annually and the request shall be in writing.

INACCURATE CREDIT REPORTS

The federal Fair Credit Reporting Act establishes a mechanism through which disputed information is investigated and corrected. In the event of a dispute by the insured, the insurer will provide the name, telephone number and address of the information provider to the insured. If it is determined by the re-underwriting that the consumer has overpaid the premium, the insurer shall refund to the consumer the amount of the overpayment of premium. Such payment shall be calculated back to the shorter of the last twelve months of coverage or the actual period of coverage.

DISCLOSURE

The insurer should disclose at the time an insurance application is taken that it may/will gather credit information in connection with such application and in the future. The disclosure shall be either written or provided to an applicant in the same medium as the application for insurance. The insurer need not provide the disclosure to any insured on a renewal policy, if such consumer has previously been provided a disclosure. A disclosure by one insurer of a group of affiliated insurers shall be considered a disclosure for all members of the group.

CONTACT INFORMATION

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