Comments of Birny Birnbaum on behalf of
The Center for Economic Justice on

Proposed Amendments to WAC Chapter 284-24A
Rules That Apply To Insurers That Use Credit History
For Personal Insurance Underwriting or Rating

December 16, 2004

The Center for Economic Justice applauds Commissioner Kreidler for moving forward with a regulation to require insurers to provide meaningful information to consumers who are the victims of insurers' use of consumer credit information.

The insurers' opposition to your proposed rule is part of a decade-long pattern by insurers of hiding their credit scoring practices from regulators and the public. We are always amazed at the bitter resistance of insurers to informing consumers about their use of credit scoring. Their reaction to this modest and reasonable rule is no exception.

The fact is that current information provided to consumers about insurance credit scoring provides little assistance to consumers in either understanding how credit scoring is used or whether there has been an error by the insurer in the process.

Insurers claim time and again that consumer embrace credit scoring and that there are few complaints from consumers. It is easily shown that these claims are lies. If consumers are so accepting of credit scoring, why is that not one single insurer advertises its use of credit scoring? Allstate and Progressive – the most intensive users of consumer credit information – advertise discounts for safe drivers, but never try to solicit customers by advertising a discount for a good credit score.

The recent broker fee scandal uncovered by New York Attorney General Spitzer lays waste to the claim about consumer complaints. Mr. Spitzer found widespread big rigging in what was supposed to be the most competitive of insurance markets. Despite the involvement of many insurers, brokers and commercial buyers, there was not one complaint. Clearly, market conduct abuse can – and does – occur in the absence of consumer complaints.

The fact is that insurers' use of credit scoring is still a black box, still inherently unfair and contrary to the public policy goals for insurance. The reason that insurers continue to resist disclosure of the models and the factors in those models is that once policy makers and the public see inside the black box, it becomes obvious that credit scoring has nothing to do with financial responsibility and everything to do with financial status.

We won a small battle in Texas in 2003 when the Texas Legislature required insurers to file their credit scoring models with the Department of Insurance and declared those models to be public information. I am including a few of the models filed in Texas with my testimony placed into the public record so the people of Washington State can see what factors are actually in the model and can see that paying bills on time has far less importance that economic status.

We urge you to reject the sham arguments by insurers that somehow consumers will not benefit from learning what information in their credit report caused them to receive a lower credit score and higher rates. This is the same industry that did not want to let regulators see credit scoring models for years and only agreed to do so when their use of credit scoring was threatened. These are the same credit scoring vendors who fought against allowing consumers to see their own credit scores because it would "confuse" the consumer – and then turned around and started selling the scores to consumers. When you hear insurers argue that additional information will confuse or mislead consumers, you know the insurers are desperate to hide what they are doing. According to insurers, consumers have no problem understanding the intricate legal nuances of a lengthy insurance contract, but would somehow encounter brain lock if they knew what information in their credit history was being used against them. Such arguments should be summarily dismissed.

We also urge you to reject the argument that the proposed amendments require insurers to get into "the credit counseling business." This is truly twisted logic. Somehow it is okay for an insurer to rely on a consumer's credit information to underwrite and/or rate the consumer's personal lines insurance policies, but to require the insurer to explain how it used that credit information goes too far? The proposed amendments have nothing to do with credit counseling and everything to do with insurers taking responsibility for their decision to use consumer credit information. End of story.

We ask you not to allow insurers to hide behind third party vendors to evade their responsibility to inform consumers of their (insurers') use of credit information. Some insurers have argued that they cannot provide the necessary information to consumers because they rely on models produced by third party vendors and on third party vendors to pull the credit information and calculate the insurance scores. It is simply unacceptable for insurers to use third party vendors to hide activities that the insurer could not hide if it carried out the same activity itself. The simple fact is that it is insurers who use the credit information and it is insurers who are responsible for meeting the requirements of state and federal law regarding the use of consumer credit information in underwriting insurance. If the third party vendors of scoring models and score calculations have put insurers into a difficult position to comply with state law, then the third party vendors need to help the insurers out. This is precisely what scoring model vendors Fair Isaac and ChoicePoint have done by creating and filing scoring models tailored to the specific requirements of each state.

Suggestions for Proposed Rule

We start with section 24A-010 because it contains the most important changes. The purpose of these changes is to require insurers to provide more meaningful disclosure to consumers about the specific information in the consumer's credit report (or absence of information) that caused the adverse action. We suggest the following changes, noted in bold underline. The proposed amendment is shown in strikethrough and regular underline:

WAC 284-24A-010 What must an insurer tell a consumer when it takes an adverse action?

(1) An insurer must tell a consumer about significant factors that adversely affect the consumer's credit history or insurance score. As many as four factors may be needed to explain the adverse action.

(2) An insurer must explain what significant factors led to an adverse action in clear and simple language. The explanation must provide the consumer the reason(s) that their credit history has adversely affected their:

(a) Eligibility for insurance;

(b) Terms of coverage, including payment plan eligibility; or

(c) Ability to buy insurance at the lowest premium or rate.

(3) ((An insurer may choose to tell consumers which factors positively affect a consumer's credit history or insurance score.)) The insurer is responsible for making sure that the reason(s) an adverse action occurred is written in clear and simple language, even if the reason(s) is provided to the insurer by a vendor. **An insurer shall identify each of the three categories of adverse action in (2) that occurred. An insurer shall identify the three most important factors, in descending order of importance, preventing a consumer from receiving a more favorable insurance score. For purposes of this disclosure, "important" means the greatest contribution to a less favorable score or evaluation for the consumer. The factors shall be identified with sufficient specificity that a consumer can identify the factors on a standard credit report. In addition, when providing the three most important factors to the consumer, the insurer shall provide both the value for that factor used by the insurer in calculating the consumer's insurance score and the optimal value for the particular factor in the scoring model used.**

Discussion:

Insurers take adverse actions in ways other than denying coverage and/or charging a higher rate. An adverse action occurs when an insurer fails to offer the most favorable terms of coverage, including requirements for higher deductibles or lower amounts of coverage or ineligibility for certain endorsements. An adverse action also occurs when an insurer denies a consumer the most favorable payment plan option. This is a particularly critical issue for insurance availability for low income consumers. Consequently, we suggest adding the third type of adverse action in section 2.

We believe that insurers need more specific guidance about how to present information to consumers such that consumers will comprehend the information. Our proposed language sets out that specific guidance – ability of the consumer to identify the relevant factor or information on a standard credit report and providing the consumer with the value of that factor used by insurer compared to the optimal value of the factor in the scoring model. This is very similar to the approach used by Progressive at one point, as shown in Attachment 1. And as the examples of models used in Texas show, found in Attachment 2, each model has an optimal value for each factor used.

We suggest the <u>elimination of proposed new section 24A-011</u> in favor of our proposed language for section 24A-10. Insurers should be in the position of providing facts to consumers and not self-serving spin. Consumers can have no confidence in an insurers' explanation of how to improve a credit score or in industry-sponsored and paid-for studies that justify insurers' use of credit scoring.

We also suggest <u>elimination of proposed new section 24A-012</u> in favor of our proposed language for section 24A-10. Our proposed language for 24A-10 provides an affirmative standard for insurers that will accomplish the intent of proposed 24A-12. Proposed 24A-012 is problematic because it does not provide an affirmative standard.

In <u>Section 24A-005</u>, we <u>oppose the deletion of ZIP Code as a demographic factor</u>. Since insurers do not maintain socio-economic characteristics of consumers in their policyholder data files, any analysis of the impact of credit scoring on certain geographic area and protected classes of consumers must find a way to merge socio-economic data to the insurance data. This is typically done by using the average or median socio-economic characteristics of a geographic area for the policyholders in that geographic area. For such an analysis, a smaller the geographic area is better. As a geographic area grows in size, the similarity or homogeneity of the socio-economic characteristics of the residents of the area decreases. In addition, with smaller geographic areas, the number of data points for the analysis grows, which leads to a more robust statistical analysis. The bottom line is that ZIP Code is clearly needed. In the lending arena, demographic data is collected and analyzed at the Census Tract level. We suggest the following language:

WAC 284-24A-005 What definitions are important to these rules? "Demographic factors" means the factors listed below if they are used in an insurer's rates, rating tiers, rating factors, rating rules or risk classification plan:
_ Age of the insured;
_ Sex of the insured;
_ The rating territory assigned to the <u style="color:red">property location</u><s style="color:red">insured's primary home address</s> <u style="color:red">for residential property insurance and to the vehicle's garage location for personal auto insurance</u>; and
_ The <u style="color:red">ZIP</u><s style="color:red">zip</s> <u style="color:red">C</u><s style="color:red">c</s>ode <u style="color:red">location of the insured property for residential property insurance and of the vehicle garage for personal auto insurance.</u><s style="color:red">assigned to the insured's primary home address.</s>

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We also suggest that the multi-variate analysis required of insurers also use geographic location at the ZIP Code level in addition to or in lieu of using rating territory as the geographic location factor. Since many or most insurers are already using ZIP Code data to craft their rating territories, the use of ZIP Code in the required multi-variate analysis will not only provide a more robust analysis of the relationship of credit scoring to expected losses but will also demonstrate the reasonableness of rating territories used by insurers. Consequently, in section 24A-050, we suggest that (a)(ii) and (b)(iv) be changed to create two separate items – Rating territory and ZIP Code

For example, (a) would change to
(i) ((Credit history;)) Insurance score;
(ii) Rating tTerritory and/or location;
(iii) ZIP Code
(iv) Protection class;

We support the addition of new sections 24A-032 and 24A-033. These new sections do an excellent job of clarifying the difference between information that is confidential and information that is public.

Finally, we urge the deletion of the following sentence in question 6 of section 24A-065:

"The law does not restrict use of ratios that determine whether an insured is over-extended due to actual debt."

The use of ratios in scoring models has no relationship to being "over-extended." The development of a credit scoring model is a data mining exercise and is not based on any theory relating credit characteristics to expected losses. This phrase should be eliminated because it implies some problem of the consumer when none may or is likely to exist. This phrase inadvertently buys into the insurer strategy of blaming the victim of credit scoring.

Qualifications of Birny Birnbaum

Birny Birnbaum is a consulting economist whose work focuses on community development, economic development and insurance issues. Birny has served as an expert witness on a variety of economic and actuarial insurance issues in California, New York, Texas and other states. Birny serves as an economic adviser to and Executive Director for the Center for Economic Justice, a Texas non-profit organization, whose mission is to advocate on behalf on low-income consumers on issues of availability, affordability, accessibility of basic goods and services, such as utilities, credit and insurance. Birny has authored reports on insurance markets, insurance credit scoring, insurance redlining and credit insurance abuses for CEJ and other organizations. Birny serves on the NAIC Consumer Board of Trustees.

Birny has worked on insurance credit scoring issues for 13 years as both an insurance regulator and consumer advocate. Birny has recently authored a report on insurance credit scoring for the Ohio Civil Rights Commission and served on the Florida Insurance Commissioner's Task Force on Credit Scoring.

Birny served for three years as Associate Commissioner for Policy and Research and the Chief Economist at the Texas Department of Insurance. At the Department, Birny provided technical and policy advice to the Commissioner of Insurance and performed policy research and analysis for the Department on a variety of topics. His particular areas of insurance expertise include:

- Homeowners and Automobile Insurance Availability and Affordability
- Evaluation of Underwriting and Rating Factors, including Credit Scoring
- Data Strategy, Collection and Analysis
- Analysis of Insurance Markets and Availability
- Review of Rate Filings and Rate Analysis
- Loss Prevention/Cost Drivers
- Regulatory Policy and Implementation

Prior to coming to the Department, Birny was the Chief Economist at the Office of Public Insurance Counsel (OPIC), working on a variety of insurance issues. OPIC is a Texas State agency whose mission is to advocate on behalf of insurance consumers. Prior to OPIC, Birny was a consulting economist working on community and economic development projects. Birny also worked as business and financial analyst for the Port Authority of New York and New Jersey. Birny was educated at Bowdoin College and the Massachusetts Institute of Technology.

Personal insurance credit inquiry for John Doe

PROGRESSIVE ®

With your permission, Progressive reviews selected information from your credit history when you request a quote for insurance. Your rate is based on many factors: the car you drive, where you live, the amount and type of coverage you select, your driving and claims history, and your payment and credit history.

	You	Average
Experience you have with managing credit		
Months you have managed credit	48 Months	96 Months
Age at which you first established credit	16	21
Number of times a payment was past due more than 30 days	4	1
Current payment status of installment loans and revolving accounts		
Number of loans and accounts with a satisfactory current payment record	2	5
Number of credit card accounts currently past due more than 30 days	0	0
Use of available credit		
Percent of available credit limit currently being used on revolving accounts	88%	35%
Percent of available credit limit currently being used on all open accounts	70%	56%
Months since your most recent auto loan was made	12 Months	4 Months
Credit inquiries you initiated in the past 25 months	5	4
Insurance Credit Score	116	100

Your payment and credit history information was obtained from Experian. More detailed information can only be obtained by you by calling Experian at 1-888-397-3742. You may order a copy of your credit report free of charge.

Definitions

Installment loans have fixed terms with regular payments, such as a car loan, home loan, student loan, or personal loan. Revolving accounts have varying payments depending on the balance of the account. This includes all major credit cards and cards from department stores.

Personal insurance credit inquiry for John Doe

How your insurance credit score is determined

A lower score is better, as it indicates that you have carefully and consistently managed credit over many years. Consumers who use credit responsibly are statistically less likely to be involved in auto accidents and may be eligible for lower rates. To determine your insurance credit score, we subtract points for items that are better than average and add points for items that are worse than average.

Every consumer starts with the same number of points	**100**
Items better than average:	
First established credit at age 16	-10
12 months since last auto loan was made	-7
Total of all better than average items	**-17**
Items worse than average:	
Managed credit for 48 months	18
2 loans and accounts that are current	8
88% of available credit in use	4
5 credit inquiries in the past 25 months	3
Total of all worse than average items	**33**
Your insurance credit score =	**116**
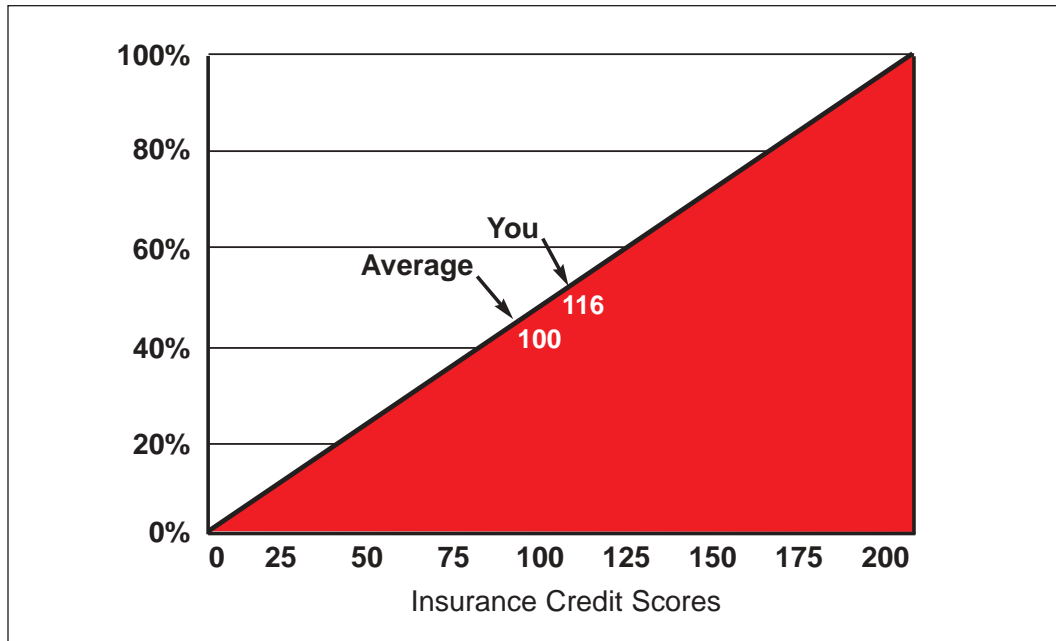
Consumers who received a quote from Progressive in the past 6 months had an average insurance credit score of 100.

Your insurance credit score is 116 and is lower than 44% of consumers who received a quote from Progressive in the past 6 months, but is higher than the average.

How Insurance Credit Scoring Models Really Work

A Review by TexasWatch of Credit Scoring Models Filed in Texas

Insurance companies claim they possess formulas that draw a cause-and-effect link between credit scores and driving risk or the likelihood that you will file a claim if hail damages your roof. Now that these formulas are available for public inspection, and a quick review raises serious questions about how the criteria can be tied to driving risk. Many criteria are contradictory, others penalize consumers who are simply using—not abusing—credit, and none are appropriate predictors of driving skill or risk.

The list below offers some examples of real credit scoring criteria used by some insurance companies to determine policyholder eligibility and rates for home and auto insurance. Various insurance companies use these criteria in varying weights and levels of importance.

Sample Credit Scoring Model Key	
+	Increases your credit score (favorable)
-	Decreases your credit score (unfavorable)
Increasing plus or minus signs indicate increasing magnitude	

Average number of months all accounts on file have been open		*You will be penalized until the average age of the accounts on your credit report reaches the arbitrary threshold chosen by your insurer.*
600 or more months	++	
400 to 599 months	+	
200 to 399 months	-	
0 to 199 months	--	
Number of accounts opened in the last year		*Newly opened accounts count against your insurance credit score—even if your payments are current. This criteria penalizes young credit holders, but also consumers who have recently moved.*
0 (no accounts opened)	+++	
1 to 2	+	
3 to 4	-	
5 to 7	--	
8 or more	---	

Age of oldest account in months		*This is a double penalty against new accounts, but it can also raise rates for a homeowner who pays off a 30-year mortgage and closes his or her oldest account.*
0 to 24 months	---	
25 to 72 months	--	
73 to 192 months	-	
193 to 312 months	+	
313 to 432 months	++	
433 months or more	+++	
Number of consumer initiated credit inquiries in last 2 years		*Consumers will take a hit every time they: get cell phone service, rent an apartment, shop for a mortgage, take out a car loan, apply for a credit card, take out a school loan, open a utility account, etc.*
0 (no inquiries in last 2 years)	+++	
1	++	
2	+	
3	-	
4	-	
5	--	
6 or more	---	
Number of credit card accounts open		*Each different credit scoring model has a "magic number" for how many credit cards you should have to lessen your insurance risk. Two to four credit cards is optimal in most models. If you have more or less than the arbitrarily chosen number, your insurance score will decrease.*
0 to 1	-	
2	++	
3	+++	
4	++	
5	-	
6 to 9	--	
10 or more	---	
Number of credit card accounts where balance is 75% or greater than limit		*Penalizes people who actually use the credit extended to them—even if their accounts are current or paid off every month.*
0	++	
1 to 2	+	
3 to 4	-	
5 or more	--	
Number of months since last account activity		*Penalizes consumers who DON'T use the credit extended to them. If a consumer doesn't make a charge or make payments, he or she takes a hit on their auto insurance credit score.*
0 (activity within last month)	+	
1 month	-	
2 months or more	--	

Number of installment loan accounts 0 1 2 or more	 + - --	*Installment loans are taken out from a bank and allow you to take possession of the property immediately while you pay back the loan in monthly installments (car loans for example). Having an open installment loan can hurt your credit score.*
Number of accounts in good standing with a balance 0 1 2 or more	 - + ++	*Clearly this factor can hurt people who have not paid their accounts as due, but it can also hurt people who choose not to carry balances on their accounts.*
Number of open retail store or sale finance accounts 0 1 2 or more	 + - --	*Insurance companies prefer bank loans. This criteria penalizes consumers who open accounts for furniture sales, department stores or other personal finance companies.*
Number of open automotive related accounts 0 1 2 or more	 + - --	*Penalizes consumers who gain financing through car dealers, auto parts stores, tire stores, or other automotive retailers.*
Number of open oil company accounts 0 1 2 or more	 - + +	*Penalizes consumers who do not have a gas company credit card.*
Number of public records (includes bankruptcies, liens, collections, etc.) 0 1 2 3 or more	 + - -- ---	*Not paying loans as agreed will hurt your credit score.*
Longest delinquency on an account No delinquencies 30 to 59 days late 60 to 89 days late 90 days or more	 + - -- ---	*Not paying loans as agreed will hurt your credit score.*

ChoicePoint Attract Standard Auto
Thick File (4 trades or more) Scorecard 1 Specifications

Description	Interval	Points
Constant		1.324190
Number of Consumer Initiated Inquiries in the Last 6 Months less Insurance Inquiries Auto & Mortgage de-dupped within 30 days	0	0.000000
	1	0.034436
	2	0.068872
	3	0.103308
	4 or more	0.194308
Number of Accounts Opened in the Last 24 Months	0	0.000000
	1	0.014649
	2	0.029298
	3	0.043947
	4	0.058596
	5	0.073245
	6 - 7	0.093573
	8 or more	0.144287
Worst Credit Rating Currently Reported	rate 0 or 1	0.022979
	rate 2, 3 or 4	0.057223
	rate 5	0.114895
	bad debt	0.137874
	no trades	0.000000
Number of Accounts with 30 Day Late Payments Reported in the Last 24 Months	0	0.000000
	1	0.035667
	2	0.071334
	3 or more	0.137461
Average Number of Months Bank Revolving Accounts have Been Opened	0 - 10	-0.000747
	11 - 21	-0.010830
	22 - 29	-0.016914
	30 - 36	-0.021817
	37 - 41	-0.025729
	42 - 46	-0.029010
	47 - 52	-0.032628
	53 - 57	-0.036245
	58 - 62	-0.039535
	63 - 67	-0.042818
	68 - 72	-0.046121
	73 - 78	-0.049712
	79 - 85	-0.053957
	86 - 93	-0.058909
	94 - 103	-0.064767
	104 - 116	-0.072174
	117 - 142	-0.084155
	143 or more	-0.121757
	no bank rev	-0.000747
	no trades	0.000000
Number of Department Store Accounts	1	0.013451
	2	0.026902
	3	0.040353
	4	0.053804
	5	0.067255
	6	0.080706
	7 or more	0.112573
	no trades	0.000000
Number of Department Store Accounts with a Balance 50% or more of High Credit/ Credit Limit	0	0.000000
	1	0.045929
	2 or more	0.110517
# of Sales Finance Accts with Current 60 Day Late Payments	0	0.000000
	1 or more	value*0.350166
Number of Retail Accounts	1	0.039345
	2	0.078690
	3 or more	0.150464
	no retail	0.000000

Description	Interval	Points
Number of Automotive Related Accounts that are Open	0	0.000000
	1 or more	0.075675
Number of Auto Finance Accts that are Open	0	0.000000
	1 or more	0.056152
Number of Oil Company Accounts	1 or more	0.000000
	no oil accts	0.128537
Average Debt Burden on Open Bank Revolving Accts (balance/credit limit)	0.0000 - 0.0027	0.000007
	0.0028 - 0.0193	0.001535
	0.0194 - 0.0415	0.004325
	0.0416 - 0.0721	0.008092
	0.0722 - 0.1139	0.013273
	0.1140 - 0.1697	0.020310
	0.1698 - 0.2407	0.029438
	0.2408 - 0.3259	0.040727
	0.3260 - 0.4232	0.053978
	0.4233 - 0.5295	0.068737
	0.5296 - 0.6435	0.084711
	0.6436 - 0.7561	0.101102
	0.7562 - 0.8582	0.116753
	0.8583 - 0.9374	0.129948
	0.9375 - 0.9934	0.139525
	0.9935 or more	0.162900
	no bank rev	0.000000
Average Debt Burden on Open Sales Finance Accts (balance/credit limit)	0.0000 - 0.5993	-0.001313
	0.5994 - 9.9992	-0.096070
	no sales fin	-0.001313
	no trades	0.000000
% of Bank Revolving Accounts that are Open to Total Number of Accounts that are Open	0.0000 - 0.1379	-0.003747
	0.1380 - 0.1600	-0.027352
	0.1601 - 0.1935	-0.032241
	0.1936 - 0.2424	-0.039383
	0.2425 - 0.2973	-0.049675
	0.2974 - 0.3226	-0.057539
	0.3227 - 0.3721	-0.063818
	0.3722 - 0.3939	-0.071483
	0.3940 - 0.4419	-0.077885
	0.4420 - 0.4878	-0.085659
	0.4879 - 0.5676	-0.095918
	0.5677 - 0.6585	-0.113325
	0.6586 - 0.7442	-0.128049
	0.7443 or more	-0.167558
	no bank rev	-0.003747
	no trades	0.000000

Score Calculation
Calculate score 1 for thick files by summing the points
assigned above and applying the transformation in the last step.
Use six decimal precision for all calculations.

Score Transformation
To Calculate Total Points:
TOTPTS = Sum of Assigned Points
To Calculate Thin File Score 1:
PREDSCR1 = exp (TOTPTS) - 1

Description	Interval	Points
ChoicePoint Attract Standard Auto Thick File (4 trades or more) Scorecard 2 Specifications		
Constant		412.620196
Number of Collection Items less Medical	0	0.000000
	1	-6.642567
	2 or more	-23.116004
Number of Consumer Initiated Inquiries with Finance Companies in the Last 24 Months Auto & Mortgage de-dupped within 30 days	1	-6.393131
	2	-12.786262
	3 - 4	-21.492533
	5 or more	-46.812203
	no inquiries	0.000000
Number of Open Accounts	0 - 1	7.865267
	2	20.207704
	3	30.311556
	4	40.415408
	5	50.519260
	6	60.623112
	7	70.726964
	8	80.830816
	9	90.934668
	10	101.038520
	11	111.142372
	12 - 13	125.567989
	14 or more	169.555266
Total Amount of Balances Owed on Open Accts	0 - 5	0.000015
	6 - 208	0.029245
	209 - 504	0.102230
	505 - 907	0.203407
	908 - 1435	0.338787
	1436 - 2102	0.513136
	2103 - 2913	0.729978
	2914 - 3862	0.985070
	3863 - 4964	1.285038
	4965 - 6212	1.626599
	6213 - 7652	2.020378
	7653 - 9275	2.467206
	9276 - 11089	2.968070
	11090 - 13178	3.537599
	13179 - 15606	4.192683
	15607 - 18626	4.979101
	18627 - 22485	5.975215
	22486 - 28151	7.334068
	28152 - 38333	9.520459
	38334 or more	15.883147
	no trades	0.000000
Number of Accounts with Past Due Balance Amounts Owed	0	0.000000
	1	-7.899614
	2	-15.799228
	3 or more	-35.347687
Number of Accounts with 90-120 Day Late Payments	0	0.000000
	1	6.214122
	2 or more	18.253983
Number of Bank Revolving Accts	1 or more	0.000000
	no bank rev	-12.734985
	no trades	0.000000
Total Amount of High Credit/Credit Limit on Open Department Store Accounts	0 - 99	-0.010197
	100 - 284	-0.494753
	285 - 481	-0.976053
	482 - 715	-1.534430
	716 - 999	-2.199006
	1000 - 1331	-2.979912
	1332 - 1709	-3.913347
	1710 - 2129	-4.977445
	2130 - 2596	-6.100145
	2597 - 3126	-7.386450
(continued on next page)	3127 - 3753	-8.881344

ChoicePoint Attract Standard Auto
Thick File (4 trades or more) Scorecard 2 Specifications

Description	Interval	Points
Total Amount of High Credit/Credit Limit on Open Department Store Accounts (continued from previous page)	3754 - 4535	-10.692601
	4536 - 5587	-13.049665
	5588 - 7391	-16.529936
	7392 or more	-25.561109
	no dept store	-0.010197
	no trades	0.000000
# of Department Store Accounts with 90-120 Day Late Payments	0	0.000000
	1 or more	-0.816669*value
Average Number of Months Sales Finance Accounts have Been Opened	0 - 9	-0.013647
	10 - 29	-2.158376
	30 - 46	-4.215904
	47 - 61	-5.943301
	62 - 81	-7.768864
	82 or more	-11.761178
	no sales fin	-0.013647
	no trades	0.000000
Number of Retail Accounts	1 or more	0.000000
	no retail	-13.557048
Number of Accounts with Personal Finance Companies	1 or more	0.000000
	no personal fin	19.975297
Number of Auto Finance Accounts	0	0.000000
	1 or more	33.970684
Number of Credit Union, S&L, Mortgage Accts that are Open	0	0.000000
	1	-5.169681
	2	-10.339362
	3 or more	-18.803200
# of Auto Finance Accts with 60 Day Late Payments Ever	0	0.000000
	1 or more	-15.381195*value
Total Number of Months All Account have Been Opened	0 - 148	0.375747
	149 - 226	0.722890
	227 - 296	1.004128
	297 - 364	1.267608
	365 - 432	1.528059
	433 - 502	1.793040
	503 - 574	2.064464
	575 - 646	2.340676
	647 - 723	2.626133
	724 - 803	2.926545
	804 - 889	3.243766
	890 - 982	3.587506
	983 - 1083	3.958032
	1084 - 1195	4.365598
	1196 - 1324	4.826319
	1325 - 1476	5.362356
	1477 - 1668	6.014223
	1669 - 1932	6.873851
	1933 - 2369	8.160860
	2370 or more	11.437542
	no trades	0.000000
% of Sales Finance Accts that are Open to Total Accts that are Open on File	0.0000 - 0.0976	-0.225979
	0.0977 - 0.1600	-10.253335
	0.1601 - 9.9992	-23.132310
	no sales fin	-0.225979
	no trades	0.000000
% of Bank Installment Accts that are Open to Total Accts that are Open on File	0.0000 - 0.0690	-0.141733
	0.0691 - 0.1071	-9.302147
	0.1072 - 0.1379	-12.547295
	0.1380 - 0.1613	-15.149280
	0.1614 - 0.2105	-19.335988
	0.2106 - 0.2813	-25.841740
	0.2814 - 0.3889	-34.244910
	0.3890 or more	-62.746359
	no bank instal	-0.141733
	no trades	0.000000

ChoicePoint Attract Standard Auto		
Thick File (4 trades or more) Scorecard 2 Specifications		
Description	**Interval**	**Points**
% of Automotive Related Accts that are Open to Total Accts that are Open on File	0.0000 - 0.0800	-0.109208
	0.0801 - or more	-21.198644
	no auto	-0.109208
	no trades	0.000000
% of Personal Finance Co. Accts that are Open to Total Accts that are Open on File	0.0000 - 0.0882	-0.053629
	0.0883 - 0.1389	-2.639515
	0.1390 - 0.1923	-3.780989
	0.1924 - 0.3226	-5.628208
	0.3227 or more	-12.330008
	no personal fin	-0.053629
	no trades	0.000000
% of Oil Company Accts that are open to Total Accts that are Open on File	0.0000 - 0.0750	-0.273612
	0.0751 - 0.1212	-19.148461
	0.1213 - 0.1944	-29.434720
	0.1945 or more	-58.191688
	no oil	-0.273612
	no trades	0.000000

Score Calculation
Calculate score 2 for thick files by summing the points
assigned above.
Use six decimal precision for all calculations.

ChoicePoint Attract Standard Auto
Thick File Loss Ratio Calculation

Instructions:
1. Calculate the **Thick File Loss Ratio Score** as follows:

    Thick File Loss Ratio Score = Thick Score1/ Thick Score2

ChoicePoint Attract Standard Auto
Specifications for Scaling the Thick/Thin Loss Ratio Score to the Final Score

Instructions:
1. After calculating the **Thick File Loss Ratio Score** or scaling the **Thin File Loss Ratio Score**, convert the score to the **Final Score** using formulas provided below. "predlrat" represents the **Loss Ratio Score** referred to previously. The conditions are mutually exclusive and only one should be used to calculate the **Final Score**. Round the score to an integer value and cap at 200 and 997.

if (predlrat < 0.006436)	then Final Score =	-122354.751828 *(predlrat - 0.003837) +1147;
if (predlrat < 0.007000)	then Final Score =	-76241.134752 *(predlrat - 0.006436) + 828;
if (predlrat < 0.007495)	then Final Score =	-60606.060606 *(predlrat - 0.007000) + 784;
if (predlrat < 0.008002)	then Final Score =	-51282.051282 *(predlrat - 0.007495) + 753;
if (predlrat < 0.008553)	then Final Score =	-45372.050817 *(predlrat - 0.008002) + 726;
if (predlrat < 0.009169)	then Final Score =	-38961.038961 *(predlrat - 0.008553) + 700;
if (predlrat < 0.009892)	then Final Score =	-35961.272476 *(predlrat - 0.009169) + 675;
if (predlrat < 0.010792)	then Final Score =	-34444.444444 *(predlrat - 0.009892) + 648;
if (predlrat < 0.012209)	then Final Score =	-30345.800988 *(predlrat - 0.010792) + 616;
if (0.012209 <= predlrat)	then Final Score =	-12296.525967 *(predlrat - 0.012209) + 572;

Standard Auto
Reason Codes and Corresponding Messages

Code	Description:
0101	Number of Derogatory Public Record Items
0102	Number of Inquiries for Transactions Initiated by Consumer in Last 6 Months
0103	Length of Time Accounts have been Established
0105	Number of Accounts with High Percent of Balance to High Credit
0106	Number of Bank Revolving Accounts Currently Paid as Agreed
0107	Number of Sales Finance Accounts with High Percent of Balance to High Credit
0108	Number of Open Installment Bank Accounts
0109	Number of Installment Bank Accts Currently or in the Past Reported as Bad Debt
0110	Number of Retail Accounts Reported in Last 12 Months
0111	Number of Vehicle Related Accounts with a Current Past Due Amount
0112	Number of Vehicle Related Accts Currently or in the Past w/30 Day Late Payment
0113	Number of Open Auto Financing Accounts
0114	Number of Oil Company Accts Currently or in the Past with 60 Day Late Payment
0115	Time Since Most Recent Derogatory Public Record Item
0116	Number of Inquiries w/Finance Companies Initiated by Consumer in Last 24 Mos
0117	Number of Accounts Opened in Last 24 Months
0118	Total Amount of Balances on Accounts
0119	Length of Time Since Most Recent Activity Reported
0120	Length of Time Department Store Accounts have been Established
0121	Number of Sales Finance Accounts Reported in Last 12 Months
0122	Number of Vehicle Related Accounts Reported in Last 12 Months
0123	Number of Personal Finance Company Accounts Reported in Last 12 Mos
0124	Number of Oil Company Accounts Reported in the Last 12 Months
0125	Percent of Balance to High Credit for Bank Revolving Accounts
0126	Percent of Accounts Paid as Agreed in Last 24 Months to Total Accounts
0127	Percent of Accounts Reported in Last 12 Months to Total Accounts
0128	Number of Accounts with a Balance Currently Paid As Agreed
0129	Percent of Open Bank Installment Accts to Total Accts Reported in Last 12 Mos
0130	Percent Credit Union, S&L or Mortgage Accts to Total Accts Rptd in Last 12 Mos
0131	Account with Current Delinquency Reported
0132	Number of Accounts with 30 Day Late Payments Reported in Last 24 Months
0133	Length of Time Bank Revolving Accounts Have Been Established
0134	Number of Department Store Accounts
0135	Number of Department Store Accts with Balance to High Credit of 50% or Greater
0136	Number of Sales Finance Accounts Currently with a 60 Day Late Payment
0137	Number of Retail Accounts
0138	Number of Oil Company Accounts
0139	Percent of Balance to High Credit for Sales Finance Accounts
0140	Percent of Bank Revolving Accounts to Total Accounts Reported in Last 12 Mos
0141	Number of Collection Agency Filings
0142	Number of Accounts Reported in Last 12 Months
0143	Number of Accounts with a Past Due Amount
0144	Number of Accounts Currently or in the Past with 90 - 120 Day Late Payments
0145	Number of Bank Revolving Accounts
0146	Total High Credit Amount on Department Store Accounts
0147	Number of Department Store Accounts Currently with 90 – 120 Day Late Payments
0148	Length of Time Sales Finance Accounts have been Established
0149	Number of Personal Finance Accounts
0150	Number of Credit Union, S&L or Mortgage Accounts Reported in Last 12 Months
0151	Number of Auto Finance Accts Currently or in the Past w/60 Day+ Late Payments
0152	Percent of Sales Finance Accounts to Total Accounts Reported in Last 12 Months
0153	Percent of Vehicle Related Accounts to Total Accounts Reported in Last 12 Mos

0154	Percent of Personal Finance Accounts to Total Accounts Reported in Last 12 Mos
0155	Percent of Oil Company Accounts to Total Accounts Reported in Last 12 Months
0193	Time Since Most Recent Collection Agency Filing Reported
0901	No Public Record Items or Status of Public Record Items is Unknown
0902	Lack of Reported Information on Bank Revolving Accounts
0904	Lack of Reported Information on Bank Installment Accounts
0905	Lack of Reported Information on Credit Union, S&L or Mortgage Accounts
0906	Accounts Currently No More Than 30 Days Late or Status Unknown
0907	Lack of Reported Information on Oil Company Accounts
0908	Lack of Reported Information on Sales Finance Accounts
0909	Lack of Reported Information on Department Store Accounts
0910	Lack of Reported Information on Vehicle Related Accounts
0911	Lack of Reported Information on Personal Finance Accounts

ALLSTATE COUNTY MUTUAL INSURANCE COMPANY
LAW AND REGULATION
2775 SANDERS RD, SUITE A5
NORTHBROOK, ILLINOIS 60062
(800) 366-2958 EXT 27629
FAX (847) 402-9757
E-MAIL: kcagle@allstate.com

Kurt D. Cagle
Associate State Filings Director

September 4, 2003

<u>Via Airborne</u>

Texas Department of Insurance
Property and Casualty Intake Unit
Tower I, Room 460A
333 Guadalupe Street
Austin, Texas 78701

DATE RECEIVED
INTAKE UNIT
SEP 05 2003
TEXAS DEPARTMENT
OF INSURANCE

4/5620

RE: **ALLSTATE COUNTY MUTUAL INSURANCE COMPANY 008-29335**
     Private Passenger Automobile Insurance
     Credit Scoring Model
     Required Filing Under Senate Bill 14, Article 3

Dear Sirs:

As required by Senate Bill 14, Article 3, the Allstate County Mutual Insurance Company hereby submits the credit-based insurance scoring model, entitled IFS Blue, which was in use at the time the Bill became effective (and is still in use) with our Private Passenger Auto program in Texas. The model computes an insurance score based on information contained in a credit report. That score is used in the rating of private passenger auto policies in both the Classic and Access rating programs. Please see Attachment A for a detailed description of the model.

If you should have any questions regarding this filing, please do not hesitate to contact me at (847) 402-7629. Your acknowledgment of receipt of this filing will be appreciated.

Respectfully,

Kurt D. Cagle

Kurt D. Cagle

KC:is
Encl.: Attachment A

ALLSTATE COUNTY MUTUAL COMPANY
VOLUNTARY PRIVATE PASSENGER AUTO
TEXAS

ATTACHMENT A
Insurance Scoring Model

With this filing, Allstate is providing a description of the credit-based insurance scoring model currently in use in Allstate County Mutual Insurance Company.

All credit information is obtained from Trans Union. For use in our system, we have defined certain credit characteristics, which are described below. The attached scorecard shows the points assigned to these characteristics.

Account Vintage, based upon the number of months since the oldest trade account was opened.

Account Diversity, including the number of trade accounts opened in the past 12 months, number of revolving trade accounts and the total number of trade accounts.

Performance, represented by the months since the most recent delinquency, total number of collections, amount currently past due, number of public records (bankruptcies, liens, foreclosures, judgments, repossessions), and the highest delinquency ever on a trade account.

Credit seeking activity is based on the number of non-promotional inquiries. Promotional inquiries, insurance inquiries, and inquiries that result from the customer ordering his or her own credit report are not considered. In addition, for each of the following categories, no more than one inquiry in the past 24 months will be considered: auto inquiries, finance inquiries, bank inquiries.

In the determination of a score, Allstate considers public records and trade accounts information from the last 5 years (trade account vintage information over 5 years old is considered only to improve the calculated score). Inquiry information is considered from the past two years.

The IFS Score will be calculated by assigning points based upon the table below. After these points are determined, the final score will be determined by summing the individual variable scores and adding 100 points to the final result. The following is how a score is obtained:

Final Point Value =

Point total assigned for "Highest Delinquency ever on a Trade"	+
Point total assigned for "Number of Inquiries in the Past Two Years"	+
Point total assigned for "Months Since Oldest Trade Opened"	+
Point total assigned for "Total Number of Collections"	+
Point total assigned for "Public Records"	+
Point total assigned for "# of Trades Opened in the last 12 Months"	+
Point total assigned for "Months Since Most Recent Delinquency"	+
Point total assigned for "Number of Revolving Trades"	+
Point total assigned for "Number of Trades"	+
Point total assigned for "Amount Currently Past Due"	+
100	+

Highest Delinquency ever on a Trade

No Delinquency	0
30-59 days late	54
60-69 days late	79
90 to 119 days late	100
120+days late/repo	102
bad debt,collection, charge off	158

Number of Inquiries in the Past Two Years

0	0
1	7
2	20
3	42
4	65
5	83
6+	107

Months Since Oldest Trade Opened

Missing	157
0-12	100
13-64	50
65-97	26
98-146	11
147-303	8
304	0

Total Number of Collections

0	0
1-2	77
3-4	126
5+	218

Public Records

0	0
1+	20

# of Trades Opened in the Past 12 Months

0	0
1	3
2	9
3	45
4-6	56
7+	86

Months Since Most Recent Delinquency

No Delinquency	0
0-7	48
8-14	18
15-36	3
37+	-3

Number of Revolving Trades

0	71
1	29
2	7
3	-3
4	-13
5-9	0
10+	19

Number of Trades

0	0
1-3	34
4-17	49
18+	51

Amount Currently Past Due

0-390	0
391-588	22
589-1468	40
1469+	62

ASSIST 2.0, a Fair, Isaac Insurance Score
Preferred Auto Greater Than Minimum Limits - ASSIST 2.0 TX PG 1003

The ASSIST 2.0 PG score is calculated in 4 steps.

1) determine the points for each characteristic below

2) sum the points from step 1

3) add 150 to the sum from step 2

4) if the sum from step 3 is less than 730, multiply by 1.0833 and subtract 65
   otherwise, multiply by 2.44 and subtract 1066

Characteristic	Attribute	Weight
Average Months in File of all Accounts		
	0-20	0
	21-23	2
	24-29	8
	30-32	16
	33-39	18
	40-41	20
	42-47	21
	48-53	34
	54-59	41
	60-65	44
	66-71	46
	72-83	51
	84-89	52
	90-95	54
	96-105	56
	106-115	57
	116-119	59
	120-139	60
	140-159	62
	160-179	64
	180-199	65
	200-219	67
	220-239	69
	240-359	70
	360-479	72
	480-599	73
	600-9999	75
Months Since Last Delinquency		
	0-2	30
	3-5	31
	6-8	41
	9-11	48
	12-17	53
	18-23	57
	24-35	58
	36-47	59
	48-9999	61
	no delinquency	63

ASSIST 2.0, a Fair, Isaac Insurance Score
Preferred Auto Greater Than Minimum Limits - ASSIST 2.0 TX PG 1003 (cont.)

Characteristic	Attribute	Weight
Number of Inquiries in the Last Year		
	0	58
	1	51
	2	39
	3	23
	4	6
	5-999	0
Worst Delinquency in the Last Year		
	90 days or more delinquent	30
	60 days delinquent	32
	30 days delinquent	33
	prior to this last year, a 60 day or undatable delinquency	41
	prior to this last year, a 30 delinquency	50
	never delinquent	66
	all other	56
Months Since Most Recent Public Record		
	0-7	90
	8-11	91
	12-23	92
	24-35	92
	36-9999	96
	no public record	112
Months Since Most Recent Collection		
	0-11	60
	12-23	61
	24-59	61
	60-9999	66
	no collection	81
Number of Accounts in Default Status		
	0	37
	1	35
	2	33
	3	32
	4-999	30

ASSIST 2.0, a Fair, Isaac Insurance Score
Preferred Auto Greater Than Minimum Limits - ASSIST 2.0 TX PG 1003 (cont.)

Characteristic	Attribute	Weight
Number Accounts Where Balance is 75% of Limit		
	0	32
	1	22
	2	11
	3	5
	4-999	0
	all other	21
Number of Finance Company Accounts		
	0	28
	1	22
	2	19
	3	17
	4	14
	5-999	0
	all other	14
Number of National Bank Accounts		
	0	7
	1	7
	2	8
	3	7
	4	7
	5	6
	6	5
	7	4
	8	3
	9-999	0
Number of Accounts 90+ days Delinquent Ever		
	0	27
	1	18
	2	13
	3	9
	4	4
	5-999	0
Number of Accounts 60+ days Delinquent in Last 2 Years		
	0	35
	1	22
	2	16
	3	11
	4	5
	5-999	0