

CREDIT-BASED INSURANCE SCORING QUESTIONNAIRE

INTRODUCTION

April 1, 2009

QUESTIONNAIRE ABOUT CREDIT – BASED INSURANCE SCORING IN THE PROPERTY & CASUALTY INDUSTRY

The Financial Services Commission of Ontario (FSCO) and regulators from Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland and Labrador, Manitoba, Saskatchewan, Alberta, the Northwest Territories and the Yukon Territory are seeking information, through the attached questionnaire, to better understand how credit information is being used with respect to personal property insurance. The questionnaire is intended to gather information about the use of credit-based insurance (CBI) scoring practices of insurers with respect to personal property insurance business. This includes information about when/how insurers use credit history, the effects on availability and affordability for consumers, disclosure to consumers, confidentiality, controls, and so on.

Instructions:

Chief Executive Officers and Chief Agents of companies selected to receive the questionnaire are required to electronically confirm that the information provided in response to the questionnaire fairly represents the practices with respect to CBI scoring of their respective companies, as of the date the questionnaire is completed.

In question 41 you will be asked to indicate in which jurisdictions you conduct CBI scoring. In question 42 indicate if and how your company's CBI scoring practices in those jurisdictions materially differ from your company's practices in Ontario.

Confidential Information:

If your response contains confidential information that you consider to be exempt from disclosure by FSCO, you may wish to indicate this in your answers to question 43 of the questionnaire. FSCO will treat this information as confidential, recognizing that confidentiality and access to information are governed by legislation, particularly section 17 of the *Freedom of Information and Protection of Privacy Act*, and that if an access request is made under that Act, FSCO may be required to disclose some or all of your response. You must specifically identify which answers you believe to be confidential.

Groups of Related Companies:

In the case of groups of related companies, where the practices related to CBI scoring are materially the same, and the answers to the questions in the questionnaire would be the same for all companies in the group, one questionnaire may be completed for these companies. The names and Unique Identification Numbers of all companies to which the

questionnaire applies must be provided. If the CBI scoring practices are different, please complete a separate questionnaire for each company.

Comment Boxes

In some cases it is necessary to use the “Comments” boxes in the questionnaire to support responses provided. The “Comments” boxes may also be used to provide background or additional information for responses.

Due Dates:

On or before **April 14, 2009**, companies are required to complete the questionnaire online only.

To access the questionnaire, please refer to the information in the email sent to you on April 1, 2009. For information purposes a PDF version of the questionnaire is available on the FSCO website at <http://www.fSCO.gov.on.ca>.

Questions:

If you have any questions or concerns, please call the questionnaire help line at (416) 590-8475 or email your questions to creditscoring@fSCO.gov.on.ca.

DEFINITIONS

For the purpose of this questionnaire, “CBI score” refers to any kind of subjective or objective assessment, number, rating, ranking or score based in whole or in part on credit-related information about a consumer and used to predict the future insurance loss exposure of the consumer, whether or not derived from an algorithm, computer application, model or other process, and includes but is not limited to any information used by credit grantors to determine whether to grant or extend credit, credit scores and information contained in a credit report.

“Evaluating risks” by CBI score, means qualification, rating or underwriting practices, processes or systems.

“Qualification” includes insurance quotation practices for new business.

COMPANY INFORMATION

QUESTION 1.

***YOUR INFORMATION:** Please identify the name and contact information of the person FSCO may contact if there are questions about your response.*

Company Name:

Unique Identification Number

Name: _____

Position: _____

E-mail: _____

Telephone: _____

QUESTION 2.

If this questionnaire is for a group of companies where the CEO/Chief Agent and the credit based insurance scoring practices are materially the same, please list the companies in this group and their unique identification numbers.

1. Company Name and ID _____
2. Company Name and ID _____
3. Company Name and ID _____
4. Company Name and ID _____

Credit-Based Insurance Scoring Questionnaire - Personal Property Insurance. Please answer the questions about your company's practices for its Ontario personal property insurance business only.

If you also write any commercial lines insurance, please complete questions 36 to 39

BACKGROUND

3. In your company's view, is the credit-based insurance (CBI) score of an applicant/policyholder a valid predictor about future insurance loss experience?
 - Yes
 - No

4. Has your company performed any actuarial analysis of the correlation between CBI scores and loss experience based on its own insurance portfolios?
 - Yes
 - No

5. Has your company found any direct correlation between CBI scores and loss experience based on its own insurance portfolios?
 - Yes
 - No
 - Have not performed any analysis

6. Does your company use CBI scores in its qualification, rating or underwriting practices for personal property insurance?
 - Yes
 - No (Proceed to question 35)

7. When does your company use a CBI score? Select all that apply.
 - In the qualification of risks
 - In the rating of risks
 - In the underwriting of risks
 - To qualify for a premium payment plan
 - Other (please specify - max. 350 characters))

8. Which credit reporting agency does your company use? Select all that apply.
 - TransUnion
 - Equifax
 - Experian

- Northern Credit Bureaus
- Other credit reporting agency or a source other than a credit reporting agency (please specify - max. 350 characters))

9. What type or form of CBI score does your company use? Select all that apply.

- A credit score provided by a credit reporting agency
- A third party algorithm that incorporates a credit score provided by a consumer reporting agency
- A proprietary algorithm that incorporates a credit score provided by a consumer reporting agency
- Credit information or history only, no credit score provided by a credit reporting agency
- Other: (please specify - max. 350 characters))

10. How long has your company been using any form of CBI scores in the evaluation of personal property risks?

- 3 years or less
- 4 to 10 years
- More than 10 years

QUALIFYING NEW BUSINESS RISKS

11. Does your company use CBI scores when providing a personal property insurance quote to an applicant?

- Mandatory – CBI score is required to provide a quote
- Optional – CBI score may be required to provide a quote
- Do not use

12. Is there an adverse effect on a quote if an applicant has a poor or no CBI score?

- Yes
- No
- Do not use

13. Does your company use CBI scores in rejecting new business?

- Yes
- No
- Do not use

14. When there is more than one applicant, which CBI score does your company use in the qualification of new business if the scores are different?

- Highest CBI score
- Lowest CBI score
- Combination of the CBI scores
- Do not use
- Other: (please specify - max. 350 characters))

RATING A RISK

15. What action does your company take for an individual who has no CBI score or is a "no hit"?

- There is an adverse effect on the premium
- There is no effect on the premium
- There is a positive effect on the premium
- Do not use
- Other: (please specify - max. 350 characters))

16. When there is more than one applicant/policyholder, which CBI score does your company use in rating a policy if the scores are different?

- Highest CBI score
- Lowest CBI score
- Combination of the CBI scores
- Do not use
- Other: (please specify - max. 350 characters))

UNDERWRITING A RISK

17. Does your company use CBI scores as a factor in deciding whether or not to underwrite or renew a personal property insurance policy?

- Yes
- No
- Do not use

18. Is a CBI score requested or considered at each policy renewal?
- Yes
 - Do not use
 - No (please specify - max. 350 characters) when/if it is requested)

DISCLOSURE AND CONSENT

19. Does your company make the applicant/policyholder aware that a CBI score will be obtained during qualification, rating or underwriting? Select all that apply.

- Qualification
- Rating
- Underwriting
- To qualify for a premium payment plan
- No

20. How is this disclosure made to the applicant/policyholder? Select all that apply.

- Verbally
- On the company's website page
- Company's own specific disclosure document
- On the application
- Do not provide disclosure
- Other: (please specify - max. 350 characters))

21. Does your company obtain consent from the applicant/policyholder to use their CBI score?

- Yes, prior to obtaining
- Yes, after obtaining
- No

22. How is the consent obtained? Select all that apply.

- Verbally
- On-line application
- On the paper application
- Company's own specific consent document
- Do not obtain consent
- Other: (please specify - max. 350 characters))

23. When is disclosure made? Select all that apply.

- During qualification
- When the policy is issued
- At time of application
- Annually
- At the time the policy is renewed
- Do not provide
- Other: (please specify - max. 350 characters))

24. If your company uses a CBI score that results in an adverse effect on qualification, rating or underwriting of the applicant/policyholder, do you advise the applicant/policyholder?

- Yes, in all cases
- Yes, in some cases
- No, not at all
- Not applicable

25. Does your company provide credit agency contact information to the applicant/policyholder so that the applicant/policyholder can verify the information?

- Yes
- Yes, upon request
- No
- Not applicable

26. If an applicant/policyholder has credit information corrected or changed by the credit agency and informs you, will your company make rating or underwriting changes?

- The changes will be made as of the effective date of the first relevant CBI score when the issue was first detected
- The changes will be made as of the most recent policy/term effective date
- The changes will be made as of the date we are notified
- The changes will be made at the next policy/term effective date
- The changes will be made when the next CBI score is obtained
- No changes will be made

27. How often is the CBI score updated?

- More than once a year
- Annually
- Every two or more years
- Only on request
- Never

- Other: (please specify - max. 350 characters))

28. If there is a positive or negative effect on an applicant/policyholder's premium due to a CBI score, is this information disclosed on your company's declaration page?

- Yes
- No
- Other: (please specify - max. 350 characters))

29. When your company accesses a CBI score, does its inquiry have an impact on the applicant/policyholder's credit rating?

- Yes, hard hit
- No, soft hit
- Not at all
- Do not know
- Not applicable

30. Does your company disclose any discounts or surcharges on its declaration page?

- Yes, all
- Yes, some
- None
- Not applicable (please specify - max. 350 characters))

CONTROLS

31. Is a CBI score shared with other insurers?

- Yes, on a request basis only
- Yes, only within the group of affiliated companies
- No

32. Is the CBI score shared with your company's brokers, agents or intermediaries?

- Yes
- No
- Not applicable

33. How does your company ensure that the credit information or a CBI score gathered for one purpose is not used, directly or indirectly, for other purposes, including qualification, rating or underwriting other insurance. Please provide an explanation of these controls in the box below: (max.

34. Has your company received any consumer complaints regarding its use of CBI scores?
- No
 - Yes. Please specify the number of complaints received in the last 12 months (April 2008 to March 2009).

OTHER LINES OF BUSINESS

35. Does your company use CBI scores in other classes of personal lines insurance other than personal property or automobile insurance?
- Yes
 - No
36. Does your company use CBI scores in commercial lines insurance?
- Yes
 - No (Proceed to question 40)

COMMERCIAL

If you have indicated that your company uses CBI scores in its commercial insurance qualification, rating or underwriting practices, please answer questions 37 to 39.

37. In your company's view, are credit-based insurance (CBI) scores a valid predictor of a commercial applicant/policyholder's future insurance loss experience?
- Yes
 - No
38. When does your company use a CBI score for commercial insurance? Select all that apply.
- In the qualification of risks
 - In the rating of risks
 - In the underwriting of risks
 - To qualify for a premium payment plan
 - Other (please specify - max. 350 characters))

39. How long has your company been using any form of CBI scores in evaluation of commercial risks?
- 3 years or less
 - 4 to 10 years
 - More than 10 years

OTHER

40. If your company does not use CBI scores as part of its qualification, rating or underwriting practices for personal property insurance, is your company planning on using CBI scores in the future?
- Within the next year
 - Within the next three years
 - Not planning to use
 - Not Applicable

41. Other regulators have requested that FSCO gather information about the use of CBI scores in other jurisdictions. Please indicate if you use a CBI score for personal property insurance in any of the following jurisdictions. Select all that apply.

- Alberta
- Manitoba
- New Brunswick
- Newfoundland and Labrador
- Northwest Territories
- Nova Scotia
- Prince Edward Island
- Saskatchewan
- Yukon Territory
- Do not use

42. If your company's practices relating to the use of CBI scores, including qualifying, rating and underwriting practices, materially differ in any of the jurisdictions identified with the information provided for Ontario, please provide details: (max. 2000 characters)

43. Do you consider the responses to any of the following questions, including text boxes, confidential and exempt from disclosure under the *Freedom of Information and Protection of Privacy Act*?

Please review the instructions prior to completing this question.

Select all that apply.

- | | |
|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> Question 3 | <input type="checkbox"/> Question 23 |
| <input type="checkbox"/> Question 4 | <input type="checkbox"/> Question 24 |
| <input type="checkbox"/> Question 5 | <input type="checkbox"/> Question 25 |
| <input type="checkbox"/> Question 6 | <input type="checkbox"/> Question 26 |
| <input type="checkbox"/> Question 7 | <input type="checkbox"/> Question 27 |
| <input type="checkbox"/> Question 8 | <input type="checkbox"/> Question 28 |
| <input type="checkbox"/> Question 9 | <input type="checkbox"/> Question 29 |
| <input type="checkbox"/> Question 10 | <input type="checkbox"/> Question 30 |
| <input type="checkbox"/> Question 11 | <input type="checkbox"/> Question 31 |
| <input type="checkbox"/> Question 12 | <input type="checkbox"/> Question 32 |
| <input type="checkbox"/> Question 13 | <input type="checkbox"/> Question 33 |
| <input type="checkbox"/> Question 14 | <input type="checkbox"/> Question 34 |
| <input type="checkbox"/> Question 15 | <input type="checkbox"/> Question 35 |
| <input type="checkbox"/> Question 16 | <input type="checkbox"/> Question 36 |
| <input type="checkbox"/> Question 17 | <input type="checkbox"/> Question 37 |
| <input type="checkbox"/> Question 18 | <input type="checkbox"/> Question 38 |
| <input type="checkbox"/> Question 19 | <input type="checkbox"/> Question 39 |
| <input type="checkbox"/> Question 20 | <input type="checkbox"/> Question 40 |
| <input type="checkbox"/> Question 21 | <input type="checkbox"/> Question 41 |
| <input type="checkbox"/> Question 22 | <input type="checkbox"/> Question 42 |
| | <input type="checkbox"/> Question 43 |

CONFIRMATION

44. **Confirmation by Chief Executive Officer/Chief Agent:**

“I have knowledge of the information provided in this questionnaire. I confirm that the information fairly represents the use of credit-based insurance (CBI) scores by the company as of the date this questionnaire was completed.”

Name:

Position (CEO or Chief Agent):

Company:

Date:

