Rules coordinator (policy)

Reference #	12041794
Status	Complete
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Rule number/topic	CR-102 for R 2021-07
Comment(s) or question(s)	My comments on the ongoing insurance companies' usage of their "black box" credit scoring models, their arbitrary application of ambiguous "reason codes" in order to justify higher rates, and in some cases, their violation of Washington State's rules for Insurers who use credit history for underwriting. Additionally, the consumer has no rights of recourse with the insurers to dispute anything, nor will they even tell you what numbers they used to arbitrarily apply one of their "reason codes."
Upload up to 5 files (20MB max. file size per file)	Insurance_Credit_Scoring_Comments.txt (19 KB)
Last Update	2021-11-22 16:14:08
Start Time	2021-11-22 15:55:34
Finish Time	2021-11-22 16:14:08
IP	159.118.36.115
Browser	Firefox
Device	Desktop
Referrer	https://www.insurance.wa.gov/

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Insurance Credit Scoring Comments.txt - 22Nov2021 15:50

I would tend to agree with the insurance industry that yes, there is some statistical correlation to a person having a poor credit score and being a higher credit risk. It doesn't take someone with a PhD to understand that a person who is repeatedly irresponsible with regards to managing and paying their credit debts is more likely to present a higher risk of claims. Irresponsible behavior in one aspect of a person's affairs is probably a pretty good indicator that they will be somewhat irresponsible in other aspects. The problem is that responsible people who do all the right things, such as paying their credit card bills IN FULL every time and saving for their next car so they don't even have to take a loan out to pay for it are being targeted by the ruthless insurance companies who use whatever cockamamie rule they can cook up in their insurance credit scoring model in order to unjustly charge higher rates. Unlike credit scores from the credit bureaus, however, the consumer has no recourse with the insurance companies to dispute anything.

The Fair Credit Reporting Act of 1970 (FCRA) gives consumers specific legal rights to dispute the contents of their credit report, but with regards to the insurance companies usage of this data, they are arbitrarily cherry-picking certain parts data from the consumer's credit report, applying their own proprietary model to this data and generating hypothetical "reasons" why a person is a higher insurance risk.

Using a credit score by itself is the problem, the problem being that the insurance companies have their own proprietary models that apply "reason codes" that raise the rates of a person who has a perfect payment record with no late payments or, in my case, I am charged a higher auto insurance rate because I didn't have an auto loan in the past 5 years (I paid for the last car with a check).

Washington State Law has the following restrictions regarding an insurer's reason codes, and many of these are purposely being disregarded by the insurance companies, meaning that they are in violation of the law. The statute regarding reason codes states this:

[Ch. 284-24A WAC p. 2]
WAC 284-24A-012 What types of reasons do not provide enough information to adequately explain an adverse action? An insurer must explain any adverse action in reasonably clear and simple language. Insurers must not use phrases that do not explain why the consumer was charged a higher premium or determined to be ineligible for coverage by the insurer.

(1) Explanations of adverse actions that do not meet this standard include, but are not limited to:
- (a) Unfavorable length of credit history.
- (b) Absence of revolving credit account.
- (c) Age of oldest account or revolving credit account.
- (d) Age that consumer first opened a credit account.
- (e) Unfavorable number of bank or revolving accounts.
- (f) Unfavorable debt ratio.
- (g) Unfavorable number of accounts opened in past year.

(2) Insurers must not use the term "unfavorable" to describe an attribute of credit history because it does not provide
clear information to the consumer about their credit history.

[Statutory Authority: RCW 48.02.060, 48.18.545, 48.19.035, and 48.30.010. WSR 05-02-026 (Matter No. R 2004-01), 284-24A-012, filed 12/29/04, effective 7/1/05.]

[Ch. 284-24A WAC p. 4]
WAC 284-24A-065 Questions and answers.
(6) The law says an insurer cannot use the total available line of credit to set rates or to deny insurance. Can my company use number of credit lines with limits over a set amount?

The law prohibits use of data related to the consumer's total available line of credit. Any attribute that evaluates the total amount of credit available to a consumer is prohibited.

Your insurer may use the debt/credit ratio or other ratios that consider the actual debt load.

Note: This statement regarding "debt/credit ratio or other ratios that consider the actual debt load" reflects an ongoing problem with how credit bureaus inaccurately report an individual's debt. Credit bureaus frequently talk about an individuals "debt balance," falsely using that term to describe an individual credit card monthly statement's amount due. If the amount due on that statement is paid in full before the next statement, to call it a "balance" is a gross falsehood. A credit card balance is what (if any) amount is remaining AFTER payment is made on the statement's amount due. Again, we have identified a problem with how credit bureaus actually quantify an individual's true debt; and of course, the blood-sucking insurance companies use this data to pad their insurance scoring model accordingly.

Now, lets get into some of the "reason codes" that a typical insurance company uses to justify charging higher rates.

These are the various reason codes (excuses) that Safeco has used to charge me a higher rate in every year since 2011 and my notes and comments. Note that in 2011-2013 my auto insurance was through Geico; the Safeco reason codes for auto insurance in 2013 were those provided to me by them when I requested an auto quote in late 2013. At this point, after arguing with the lackeys at Safeco every year, I'm not sure if I want to continue any insurance relationship with these anal sphincter orifices.

When I called Geico in December of 2013 to ask why I had never received any of these "required by law" letters to say I was being charged a higher rate, they said that although some of their clients DO receive those letters, and are charged higher rates, my credit/insurance score must be sufficiently high enough, and that is why I have never received one. Evidently Geico's model says I'm not a risk for them with regards to automobile insurance, but I am a risk with Safeco. This demonstrates that Safeco has so "tweaked" their credit scoring insurance model that any unjustified excuse is being used by them to charge more.

SAFECO REASON CODE DEFINITION 58 (2011) [Home Insurance]

You received a reason code indicating the proportion of revolving balances to revolving credit limits is too high or there are no revolving credit accounts. Analysis of consumer credit behavior finds that owing a substantial balance on revolving accounts (such as credit cards and bankcards) relative to the amount of revolving credit available to you represents increased insurance loss risk. In fact, the level of revolving debt is one of the most important factors in the credit-based insurance score. The score evaluates your total balances in relation to your total available credit on revolving accounts, as well as on individual revolving accounts. For a given amount of revolving credit available, a greater amount owed indicates a greater risk, and lowers the score. (For credit cards, the total outstanding balance on your last statement is generally the amount that will show in your credit bureau report. Even if you pay off your credits cards in full every month, your credit bureau report may show the last billing statement balance on those accounts.) Paying down your revolving account balances is a good sign that you are able and willing to manage and repay your debt, and this will increase your score. On the other hand, shifting balances among revolving accounts, opening up new revolving accounts, and closing down other revolving accounts will not necessarily improve your score, and could possibly decrease your score. This reason can also appear when no revolving accounts appear on the credit bureau report, or all such accounts are closed, or are no longer being reported by the lender.

CN-7090/EP 5/05

My Comments: I don't have any revolving credit accounts, so why am I even receiving this message? I have not had a balance carried over to the next month or paid a dime in interest to any credit card company for over 40 years, but that doesn't matter to the blood-sucking insurance companies. I use a credit card for most of my purchases and have annual expenditures of over $30,000 on this card, but always pay the full amount of the bill every statement.

After writing a very sarcastic response letter to a letter from the president of the above mentioned insurance company who had mailed a form letter praising me for being a "valued customer" for so long, I received a phone call from a flunky who worked in the president's office of said insurance company. Actually, all I got was lip service. When I asked how much higher my insurance rates were because of my perceived "fiscal irresponsibilities," I was told that increased rate information could not be disclosed because it was part of their proprietary insurance credit scoring model. So much for transparency. These "black box" insurance company credit scoring models need to be open to full disclosure at both the federal and the state level. The insurance companies have been screwing the American public for years, and the only explanation why this has been allowed to happen is political lobbiests and campaign contributions to politicians who put money over the best interests of their constituents. I commend Mike Kreidler for attempting to put an end to the insurance companies' "fleecing of America."

SAFECO REASON CODE DEFINITION 62   (2011, 2012, 2013) [Home Insurance]

You received a reason code indicating a relatively short length of credit history. This reason is based on the age of the accounts on your credit bureau report (the age of the oldest account, the average age of accounts, or both). Research shows that consumers with longer credit histories have lower insurance loss risk than those with shorter credit histories. Also, consumers who frequently open new accounts have greater insurance loss risk than those who do not. Therefore, only apply for needed credit and wait before you apply for more. All other factors being equal, your score is likely to improve as your credit history ages.

CN-7092/EP 5/05

My Comments: I changed from one type of Bank of America credit card to a Bank of America Alaska Airlines credit card in 2010 in order to accumulate mileage, so my previous record of perfect payment history is conveniently disregarded and the average age of accounts is decreased because I made my own fiscal decision. About this same time, I opened a Macy's Credit card account because it gave me $30 off on my first purchase. Again, responsible fiscal decisions made by an individual are being categorized by an insurance company so they can screw you in premium increases. The entire insurance company credit scoring model is nothing more than a scam that the politicians have allowed the insurance companies to use to raise premiums ON EVERYBODY.

SAFECO REASON CODE DEFINITION 126   (2021) [Boat Insurance]

Percent of Accounts Reported in the Last 24 Months to Total Accounts of File

What information is this message derived from? Of all accounts on file, the percent of those accounts that have been active in the past 24 months. The account does not have to be delinquent to be included in the calculation.

How does this affect my insurance score? Insurance industry research shows that consumers with recent experience in paying their accounts on time have fewer insurance losses.

What can I do to improve this aspect of my score? Recent satisfactory activity on your accounts shows your ability to manage your credit obligations. If you have delinquent accounts as the delinquency ages, it will have less of an impact on your score. Delinquencies on your accounts will stay on your credit report for seven years

CN-7130/EP 10/12

My Comments: If there was ever an explosion of Gobbledygook, this reason code is it. "Percent of accounts that have been active in the past 24 months." So what? A Store goes bankrupt and the card gets cancelled or is not used; good idea for the insurance company to use that tidbit any way they can to raise your rates with their "scoring model." The next statement included in this reason code is without merit. "Consumers with recent experience in paying their accounts on time have fewer insurance losses." What relevance is there with this statement to the person those clowns are trying to apply this reason to. They go from talking about active accounts to recent experience in paying accounts. I have a lot of experience in paying many accounts, among them an average of $2500 per month of credit card activity (paid in full every month), as well as those pesky monthly recurring bills such as electricity, gas, telecommunications, water, taxes and, of course, insurance. The next statement is a rambling about recent satisfactory activity on your accounts and delinquent accounts and their effect on your credit score. If my credit score is in the high 700's/low 800s and I haven't had any delinquencies in 40 years, why is this "reason code" even included with my annual insurance rate statement excempt to try and justify a higher rate?

SAFECO (Reason Code 330) CN-7305/EP 7/12   (2013, 2021) [Auto Insurance]
(2016) [Home Insurance]

No auto accounts reported as paid as agreed in the last five (5) years What information is this message derived from? The score considers the number of open and closed, or absence of, auto accounts reported in the last five (5) years, that are reported as paid as agreed.

How does this affect my insurance score? The insurance score considers a number of factors, including the mix of types of accounts on your credit file. Auto accounts showing a history of on time payments, or recent paid off and closed auto accounts, reflect responsible management of debt.

What can I do to improve this aspect of my score? Continue to manage your credit obligations responsibly by making payments on time.

My Comments: My first and last auto loan was in 1969, and was paid off in 2 years. All 8 automobiles that have been purchased by me since then were paid for in full at the time of their purchase because I had saved for each of them up front. Please explain to me how that can be considered "fiscally irresponsible management of debt." The laws should specifically target insurance companies who are charging fiscally responsible consumers more if they don't carry an auto loan and pay in full for a vehicle at the time of purchase.

Part of this problem can also be attributed to some of the credit bureaus reporting to the insurance companies who push this crap about "no record of recent installment payments on an auto or a student loan." I paid my student loan off 45+ years ago, 9 months after I graduated from college. People who are fiscally responsible and pay off their debts in a timely manner are being discriminated against BECAUSE they have paid off their debts. What about the recent recurring payments that we all have to make such as electricity, gas, telecommunications, water, taxes, and, of course, insurance. I guess those recurring payments don't count, or are very conveniently overlooked by both the insurance companies and the credit bureaus.

SAFECO (Reason Code 324) CN-7300/EP 7/12   (2013, 2021) [Auto Insurance]

Number of open accounts reported as 'paid as agreed'

What information is this message derived from? The score considers the number of open accounts on the consumer's credit file that have been paid as agreed.

How does this affect my insurance risk score? Research shows that consumers with multiple active accounts that are paid as agreed have fewer insurance losses.

What can I do to improve this aspect of my score? If you only have a few accounts, keeping them active and making payments on time shows that you manage your credit obligations responsibly.

My Comments:
1) If you ever wanted an example for the definition of ambiguous, you could give this reason code as an example. They specifically said "Research shows that consumers with multiple active accounts that are paid as agreed have fewer insurance losses." I have a few active accounts, and they are all paid off, so why am I getting hit with this statement? If they are implying that "keeping credit accounts active and making payments on time" as in keeping a balance of debt and continuously paying on it is their definition of "managing your credit obligations responsibly," it sure doesn't match mine, which is to pay the bill in full when it arrives in the mail.

2) From what they are telling you in this reason code, you don't know if you have too few or too many accounts, but when I specifically asked them on the phone how many accounts are too few or too many, they refused to tell me, stating that their model is "proprietary."

3) Frankly, what difference does it make how many accounts I have if they are all paid? That's none of an insurance company's business as long as no account is delinquent.

SAFECO (Reason Code 322) CN-7298/EP 7/12   (2021) [Auto Insurance]

Average amount of time accounts have been established

What information is this message derived from? The score considers the average age of all of your accounts. Recently opened accounts will lower the average age of your accounts.

How does this affect my insurance score? Research shows that consumers who have a long established account history have fewer insurance losses.

What can I do to improve this aspect of my score? Open new accounts only when necessary. As accounts age this component of your score will likely improve.

My Comments:
The average age of my credit accounts at the time of this "reason code" was 9 Years and 6 months and I have not opened any new accounts. What average age of accounts are these idiots after? My credit score has averaged about 790 for the past several years (785 to 814), so what score does a person have to achieve to not be charged a higher rate.