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March 5, 2003

Mr. Chairman, members of the committee,

For the record, my name is Janice Buse', I reside at 11325 Chestnut St. Reno, Nv. 89506.

I am here today as an ordinary citizen representing only myself. I do not claim to be an expert on anything, I can only relay my experience and opinions.

I want to thank you for allowing me the time to comment on an issue I feel is vital to every consumer.

First, let me applaud you for the simplicity of AB194. The use of credit for insurance purposes has spread like a cancer to most other states, and is being addressed by legislators and insurance commissioners across the country. I have read bills from different states and many have devoted 10 or more pages trying to accomplish what you have done in 2 pages.

I have been a licensed agent in Nevada and California for 24 years for both property & casualty and life insurance. For 22 of those years I was a captive agent for one of the largest insurance companies in America and was constantly threatened by management with job security if I spoke out against the use of credit, I am now an independent agent.

In the early 90's very few companies used credit as part of the underwriting process. The company I worked for was one of the few that did. I believed what my company told me when they said credit was a good indicator of future losses. I did not question anything. I even read some studies done by the third party vendors that said the same thing. I finally started asking questions like where are the studies done on the people with "excellent" credit that show lower number of claims filed, lower frequency and severity. No one could find one for me.

I then became amazed at how all these insurance companies could build themselves into multi billion dollar companies before the use of credit.

You hear very strong arguments from the insurance industry and their third party vendors, the guys that developed the scoring, about how this is an almost foolproof indicator of future losses. These companies have a vested interest in keeping this system alive, their livelihood depends on it.

Each insurance company has their own secret mystery formula that goes into the scoring. They won't reveal it and claim it would hurt them if the competition knows their formula. If this is such a "proven" system, why isn't it the same with all companies? Each company makes up their own formula.

ASSEMBLY COMMERCE & LABOR  
DATE: 3/5/03 ROOM: 4100 EXHIBIT L  
SUBMITTED BY: JANICE BUSE'

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I feel this is a way to get rate increases without going through the normal approval process with the insurance commissioner. If they are to be used, then these formulas should be filed and made public like all other rating information, how else can you be sure there is no discrimination? What do they have to hide?

There are other outside factors that effect someones credit score that they may not be aware of.

This past Sunday night I had dinner with a friend and his wife visiting from California and we started talking about this issue and he related a story to me that happened to him. He recently went to purchase a new computer from one of the t.v. shopping channels and they had a promotion that allowed for 6 months interest free if you opened their credit card. Much to his surprise he was declined. This gentleman earns \$250,000.00 per year, just built a \$600,000.00 home and paid cash, the BMW, Range Rover, and Ford Expedition all paid for, and his total outstanding debt is \$2100.00. He was understandably upset about being told he had bad credit. He requested a copy of his credit report and was totally shocked to find 66 credit inquiries in the last 12 months from various credit card companies and banks for sending him out those pre approved credit cards, none of which he requested. He was told he has a right to get a free credit report but wants to know why these credit card companies can order credit without his approval. 66 requests in 1 year. We know what that did to his credit score, and he has had no homeowner or auto claims in over 5 years.

He is not alone, this happens all the time and you may want to check your own credit reports. Just go looking for a new car and the auto dealers run an inquiry, apply for a cell phone, credit check, cable tv, credit check, etc. When shopping for insurance each company is running their own credit check, again, more inquiries on your credit report. He is so angry about this that he faxed me copies of all the credit information and his income tax summary for me to use today. I have included this in the information I submitted to you. All open accounts show zero balance except one for \$2147.00.

I have put together several different articles from across the United States, including one 2 page document that shows how one company in the State of Virginia scores credit. 1 inquiry is 7 points, 2 is 20 points, up to 6 and that is 107 points. How many of us could pass this credit score test?

The consumer can understand that they will pay a higher auto insurance rate if they have tickets and accidents, they may not like the rate, but they understand what it is based on. They can not understand however why they should pay a higher rate, be non renewed, or rejected all together, just because of their credit.

There are other life situations that effect someones credit score. 1.5 million people layed off in the last two years so the loss of income and medical insurance, divorce, medical crisis, identity theft, etc.

The insurance companies and the credit scoring companies will argue that credit is a prime indicator in determining **FUTURE** claims. That sounds like doublespeak to me.

This is still America. Our judicial system states that a person is innocent until proven guilty. The insurance industry has "arrested", "charged", "found guilty", and "executed" the consumer with an adverse credit score. It would follow that line of thinking then that since the majority of prisoners in our prisons are minority males age 18 to 45, we should just go out and round up all those that fit that profile and incarcerate them. Forget the court system, the trial, their rights, we would know, based on the statistics that eventually most of them will end up in prison anyway. That would be ridiculous. Credit scoring is ridiculous.

I support your bill, you have made it very simple and to the point.  
As for credit scoring, that reminds me of a quote, "that no amount of lipstick will make that pig pretty".

Thank you for your attention.