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**IFS Scoring Factors and Point Values
Virginia**

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 results. 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	

<u>Category</u>	<u>Point value</u>	<u>Category</u>	<u>Point value</u>
Highest Delinquency ever on a Trade		# of Trades Opened in the Past 12 Months	
No Delinquency	0	0	0
30-59 days late	54	1	3
60-89 days late	79	2	9
90 to 119 days late	100	3	45
120+ days late/repo	102	4-6	56
Bad debt, collection, charge off	158	7+	86
Number of Inquiries in the Past Two Years		Months Since Most Recent Delinquency	
0	0	No Delinquency	0
1	7	0-7	48
2	20	8-14	18
3	42	15-36	3
4	65	37+	-3
5	83		
6+	107		
Months Since Oldest Trade Opened		Number of Revolving Trades	
Missing	157	0	71
0-12	160	1	29
13-64	50	2	7
65-97	26	3	-3
98-146	11	4	-13
147-303	8	5-9	0
304	0	10+	19

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

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Category	Point value	Category	Point value
Total Number of Collections		Number of Trades	
0	0	0	0
1-2	77	1-3	34
3-4	126	4-17	49
5+	218	18+	51
Public Records		Amount Currently Past Due	
0	0	0-390	0
1+	20	391-588	22
		589-1468	40
		1469+	62

IFS BLUE will continue to utilize 5 Auto, 8 Homeowner, and 5 Renter groupings with point values as follows:

Private Passenger Auto - Line 18*

IFS Group	IFS Score
1	0-168
2	169-210
3	211-269
4	270-394
5	395-999

*No Hits for 19-64 yrs old = IFS 5
 No Hits less than 19 yrs old = IFS 4
 No Hits 65 yrs and older = IFS 3

Private Passenger Auto - Line 19*

IFS Group	IFS Score
1	0-186
2	187-244
3	245-405
4	406-551
5	552-999

*No Hits = IFS 4

Homeowners - Line 70 (A1 & A1C)*

IFS Group	IFS Score
1	0-155
2	156-169
3	170-231
4	232-273
5	274-328
6	329-392
7	393-485
8	486-999

*No Hits 65 yrs and older = IFS 1
 No Hits less than 65 yrs = IFS 4

Renters - Line 71 (A1)*

IFS Group	IFS Score
1	0-171
2	172-261
3	262-352
4	353-416
5	417-999

*No Hits = IFS 3

TO THE POINT

CREDIT SCORING

THE CRISIS IN THE BACK ROOM

M3 of 5

In the years since the advent of comparative rating systems, writing personal auto insurance has been a relatively stable process. In recent years, the growing acceptance of the SEMCI concept has made the process more efficient, causing data to flow easily between agency management systems, rating software, and company mainframe computers.

However, storm clouds are gathering in what had been mostly blue sky. Two fronts are driving the clouds, one being the growing trend of using credit scores in underwriting auto insurance, and the other being the proliferation of insurance company Web sites for agents. There's no doubt that both will have a major impact on the way we do business, and if left unchecked this gathering storm could be disruptive to our current workflows and choices of companies.

In Connecticut, where our agency is located, the vast majority of the companies we represent are awaiting approval of new credit-based auto programs. Some of these are fairly simple programs, but several are complex. It's reported that one major carrier will have 96 different rate levels based on credit and underwriting. It appears that the trend will be toward complex programs like this one. The goal is to be able to write virtually any auto risk for the "correct price" based on credit and underwriting factors.

How will the companies be able to rate and underwrite these new programs? Apparently there will be a "black box" at the company Web site, and all the agent has to do is provide the client information, and the firm price quote will be generated. The company system will order the credit report, the CLUE and the MVR to develop an accurate rate. Then, if the agent wants the policy, it can be ordered via the Web site.

This would be a fine system if I were a direct writer. But I'm not. My agency represents 17 companies that write auto insurance. Keying in underwriting information 17 times to get 17 quotes won't help my bottom line.

What about the comparative raters? While most companies say they will continue to provide their rates to the vendors, that won't be enough to ensure a seamless workflow.

The heart of the matter

The major obstacle to the current workflow is the credit report itself. Agents have long since gotten used to ordering CLUE reports and MVRs to get an accurate rate. And since the reports are universal, ordering them once assures accurate underwriting with *all* the companies. Not so when ordering a credit report.

Currently, all the companies we represent are using different credit models. Some reports say "acceptable" or "not acceptable." Others give a numeric score, and most give a score such as "superior," "good" or "fair." So what's good for one company isn't necessarily good for another. This disparity is frustrating for

agents, especially given the fact that most reports come from the same credit database. Using myself as a guinea pig, I was surprised at the range of prices I qualified for, given different interpretations of the same data.

The increasing complexity of the rating process makes it harder to get an accurate quote from a comparative rating product. And even if you can get a rate, you have to order a separate credit report for each company—which often entails using additional software programs. So what's an agent to do? Are there any alternatives?

Some improvements will come by way of changes in the current technology and workflow. Rating and management systems need to link to the Internet to get accurate information and give accurate quotes, while enabling agencies to avoid multiple data entry.

Inroads are being made. Real-time processing between agencies and companies is taking place. IVANS is licensing the real-time technology (formerly referred to as WARP) developed by Applied Systems and is distributing it as Transformation Station. As of August 2001, Transformation Station has several in-production companies and some 40 "live" agencies.

Another important development is AMS TowerStreet's SmartWorks product. Conceptually a home run, it blends agency- and Internet-based multi-company rating with underwriting information and data validation. As of August 2001, SmartWorks, which supports personal lines insurance, is available in four states.

Another solution would be to decrease the number of companies we do business with, or to shift business to companies that don't use the credit score/Internet business model, which would allow us to keep our present workflow. In an ideal world, though, agents shouldn't have to make this sort of choice. Companies should keep the agent's "ease of doing business" in mind—and avoid use of a complex credit model.

Enough blame to go around

Part of this impending crisis is our own doing because we agents didn't provide adequate input to our vendors and carriers and demand that they develop useful technology solutions. We agents need to voice our concerns collectively with the following goals in mind:

- Remind insurance companies that we are *not* exclusive agents. We need the companies to keep our ease of doing business in mind. Companies also need to cooperate with our rating and automation vendors to help smooth out our choppy technology stream. And we need to encourage standardization in the use of the credit models to make their usage more like MVRs and CLUE reports.

- Remind rating vendors that if we can't get comparative rates, we're no longer *independent* agents. Rating vendors need to step up to the plate and get us products that work. The technology is there. Agents need to buy rating vendors'

3/3/2003

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