

BULLETIN 2002-3

TO: All Licensed Property and Casualty Insurers

FROM: Darla L. Lyon, Director, South Dakota Division of Insurance

RE: Credit Scoring

DATE: November 15, 2002

The issue has arisen with the use of credit in underwriting or rating personal lines property and casualty policies in South Dakota. This Bulletin will outline the Division's position with respect to the use of credit information for private passenger automobile and homeowners insurance.

No insurer shall deny, cancel, or nonrenew a policy of personal insurance based on credit information as the sole determining factor. Offering to write a policy by an affiliated insurer or within a different tier of the same insurer with continuous coverage shall not constitute a denial, cancellation, or nonrenewal in violation of this Bulletin.

When the insurer is unable to obtain sufficient information to evaluate an applicant's or insured's credit information or to calculate his or her insurance credit score, the insurer underwriting the risk shall have the option of doing one of the following:

1. Treating the applicant or insured as if he or she had neutral credit information or insurance credit score, as defined by the insurer;
2. Excluding the use of credit as a factor and using only other underwriting criteria; or
3. Using the absence of credit history or an inability to determine a credit history as a negative value on a consumer's insurance credit score, but not until the insurer can demonstrate to the Director's satisfaction that the absence or inability relates to increased risk for the insurance company.

Nothing in this Bulletin:

1. Requires an insurer to use credit scoring in its underwriting or rating;
2. Prohibits the use of non-insurance credit scoring underwriting or rating criteria that are otherwise permissible; or
3. Prohibits an insurer from underwriting or rating a risk based upon the insured or applicant failing to provide information requested by the insurer.

No insurer shall use credit information to make an adverse underwriting or rating decision based, in whole or in part, on the nationality, race, or religion of an applicant or insured.

The Director shall have the discretion to treat violations of this Bulletin as a violation pursuant to §58-6-46.

This Bulletin will become effective January 15, 2003.