

Credit Information Code of Conduct for Insurers

In January the IBC introduced a Code of Conduct for Insurer's Use of Credit Information. It is only applicable to personal insurance and is made up of 10 guidelines. As space will permit I will try and consolidate the items.

Insurers must comply with all provincial and federal laws including privacy legislation. The insurers must ensure that the information is up-to-date and accurate and regularly take steps to update such information. If a consumer requests the source of the credit information the insurer must advise the specific consumer reporting agency. An insurer must obtain prior consent from the insured to collect and use credit info. As you know in signing an auto application, it includes such consent. Does your insured realize that signing an unaltered auto application is giving such consent? The guidelines spell out what must be included in the consent request. These items are NOT identified on the application

All credit information must be kept confidential as outlined in the PIPEDA Act. An insurer must not refuse to quote or base a renewal rate, deny, cancel or not renew solely on the basis of credit information without consideration of other non-credit underwriting or rating variables. And how will you as a broker be able to ensure compliance of this?

An insurer must seek assurance from the credit information supplier that certain factors are not used as a negative factor in credit scoring. Among these factors are inquiries by the insured of his own credit information, income, gender, ethnic group, religion, marital status, etc., multiple lender inquiries.

Insurers must treat consumers fairly when there is no record of credit information or are unable to create a credit score. Without a credit score insurers shall not deny coverage, cancel or non-renew but must use the usual underwriting info available to the insurer. And how will we know how the insurer is conducting their underwriting requirements?

An insurer shall not refuse to provide a quote, nor refuse to insure a customer who refuses to give consent. The IBC states that when this occurs the insurer may not offer their best quote. That's an open-ended alternative!

Lastly, and probably the most important is dealing with a consumer who has had an extraordinary life circumstance and whose credit info has been directly influenced by such defined event(s). These can include a catastrophic event declared by the

government, serious illness or injuries, death of a spouse, child or parent, divorce, identity theft, military deployment overseas, loss of permanent employment for more than 3 months or other events as may be determined by the insurer.

When there is an extraordinary life circumstances, an insured may have to supply signed documentation to support how and why their credit history was adversely influenced. The insurer will then review the decision as to whether to use credit info as a rating and underwriting tool. Insurers are required to advise consumers with a notice that exceptions are available and how to proceed further.

Time will tell whether this will have any bearing on the use of credit info for underwriting. The IBC have made it very clear that the Code of Conduct for Insurer's Use of Credit Information is **voluntary**. Will you be able to determine which of your insurers are willing to follow these guidelines in their entirety or even partially??

IBAO have responded by stating that the guidelines "*will create a false sense of security to the regulator and the consumers*". Because the guidelines are voluntary, there is no guarantee that insurers will adhere to them nor any consequences if they do not.

Time will tell!

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