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Farmers fined for improper use of credit history

Salem, Oregon – The state Department of Consumer and Business Services recently fined Farmers Insurance Company of Oregon \$10,000 for improperly using consumers' insurance scores in calculating renewal rates on thousands of auto and homeowner policies.

Oregon law prohibits insurers from using someone's credit history or insurance score (a rating based at least partly on credit history) to raise premiums or to cancel existing policies. Insurers may use credit history in deciding whether to issue new policies and at what rates. Even then, credit history can't be the only factor used, and companies must notify consumers before running a credit check.

Farmers, however, used insurance scores to rerate existing auto and homeowner policies in 8,385 instances from January 2006 through mid-February 2009. In 13 percent of the cases, or 1,050 times, rerating increased premiums.

As part of the department's investigation, the company returned nearly \$65,000 in improperly collected premiums to policyholders. It also made a programming change to its computer system, which the company said triggered the improper rerating.

The department's Insurance Division discovered the violation in reviewing a complaint about Farmers' service involving difficulties getting a bill sent to the right place. An Insurance Division advocate noticed the credit scoring issue, and a follow-up investigation discovered the extent of the problem.

"The result was that more than 1,000 consumers received a refund and we were able to correct the broader issue of a company's improper use of insurance scoring," Insurance Division Administrator Teresa Miller said. "This is another example of how consumers help us monitor the insurance market."

One upcoming change to the use of credit information: A law passed by the 2009 Legislature, Senate Bill 377, requires insurers that use a consumer's credit information to rerate policies if asked to do so by a consumer. Consumers are limited to one rerating a year for each type of insurance – for example, auto. The company may not use the results to increase premiums. However, it must reduce premiums if the policyholder qualifies for a more favorable rating. The bill is effective for policies issued or renewed on or after Jan. 1, 2010.

People with questions about credit scoring insurance or other insurance issues can reach the Insurance Division consumer advocates at 503-947-7984 in the Salem area or toll-free at 1-888-877-4894. These insurance experts operate an insurance hotline, as well as help people with complaints against an insurance company or insurance agent.

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The Insurance Division, part of the Department of Consumer & Business Services, helps ensure the financial soundness of insurers, the fair treatment of consumers, and the affordability and availability of insurance products. For more information, visit www.insurance.oregon.gov.

The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit www.dcbs.oregon.gov.