

COMMONWEALTH OF VIRGINIA

ALFRED W. GROSS
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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June 17, 2002

Administrative Letter 2002-6

TO: All Insurers Licensed to Write Private Passenger Automobile Insurance and Homeowners Insurance In Virginia

RE: Use of Credit Scoring Models in Rating Auto and Homeowners Insurance Policies

It has recently come to the attention of the State Corporation Commission Bureau of Insurance that it is possible to change the mathematical components/formulae of a credit scoring model used for calculating rate levels, thereby changing the final rate charged to an insured. Section 38.2-1906 of the Code of Virginia requires that all rates and supplementary rate information be filed prior to their use.

Effective immediately, any insurer that intends to use credit scoring models in rating or tiering must file the models prior to their use. Insurers currently using credit scoring models in rating or tiering must file their models no later than September 1, 2002.

The models will be considered part of the rate filing and will be open to public inspection according to § 38.2-1907.

If you have any questions regarding this matter, please call Rebecca Nichols, Supervisor of the Personal Lines Rates and Forms Section, at (804) 371-9965 or send an e-mail to rnichols@scc.state.va.us.

Cordially,

A handwritten signature in cursive script, appearing to read 'Alfred W. Gross'.

Alfred W. Gross
Commissioner of Insurance