



April 25, 2005

The Honorable Deborah Ortiz  
Member, California State Senate  
State Capitol  
Sacramento, CA 95814

**RE: Senate Bill 603 – Insurance Scoring – Oppose**

Dear Senator Ortiz:

The Latino Coalition opposes your Senate Bill 603. If enacted, this bill would threaten the widespread availability of homeowner insurance in California and could negatively affect the health of the State's housing and building industries.

SB 603 would ban the use of any credit-related information in rating or underwriting homeowner insurance in California, and in determining premium payment plans for homeowner coverage. In doing so, the bill ignores a large body of research that demonstrates a strong relationship between insurance scores and future insurance losses. For example, an analysis by Fair, Isaac Corporation based on a sample of more than 1.2 million policies, demonstrated a clear correlation between insurance losses and homeowners with adverse credit actions, delinquent payments, or a high number of open accounts. The Fair Isaac study is just one of more than two dozen studies that support this correlation.

Insurance scoring information increases the accuracy of risk assessment, helping insurers to make coverage more widely available and to control costs. The additional information provided by insurance scores frequently enables companies to write policies for applicants who would otherwise be ineligible. And, by using insurance score information in rate-setting, insurers can ensure that those policyholders less likely to file a claim are paying less than those more likely to file a claim.

Some critics assert that insurance scoring adversely and disproportionately affects low-income and minority policyholders. Such allegations are unfounded and unsupported. The fact is that income is not considered in insurance score calculations, nor is ethnicity, nationality, gender, age or marital status. Therefore, to assume that insurance scores discriminate against minorities and low-income residents is to assume that these groups are inherently less capable of managing their finances. We reject that assumption.

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Banning the use of insurance scoring information, as SB 603 seeks to do, would reduce the amount and accuracy of risk assessment information available to insurers, and force them to tighten remaining underwriting guidelines. The result would be restricted availability and higher costs in the state's already troubled homeowner insurance market. Because consumers cannot close escrow on new and existing home purchases without homeowner insurance, this bill may also adversely affect the state's housing market, one of the few bright spots in California's economic outlook.

Also, as part of our efforts to promote financial literacy in the Latino community, we need to focus on the importance of keeping a good credit history. By rewarding the irresponsible behavior of a few at the expense of most responsible citizens, we are sending a very negative message to all those trying to promote financial literacy to our youth.

In our 2004 national survey of Latino adults, a significant majority of Latinos, and an even larger majority of California Latinos, strongly opposed legislation similar to SB 603 ban the use of any credit-related information in rating or underwriting homeowner insurance. Almost unanimously, Latinos in our survey (97%) said it was very important to keep a good credit rating. Passage of SB 603 would send a mixed message about the importance of keeping a good credit rating and would penalize the overwhelming majority of Latino families that strive to keep their credit rating good in order to enjoy the economic benefits associated with this behavior.

We strongly oppose SB 603 and urge you to vote "no" on the bill. For more information about our position in this matter, please feel free to contact us, at 202-546-0008 or visit our website at [www.TheLatinoCoalition.com](http://www.TheLatinoCoalition.com).

Sincerely,



Robert G. de Posada  
President