

**Financial Services  
Commission  
of Ontario**

Licensing and Market Conduct Division  
5160 Yonge Street, 4<sup>th</sup> Floor  
Box 85  
Toronto ON M2N 6L9

**Commission des  
services financiers  
de l'Ontario**

Division de la délivrance des permis  
et de la surveillance des marchés  
5160, rue Yonge, 4<sup>ième</sup> étage, Boîte 85  
Toronto ON M2N 6L9



April 1, 2009

To: Chief Executive Officers and Chief Agents of selected insurance companies

**Re: Questionnaire about credit-based insurance scoring in the property and casualty industry**

The Financial Services Commission of Ontario (FSCO) and other regulators have received inquiries about the use of credit information by insurers to qualify, rate and underwrite personal property insurance. As you know, this issue has also been the subject of recent media attention. FSCO and regulators in Nova Scotia, Prince Edward Island, New Brunswick, Newfoundland and Labrador, Manitoba, Saskatchewan, Alberta, the Northwest Territories and the Yukon Territory are seeking information, through the attached questionnaire, to better understand how credit scoring is being used in the insurance industry.

The questionnaire is intended to gather information about the use of credit-based insurance (CBI) scoring practices of insurers in the property and casualty industry. This includes information about when/how insurers use credit history, the effect on availability and affordability for consumers, disclosure to consumers, confidentiality, controls, and so on.

The questionnaire is being conducted for analysis purposes only, not for compliance reasons. The Ontario *Insurance Act* does not prohibit the practice of using credit information for rating and underwriting, except as it relates to automobile insurance for private passenger automobiles.

All Chief Executive Officers and Chief Agents are required to electronically confirm that the information provided in the questionnaire fairly represents the practices of their respective companies as of the date the questionnaire is completed.

While there may be a generally understood industry meaning of credit-based insurance (CBI) scoring, for certainty and consistency purposes, and to ensure that the term is interpreted as broadly as possible, for purposes of the questionnaire:

“CBI score” refers to any kind of subjective or objective assessment, number, rating, ranking or score based in whole or in part on credit-related information about a consumer and used to predict the future insurance loss exposure of the consumer, whether or not derived from an algorithm, computer application, model or other process, and includes but is not limited to any information used by credit grantors to determine whether to grant or extend credit, credit scores and information contained in a credit report.

FSCO is collecting this information pursuant to sections 29 and 31 of the Ontario *Insurance Act*. While this questionnaire is being undertaken by FSCO, the above noted regulators have asked insurers to identify those credit-based insurance scoring practices that are materially different in

---

their jurisdictions from those practiced in Ontario (question 41). FSCO is collecting information on behalf of the regulators in those jurisdictions, based on their respective information gathering powers, in addition to the provisions of the Ontario *Insurance Act*. You may contact the regulators in those jurisdictions directly if you wish to obtain specific statutory references.

Please note that FSCO recently reminded automobile insurers of the requirements under Ontario Regulation 664 prohibiting the use of “lifestyle” factors including credit history and credit rating as underwriting or risk classification criteria for private passenger automobiles. It is not the intent of this questionnaire to address rating and underwriting practices in this area.

FSCO appreciates that the responses to some of the questions in the survey could potentially contain confidential trade secret and/or commercial, technical or financial information, and that under some circumstances disclosure could prejudice an insurer’s competitive position.

If your response contains confidential information that you consider to be exempt from disclosure by FSCO, you may wish to indicate this in your answers to question 43 of the questionnaire. FSCO will treat this information as confidential, recognizing that confidentiality and access to information are governed by legislation, particularly section 17 of the *Freedom of Information and Protection of Privacy Act*, and that if an access request is made under that Act, FSCO may be required to disclose some or all of your response.

Please use the following information to access the online questionnaire:

**Questionnaire Link:**           «LINK»  
**Password:**                   «CODE»  
**Company Name:**           «Company\_Name»  
**Unique Identification No.:**   «UID»

Once you click on the questionnaire link, you will be requested to enter the above password. Your company has been assigned a unique ID for tracking purposes. You must enter this number and your company’s name in question 1.

All selected companies are required to complete the questionnaire online on or before **April 14, 2009**. You are required to complete the questionnaire online only. For information purposes a PDF version of the questionnaire is available on the FSCO website at <http://www.fSCO.gov.on.ca>

Should you have any questions or concerns, please call the questionnaire help line at 416 590-8475 or toll free at 1 800 668-0128 ext. 8475.

You may also email your questions to [creditscoring@fSCO.gov.on.ca](mailto:creditscoring@fSCO.gov.on.ca)

Sincerely,

Original signed by:

Grant Swanson  
Executive-Director  
Licensing and Market Conduct Division