

EXAM 6 – CANADA, SPRING 2018

3. (1 point)

A property and casualty insurance company uses credit-based insurance scores for homeowners' insurance products. Adequate consent to collect and use credit information is requested verbally from new customers in order to provide an insurance quote.

A customer refuses to give their consent to use their credit score because they believe that a recent identity theft has adversely affected their credit score.

Propose a process to meet both the best interests of the customer and the Insurance Bureau of Canada (IBC) Code of Conduct for Insurers' Use of Credit Information.

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EXAM 6C SPRING 2018 SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 3	
TOTAL POINT VALUE: 1	LEARNING OBJECTIVE(S): A2
SAMPLE ANSWERS	
<p><u>Sample 1</u></p> <p>In extreme events, customer may contact the insurer and submit in writing the circumstances of the event and how they believe the event has impacted their credit score. The insurer should review such complaint and if approved, adjust the premium with the average credit score insurance score. The consent given should be clear and explicit and the insurer should be fully transparent in how the credit score will be used.</p>	
<p><u>Sample 2</u></p> <p>The customer could provide a written statement to the insurer explaining the extraordinary event. The insurer needs to review it and if necessary, adjust the credit score for the effect of this event. However, if the customer still refuses, the insurer could not reject the customer because he refused to give consent for credit score. If the customer does give consent, they could withdraw it at any time.</p>	
<p><u>Sample 3</u></p> <p>Advise the customer to contact the credit bureau to report the identity theft incidence, so the bureau can investigate and make correction accordingly. The customer could then give their consent to the insurer and get the proper premium. If the customer continues to refuse giving consent to use their credit score, the insurance company needs to provide a quote without using credit score.</p>	
<p><u>Sample 4</u></p> <p>If the customer can prove identity theft, the premium calculation should be adjusted to not reflect the poor credit score. This benefits the company, as they won't have an angry customer and a possible public relation issue. Customer's premium would be unaffected by identity theft. IBC would meet the goal of protecting insureds by finding an appropriate solution.</p>	
EXAMINER'S REPORT	
<p>Candidates were expected to propose a process to deal with an extraordinary event impacting a customer's credit score.</p> <p>Common errors included:</p> <ul style="list-style-type: none">• Providing an answer that was too brief.• Listing elements on informed consent without providing a process.• Providing an answer without considering or commenting on the potential identity theft.	