option consommateurs
l'association des consommateurs du québec

Do consumers who reside in certain areas of Halifax, Calgary and Montreal have trouble getting home insurance?

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For the Industry Canada Office of Consumer Affairs

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Executive summary

Access to home insurance in certain American urban areas has been getting a lot of print in the United States. Many consumer groups in that country have accused insurers of *redlining.* Originally, this term meant that certain big city central areas were refused access to insurance. A*nti-redlining* legislation passed by various states included in the term's definitions the refusal of issuing or renewing an insurance policy or the cancellation of a policy because of the geographical location of a building.

To better understand this problem, we did a small documented study on *redlining* and the legislation passed in the United States to remedy the situation. Studies done in America determined that there's a relationship between income and the probability of getting and keeping home insurance. Furthermore, it would seem that underprivileged communities are disproportionnately affected by certain criteria used by insurance companies. We also noticed that the United States, more so than Canada, have adopted a policy of intervention where insurance is concerned. Certain states have therefore implemented risk sharing programmes (« pools ») that provide basic protection to consumers who live in urban areas where it's difficult to obtain insurance. Furthermore, insurers in certain states have to reveal precise information pertaining to their activities such as the geographical breakdown of policies that are issued, as well as the criteria they use.

We also did a telephone investigation of insurance agents and brokers in three Canadian cities, i.e. Calgary, Halifax and Montreal. We wanted to check if insurance companies refuse to insure consumers because of their home's geographical location, and whether or not they have implemented policies that make access to insurance difficult in disadvantaged areas. Our investigation made it possible for us to conclude that this problem doesn't exist in Halifax and Calgary. Indeed, no insurance company refused to insure our investigator when he claimed to live in an underprivileged area. Furthermore, in these cities, insurance companies charge identical or similar premiums, whether their customers live in poorer or wealthier areas. In Montreal however, there is a problem with access to insurance. Indeed, two of the thirteen companies we reached refused to insure a home in the Hochelaga-Maisonneuve district. Also, nine of these thirteen companies charged higher premiums to insure a home in this particular area. Furthermore, the difference in costs between poorer and more privileged areas can sometimes be quite considerable. Indeed, four companies require between 30,1 % and 58,1 % more to insure this sector. Finally, our investigation showed that certain insurance companies use credit ratings or risk scoring to select their customers during the application process, no matter where our investigator claimed he lived.

These results have lead Option consommateurs to make the following recommendations :

1) In order to give a more precise diagnosis of the problems surrounding access to home insurance, we recommend that governments do a complete and full study based on the information that insurance companies hold. Taking a look at the criteria while taking out an insurance policy will help to determine if there is discrimination within the system. Furthermore, evaluating the geographical breakdown of those risks that are accepted by insurers will help determine if certain areas are under insured.

2) To do a better evaluation, we recommend that the Quebec government adopt legislation that would make the following conditions compulsory for insurance companies :

   - Reveal the geographical breakdown of policies that are taken out, cancelled or refused.
   - Divulge the statistics pertaining to losses for each postal code.
   - Make public the criteria they use.

3) We recommend that provincial governments, especially the Quebec government, examine the possibility of implementing a home insurance access programme, i.e a risk sharing « pool ».

4) We recommend that provincial governments pass legislation which would make insurers justify in writing their decision to cancel a policy, or refuse to take out or renew a policy.

5) To enable consumers to better understand the various insurance products that are available and to compare them, we recommend that brokers/agents as well as insurance companies use a standardized vocabulary to designate these various products.

6) We recommend that the federal and provincial governments do a complete study to determine what use insurers make of credits ratings, to verify if they use the latter to accept a specific risk, cancel a policy or to determine the amount of the premiums.

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GLOSSARY

In the pages below, the terms we use will have the following meaning:

« Consumer »	Person who has taken out or is trying to take out an insurance policy.
« Criteria »	Various factors taken into consideration by the insurer when deciding whether or not a risk is acceptable or when evaluating the amount of a premium.
« Discrimination »	A distinction that is unfavourable to a person or a group of people.
« Deductible »	Portion of the cost of damages (fixed amount or percentage) that the insurer pays for when settling a claim.
« Form for specific risks »	Insurance form that offers coverage for a limited number of risks, specified in the contract.
« Form for all risks »	Insurance form that offers a more extended coverage than the others against losses or damages incurred during any fortuitous event, excluding those not in the contract.
« Policy »	Written document, signed by the insurer and the subscriber, which confirms the existence of an insurance contract and which specifies the terms and conditions.
« Premium »	Amount of money that the insured person pays to the insurer in exchange for financial protection against specific risks, for a pre-determined amount of time.
« Protection »	Guarantee provided by an insurance policy in case an accidental event occurs.
« Risk appraisal »	Risk evaluation process which assists the insurer in deciding on one hand whether or not he will accept a risk and on the other hand, in determining the conditions under which the guarantee will be offered.

(Insurance Bureau of Canada, 2002)

INTRODUCTION

> "Insurance is essential to revitalize our cities .... without insurance, banks and other financial institutions will not –and cannot- make loans. New housing cannot be repaired (…) Efforts to rebuild our nation's inner cities cannot move forward. Communities without insurance are communities without hope." President's National Advisory Panel on Insurance in Riot Affected Areas" (Squires, 1997).

Access to home insurance is an important issue. There are those who believe that it's essential to a city's revitalization and even go so far as to say that a community without insurance is one without hope. One thing is however certain. Insurance provides security. It represents a way to protect oneself against the unpredictable events of life. For the consumer who doesn't have the funds to replace lost assets, insurance can protect against catastrophic consequences.

However, according to an American study, there seems to be a relationship between income and the probability of obtaining home insurance (LSAP, 2000). According to a survey done by the Task Force on the Future of the Canadian Financial Services Sector, 17 % of low income Canadians have no insurance, whereas a minor percentage of low income earners have life insurance, home insurance or health insurance (Ekos, 1998). A survey done in 2000 by the Insurance Bureau of Canada (IBC) of 1000 Quebeckers shows that 24% of tenants are not insured. Some of them don't have home insurance because of the cost of premiums (Gagnon, 2000).

Opinions differ as to why this problem exists. Insurers often attribute this to two factors: the socio-economic situation of low income consumers who have trouble paying for insurance and the crime rate in certain underprivileged areas, which increases premiums. For their part, consumer groups feel that certain methods used by insurers are a part of the problem. *Redlining* is one of those methods. *Redlining* means refusing insurance to a consumer because of the geographical location of the building.[1]

[1] For further information on the meaning of *redlining* please refer to section 1.1.

The objective of our study is to verify if Canadian consumers who live in underprivileged areas of Calgary, Halifax and Montreal have trouble getting insurance. We want to know if insurance companies (1) refuse to insure consumers because of the area they live in (2) and if they use methods or apply certain policies which give consumers limited access to home insurance.

Our study has two sections: Documented research on *redlining* and the legislation pertaining to this problem, as well as a telephone investigation of agents and insurance brokers, in order to evaluate their methods and to get premium prices for a basic insurance policy. As you will see in detail in section 2, we selected an underprivileged area as well as a wealthier sector in all three cities we selected for our telephone investigation, that was done between February and April 2002. In each sector, we chose a building with similar characteristics. Our investigator, based on the address of each of these buildings, completed his investigation.

Following these sections, we will draw our conclusions and make the necessary recommendations we feel will help make home insurance more accessible.

1. DOCUMENTED RESEARCH

1.1 THE PROBLEM OF ACCESS TO HOME INSURANCE

Access to home insurance and *redlining* have both gotten a lot of publicity in the United States. Originally, the term *redlining* referred to methods used by those who supply services (banks, real-estate agents, insurers), and who were in the habit of outlining in red the central areas of a city they refused to provide services to. However, the effect of the legislation that was passed to make up for discrimination against the African-American population meant that the definition of this term was broadened, and now includes methods or policies (used by landlords and insurers notably) which, deliberately or not, have a discriminatory effect [2]. These days, because of legislation in various American states, this concept is often seen as cancelling or refusing to issue and renew insurance policies because of the building's geographical location. Certain laws also aim at the elimination of limits that are set pertaining to amounts, to the extent of the protection provided and also aim at getting rid of the policy of charging higher rates because of the property's geographical location[3].

Access to home insurance in the United States has been the subject of many studies. We chose to report the findings from two of these studies, which analyze the problem of access to home insurance based on data provided by insurance companies, as well as a few comments made by industry critics.

The first study was done by the *Legal Services Advocacy Project* (LSAP) in October 2000. The objective was to analyze the number of policies that were issued, cancelled and not renewed, as well as the number of insurance applications rejected by insurance companies for the State of

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[2] According to Dane (1997), there is a strong consensus of opinion among American Federal Courts to the effect that the *Fair Housing Act, 42* USC (§100.70 et § 3601 et ss.) must forbid methods and policies that are intentionnally discriminatory and those that are prejudicial (« disparate impact ») against groups protected by this Act. The latter forbids any kind of discrimination because of race, skin color, religion, ethnic origins when selling or renting homes or pertaining to related services (including insurance).

[3] Please refer to section 1.3 for further details concerning the legislation passed by various American states.

Minnesota's 42 zip codes [4]. Following the analysis of data, the LSAP draws various conclusions. First of all, the study states that there's a relationship between income and the probability of obtaining or keeping home insurance. Indeed the data suggests that the chance of having their insurance rejected or cancelled is twice as likely for those who live in the poorest areas. The LSAP also notes that the companies who hold the biggest shares of the market tend less to insure low income sectors. The LSAP concludes that additional research is needed before any conclusions are drawn as to the cause of these results (LSAP, 2000).

Finally, the *Office of the Public Insurance Counsel* (OPIC) (an independent government agency that represents the interests of Texas consumers) did an analysis of the criteria used by insurers in that State. One of the OPIC's conclusions is that underprivileged communities are much more affected by some of these criteria. More precisely, some of the criteria seem to exclude buildings that are either old or that have a low market value. This is typical of economically poorer areas. On a different note, the OPIC claim that insurers use vague terms in order to limit protection in sectors with a higher crime rate (often underprivileged areas). They emphasize that the wording of these terms encourages agents/brokers to rely on preconceived ideas rather than objective standards, such as a recognized crime rate (OPIC, 1994).

Following this study, certain insurance industry critics (who are mainly concerned about the problem of access to insurance by the African-American population) noted that the criteria for issuing an insurance policy can have the same effect than outlining a sector in red (Powers and Squires, 1997). Furthermore, they accuse insurance companies of using criteria that are highly discriminatory (*adverse impact*) against people who are protected by the *Fair Housing Act*[5], the repercussion showing in availability as well as premium prices. They also note that these barriers can take many forms : rejecting the insurance application, a decrease in the variety of products available to consumers, the impossibility of getting insurance at a reasonable cost, or conditions that make insurance more expensive, such as a higher deductible or a limited guaranteed amount (Powers, 1997).

It's interesting to note that these critics question the use of other criteria. They believe that the industry uses subjective criteria that seem to have no relationship to covered risks, for example

[4] It's compulsory for insurance companies in Minnesota to give an annual report that includes this data to the Minnesota Commerce Department (Minn. Stat. § 65A.28).
[5] Please refer to the note on the bottom of page 2 .

the consumer's occupation (i.e. his job or lack thereof), his lifestyle as well as his credit file (Squires, 1997; OPIC, 1994).

Few studies have been done in Canada on the problem of access to home insurance. Two studies done in Quebec are however worth mentioning. In 1997, the "Chaire en assurance l'Industrielle-Alliance et l'École d'actuariat de l'Université Laval" did a study on this problem with the help of a survey done in four Quebec cities (Quebec City, Trois-Rivieres, Sherbrooke and Chicoutimi). Because of the small number of consumers who were rejected by insurance companies because of the area they lived in (6/1520), this study concluded that there was no systematic problems with access. However, the study showed that the percentage of insured tenants was lower in certain central areas and that certain tenants didn't take out any insurance because of the high cost of premiums. The authors of this study also interviewed insurers and brokers to get their comments pertaining to the problem of access. An interesting fact is that brokers and insurers believe that consumers and insurance companies are jointly responsible for this situation. When they were asked what role the industry plays in this situation, 66% of brokers said that the problem is partly due to the fact that insurers seem to discriminate against central areas and respect quotas. 85% of insurers think that the prices and quotas can be perceived as being part of the problem. Finally, the authors report that one of the solutions favoured by many industry members, in the case of an access problem, would be the implementation of a risk sharing programme (« pool ») where insurance applications would be accepted if minimal conditions are met (Gendron and Marceau, 1999).

In 1995 the « Bureau d'animation et d'information logement du Québec métropolitain » (BAIL) did a study that reports that there are discrimination problems in the Saint-Roch area of Quebec City. The study shows that 38,4 % (1390) of households (tenants) are not insured. Of this number 11 % were rejected at least once by insurers because the latter considered that Saint-Roch is a high-risk area (because of the higher rate of fires, burglaries, etc.) and 25 % didn't take out any insurance because of the price of premiums. Furthermore, this study concludes that the insurers and brokers that were interviewed aren't aware of the real risks that exist in these areas and the improvements done through the years (BAIL and CRÉEQ, 1995).

1.2 LEGISLATION OF INSURANCE IN CANADA

In Canada, the federal and provincial governments supervise the industry according to their respective field of expertise. Each has therefore implemented systems to verify the solvency of insurance companies. Insurance contracts, disputes over insurance policies, commercial practices fall under the jurisdiction of the provinces.

The Office of the Superintendent of Financial Institutions manages and oversees federal insurance companies, i.e. insurance companies authorized to offer services by virtue of the *Insurance Companies Act*[6], to make sure these companies remain solvent and respect the provisions of the Act .

Each province has implemented a similar system for incorporated companies by virtue of their laws or that carry out their activities on their territory. In Quebec, the « Inspecteur général des institutions financières » has this responsibility by virtue of the *Loi sur les assurances*[7]. The insurance division of the Ministry of Finance plays this role in Alberta[8], whereas the Superintendant of Insurance fills this position in Nova Scotia[9].

The insurance legislation passed in Alberta and Nova Scotia covers a large spectrum of issues. Among those are the regulations concerning insurance companies' permits, the conduct of agents and brokers, as well as the shape and content of insurance contracts (Brown, 1997).

Because of its judicial tradition the Province of Quebec supervises the field of insurance in a somewhat different manner. However, most provisions are similar. Other than the solvency of insurance companies, the *Loi sur les assurances* and its applications oversee the training of these companies, their right to practice, the obligation they have of providing guarantees, etc. The *Code civil du Québec*, however, regulates insurance contracts (i.e. rules surrounding their shape and content, the differences between the various kinds of insurance, the rights and obligations of the parties, etc.) [10].

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[6] S.C. 1991, c. 47.
[7] L.R.Q., c. A-32.
[8] Insurance Act, RSA 2000 c. 1-5.1
[9] Insurance Act, R.S.N.S., c. 231
[10] L.Q. 1991, c.64, art. 2389 ss.

It’s important to note that these laws don’t regulate the everyday operations of insurance companies. Indeed, each company is free to make decisions on the way they handle their everyday affairs, which includes notably deciding to issue or not an insurance policy and determining fees (BSIF, 2002).

The laws that protect the rights of individuals in the three provinces we used in our study, for their part, supervise in a limited way certain criteria used by insurance companies and that evaluate risk, i.e. age, gender or civil status. For example, the Quebec *Charte des droits et libertés de la personne*[11] specifies that if a distinction based on age, gender or civil status is made, it’s not discriminatory when there’s a legitimate motive behind it, and if this motive is a factor in evaluating a risk, based on actuarial data. Alberta has adopted a less precise provision, which states that no law has been broken if it can be proven that the violation in question was reasonable and justifiable due to a certain set of circumstances[12]. However, none of these laws forbids the use of one’s home as a means for discrimination.

1.3 INSURANCE LEGISLATION IN THE UNITED STATES

During the last three decades, the United States have developed a more interventionist approach in the field of insurance because of their historical and social contexts. Certain American states have implemented measures that aim at bringing a solution to the problem of access to home insurance. Furthermore, they passed legislation that regulates more precisely the relationship between insurers and consumers.

Since the field of insurance is mainly regulated by the various States, the measures that have been taken can vary from one to the other. Since there are 52 states, we cannot claim to have done an exhaustive study of the measures taken by each one. However, we did examine some sections of certain laws, to which we refer below.

[11] L.R.Q. c. C-12, art. 20.1.
[12] Please note: this is a free translation of article 11 of the *Human Rights, Citizenship and Multiculturalism Act*, RSA c. H-14.

Fair Plan

During the 1960s, the American government realized that there was a problem with access to home insurance because of *redlining* in certain urban areas. According to the *Insurance Information Institute*, this practice began following the civil unrest[13] which characterized this period (III (3), 2000). After this realization, the federal government set up a special commission to look into this question. They concluded that many areas didn't have adequate protection and that no insurance could be re-issued following riots. In order to remedy this situation, the federal government and many states implemented access programmes called *Fair Access to Insurance Requirements (hereafter, « **Fair Plan** »)*[14] meaning risk sharing programmes (« pools ») that provide basic home insurance to consumers who live in areas where it's difficult to obtain insurance (III (3), 2000).

These days, although the federal government is no longer involved in the matter, there are still *Fair Plans* in 31 States, as well as in the District of Columbia. Insurers refer consumers to these *Fair Plans* if they don't qualify for insurance policies offered on the market, notably because their home is located in an area where there's a high crime rate. All the companies who issue insurance policies in these States share the costs that come with these insurance policies (III (2), 2001; Dane, 1997).

Until recently, the *Fair Plans* provided extended coverage or protection against fire or vandalism. These days, close to half of *Fair Plans* give access to an all-risk coverage. In theory, premiums for this type of protection are the equivalent of the cost price. In practice, most States subsidize *Fair Plans*. This way, the premiums cost less than they would on the market (III (2), 2001). In order to have access to this kind of protection, owners have to make sure that their property meets the basic security standards. This means that older homes sometimes need repairs before they are eligible for insurance by virtue of this system (III (2), 2001).

[13] This unrest was mainly linked to the African-American civil rights movement.

[14] These insurance systems were set up after the American federal government made re-issuing of insurance following riots available in those States that adopted the « Fair Plan » (*Urban Property Protection and Reinsurance Act (PL 90-448, 82 Stat. 476, Titre XI of the Housing and Urban Development Act of 1968).* This Act was passed to *"Encourage and assist the various state insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards (PL 90-448, § 1102, 12 V.S.C.A. § 1749 bbb nts.)* (Squires, 1997).

*Banning **Redlining***

According to the *Insurance Information Institute*, *redlining* is forbidden in every American State. The term *redlining* means refusing to issue or renew a policy or cancelling a policy because of the geographical location of the home in question (III, Nov. 2000).

For example, provisions forbidding *redlining* were adopted in New Hampshire (For a text of the provisions, see appendix 1), in Texas and in Minnesota. The provision passed in New Hampshire indicates simply that the location of one's residence is unfair discrimination. However, the Texas insurance code states that an insurance company cannot refuse to insure someone or to renew a policy, limit the amount or the extent of the coverage because of the geographical location of one's home, unless there's a verifiable, statistical reason that justifies his decision (art. 21.26 please refer to appendix 2 ; OPIC, 2002). Minnesota pushes this a little further. Their laws forbid insurance companies from refusing to insure, renewing a policy or demanding a different rate for a property (where the company has already sold insurance), because of the geographical location of that property (art. 72A.20 subd. 13 a) b)). They also forbid the insurer from demanding a different rate due to the zip codes used within the limits of the designated city (for provisions, please refer to appendix 3).

The problem with older buildings

It's more difficult to obtain insurance in central areas of a number of American cities because the buildings are generally older. Certain consumer groups complained because they consider this situation to be unfair and discriminatory. To remedy the situation, certain States passed laws to help clarify the rights of insurers and insured parties. For example, Minnesota has forbidden insurance companies from refusing to insure or renew an insurance policy, or charging a different rate because of the age of the building (art. 72A.20 subd. 13 b)). However, this provision enables insurers to adjust their rates according to the age of the plumbing system, the electrical system, the heating system, etc. (for provisions, please refer to appendix 3).

Making insurance companies answerable

The American Congress have already studied the possibility of passing a law which would make insurance companies reveal the geographical breakdown of the policies they issue, a bit like mortgage lenders, by virtue of the *Home Mortgage Disclosure Act.* According to Squires, this law was never passed (Squires, 1997).

Certain States however, as they were adopting *anti-redlining* provisions, also made insurance companies give their Insurance Superintendents a detailed account of their activities per zip code. For example in Minnesota, companies who sell home insurance in urban areas, have to compile the number of issued insurance policies, those that have been cancelled, not renewed and rejected for each zip code (art. 65A.28 sub. 1, please refer to appendix 3). In California automobile insurers have to give an account of their losses for each zip code (art. 11628, please refer to appendix 4).

To be able to evaluate the criteria[15] used by insurance companies and to better understand to which market segments these companies want to sell or not, insurance companies in nine States are under the obligation of transmitting a copy to their insurance department (OPIC, 1994).

Certain consumer groups have put pressure on their government officials in order to gain access to the criteria used by insurance companies. Many States met their constituents' demands. In Michigan, Illinois, Missouri, Massachusetts and New Mexico, insurance companies have to give this information to their respective insurance departments, who make these criteria public upon request, by virtue of the *« State open record law »*. Texas has also imposed this regulation but, since these criteria are confidential by virtue of their rights, that particular State makes the information public only partially and do so without naming the companies (OPIC, 1994).

2. METHODOLOGY

For our phone investigation we chose two areas in three cities : Calgary, Halifax and Montreal. We chose an underprivileged sector as well as a more fortunate sector we used as a sample. To

[15] The list of the various factors taken into consideration by the insurer when making a decision pertaining to accepting a risk and determining the premium.

do this, we first reviewed the socio-economic profiles of the population for different areas[16] and did telephone interviews with representatives from community organizations, employees and elected and government officials[17]. Please refer to section 2.1 for more detailed information on the different areas we selected.

Afterwards, to standardize the risk assessments made by insurers, we paid close attention to the characteristics of the buildings we selected, as well as to the descriptions that our investigator made of these buildings.

The apartment buildings that were selected should have certain things in common. They should be in a residential area and have no adjacent businesses, sheds or garages. Furthermore, they should have been built in the same period and belong to the same risk category, i.e. six apartments and less or seven apartments and more[18]. Please refer to appendixes 6, 7 and 8 for information on the buildings we selected in Montreal, Halifax and Calgary.

Moreover, each time the investigator was questioned on this subject, he should indicate that he was renting a four and a half, on the second floor of the building. Also, he should indicate that the apartment has electric heating, a smoke detector, a front door with a deadlocking device and that the building is in good condition.

For our scenario, the consumer was 23 or 24, a non-smoker, had just graduated from CEGEP (collegiate studies) and was looking for work in his field while working part-time. The investigator had never applied for home insurance and consequently, had never filed a claim. He should therefore indicate that he was about to leave his parents' home to move into his first apartment.

During each telephone interview, the investigator had to complete the form prepared especially for that purpose (Please refer to appendix 9). He had to write down all the questions he was asked concerning himself, the building or the area, as well as the information he received on the type of insurance that was proposed to him (sort of protection, amount of premium,

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[16] Please note : Since the socio-economic profile of district 15 in Halifax wasn't available, we made sure that this area met the criteria we were looking for by interviewing the local councillor who has represented this area since 1994.

[17] For more information on the organizations and people we interviewed, please refer to appendix 5.

[18] We made sure that the buildings we selected in the same city had the same characteristics. However, the characteristics for all buildings in all three cities weren't necessarily the same.

characteristics). Furthermore, the investigator should write down all the comments made by agents/brokers on their perception of the area as well as any explanation given on the application process.

2.1 DESCRIPTION OF THE SECTORS SELECTED IN EACH CITY

2.1.1 MONTREAL

For our investigation, we selected Hochelaga-Maisonneuve as the underprivileged area. The building we chose is in an area of this sector that corresponds to the old Maisonneuve electoral district. We chose Rosemont as a sample area. The building we selected is in an area of Rosemont that corresponds to the old electoral district of Étienne-Desmarteau.

The electoral district of Maisonneuve has a population of 18 905. The average annual household income is $ 24 079 compared to $ 34 376 for the City of Montreal. 89,4 % of people are tenants and more than half of the apartments were built before 1946 (Montreal (1), 1998).

According to the statistics from the Montreal Police Department's Station 23 (which covers both Hochelaga and Maisonneuve), in 1999, there were 1 255 breaking and enterings in this area. When you divide this number by the total population Section 23 serves, which is about 45 000 people, the breaking and entering rate is 27,9 per 1000 people (Montréal ce soir, 2000 ; SPVM (1), 2001). According to Tandem Mercier-Hochelaga-Maisonneuve (a crime prevention organization working in that area) crime problems are not the same in the entire area and certain sub-sectors, among which the building we selected is located, are less affected by crime than others.

The Étienne-Desmarteau electoral district in Rosemont has a population of 20 354. The average annual household income is $ 28 935, which is a bit higher than the electoral district of Maisonneuve. 77,9 % are tenants and 19,5 % of apartments were built before 1946 (Montreal (2), 1998).

According to the statistics from Stations 43 and 44[19], there were 1 347 breaking and enterings in 1999. When you divide this number by the population these two stations serve, which is around 82 420 people, the breaking and entering rate is 16,3 per 1000 people, which is less than in Hochelaga-Maisonneuve (Montréal ce soir, 2000 ; SPVM (2) and (3), 2001).

2.1.2 HALIFAX

For our investigation, we selected the area of North Dartmouth (district 9), a sector where a large part of the population are low wage earners, as well as Fairview-Clayton Park (district 15), that we selected as our sample area.

District 9 has a population of 14 367 people. The average annual household income is $ 34 000 compared to $ 48 000 for the Halifax Regional Municipality. The discrepancy is partly explained by the fact that 40 % of households who live in this district earn less than $20 000 per year. Dartmouth is a sector with a very high percentage of tenants. Indeed 81 % of homes are rented, compared to 48% in the Regional Municipality of Halifax (Scott, 2000; HRM, 2001). Moreover, this sector had 537 breaking and enterings in 2000. This represents a rate of 37,4 per 1000 people (Halifax Regional Police, 2002).

District 15 has a population of 14 853 people. After a few interviews we did with various key people, we were able to determine that the residents of district 15, although of various socio-economic backgrounds, had a higher standard of living[20]. This area is composed of three distinct zones. The Clayton Park sector has buildings with a very high assessed value; Fairview has mainly one family homes or duplexes built in the 1950s, occupied by either elderly owners who have lived in the area for a long time or by young families who have moved in the area in great numbers recently. Finally, there is the zone located between Glenforest and Main streets, where we selected our building, which is a zone made up mostly of apartment buildings built in the 1960s where newly arrived people live as well as people on welfare (SCHL, 2001 ; HRM, 2001).

[19] These police stations cover two sectors of Rosemont, the South-West and the North-East.

[20] Since the socio-economic profile of this district wasn't available, we chose this area based on the information provided by the people we interviewed, including the municipal councillor for this sector.

In 2000, there were 160 breaking and enterings in this district, which represents a number of 10,8 per 1000 residents (Halifax Regional Police, 2002).

2.1.3 CALGARY

For our investigation, we selected the Spruce Cliff area, where a large part of the population are low wage earners, as well as Crescent Heights, that we selected as our sample area.

Spruce Cliff has 3 190 residents. The average annual household income is $ 32 173, whereas the median income is $ 24 976. This discrepancy is explained by a high proportion of low income households. Indeed, 42% of households earn less than $20 000 per year. The sector is composed of 63,3 % of tenants and many apartments were built during the last four decades (Calgary (1) and (2)). Finally, this area has a crime rate of 121 per 1000 residents, which puts it in the 31st position out of a possible 168 for the City of Calgary (Calgary (5), 1996)[21].

The Crescent Heights district has 5 800 residents. The average annual household income in that area is $ 42 717, whereas the median income is $ 33 406. 65,8 % of the people who live there are tenants and many apartments were built during the last four decades (Calgary (3) and (4)). Finally, there are 113 crimes per 1000 residents, which puts this sector in the 35th position out of a possible 168 for the City of Calgary (Calgary (5), 1996).

[21] Please note : We provided the crime rate for Calgary, as opposed to Montreal and Halifax, because the breaking and entering rate wasn't available.

3. RESULTS

3.1 MONTREAL

3.1.1 HIGHLIGHTS

- It seems it's more difficult to obtain insurance in Hochelaga-Maisonneuve than it is in Rosemont, our sample area. Indeed, two companies refused to insure our investigator when he claimed he was moving to that area.
- The difference in premium costs between the two areas is 21,25% on average. However, the variation between certain companies is sometimes quite big. Indeed, four companies charge between 30,1 % and 58,1 % more to insure someone who resides in the Hochelaga-Maisonneuve area.
- Finally, there's a big fluctuation in the premiums charged by different companies. For a basic protection, prices can vary up to $300 (we don't know if this variation pertains to similar products). This shows that the consumer has to shop around and ask questions in order to obtain a product that will really meet his needs.
- A consumer residing in the Hochelaga-Maisonneuve area would have a 50% chance of obtaining insurance for less than $ 350. This proportion increases to 78% if the consumer resided in Rosemont.

3.1.2 GENERAL INFORMATION

During our investigation, we obtained information pertaining to premiums and insurance policies offered in the Hochelaga-Maisonneuve and Rosemont areas by 13 different insurance companies.

We contacted eight insurance companies who offer their products to consumers directly or through their exclusive agents. These companies are Allstate, Belair Direct, La Capitale, CGU, Coseco, Desjardins, Industrial Alliance and Wawanesa.

To get a bigger sample of insurance companies, we afterwards telephoned eight brokers, whose address and phone number we got from insurance companies who don't deal directly with consumers. These brokers gave us information on prices and products offered by five other insurance companies, i.e. Federation, ING, Missisquoi, Pafco and Union Canadienne.

It's important to mention that many of these brokers gave us the prices offered by ING and Union Canadienne. When the premiums for the same product (for the same company) were different, we then calculated the average premium. This average amount was used for the analysis we did of the variation in premiums for both areas (Please refer to section 3.1.3.1).

At the time of our study, a consumer wanting to obtain basic insurance could have gotten either a specific risk or an all risk coverage, up to $ 15 000 or $ 20 000.

3.1.3 RESULTS

Companies who refused to insure a consumer residing in Hochelaga-Maisonneuve

We found out that's it's more difficult to obtain insurance in Hochelaga-Maisonneuve than in Rosemont. Indeed, two companies dealing directly with consumers refused to insure our investigator. Belair Direct and Industrial-Alliance justified their decision by explaining that the company had reached the « insurable quota »[22] for that area.

Comparisons between premiums charged for each area

Two companies, Wawanesa and Pafco, charged identical premiums for the two areas. The other nine companies charged higher premiums for Hochelaga-Maisonneuve. These companies were Allstate, CGU, Coseco, Desjardins, Federation, ING, La Capitale, Missisquoi and Union Canadienne.

On average, insurance companies charged $ 63,61 (21,3 %) more for Hochelaga-Maisonneuve. Indeed, for this sector, the average premium was $ 362,83, whereas in Rosemont, the average

[22] Which means that that had supposedly reached their maximum quantity as to the risk they were willing to support in that sector.

premium was $ 299,22[23]. However, we realized that the variation in premium costs between Hochelaga-Maisonneuve and Rosemont varies enormously from one insurer to the other. The difference in costs is sometimes quite small. This is the case for Allstate, who charge $ 4,36 more for a « named risk » coverage of $ 20 000 in Hochelaga-Maisonneuve. La Capitale had the biggest variation. They charge $ 211,56 more for the same type of protection. As you will see for yourself in the table that follows, four of the insurance companies charged between $ 4,36 and $ 60 more for someone who lives in Hochelaga-Maisonneuve, i.e. Allstate, CGU, ING and Union Canadienne. Three companies asked for a supplemental amount that varied between $ 61 and $ 100, i.e. Coseco, Federation and Desjardins. Finally, Federation, La Capitale, Missisquoi and Desjardins charged between $ 101 and $ 212,56 more for this sector.

[23] We calculated these averages by using only the premiums from the companies for which we had data for each of these sectors.

Table 1

Breakdown of insurance companies With the difference in premiums according to area and product				
Variation	**Insurance companies Specific risks $15 000**	**Insurance companies Specific risks $20 000 ($ 500 and $ 1000 Deductible)**	**All risks**	**Number of companies**
$0	Wawanesa	Pafco, Wawanesa		2 companies
$4,36-$60	ING, Union Canadienne	Allstate, CGU, ING, Union Canadienne		4 companies
$61-$100	Federation Insurance	Coseco	Desjardins (Asset value = $ 15 000)	3 companies
$101-$211,56	La Capitale	Federation Insurance, La Capitale, Missisquoi	Desjardins (Asset value = $ 20 000)	4 companies

3.1.3.1 PREMIUMS REQUIRED FOR EACH PRODUCT AND SECTOR – DETAILED RESULTS.

Naturally, the amount that a consumer is expected to pay is different from one product to the other. That's why we will now give the results for each type of protection on which we got an offer.

3.1.3.1.1 SPECIFIC RISKS

<u>"Specific risks", $15 000 coverage</u>

<u>Premiums charged for each sector</u>

In Hochelaga-Maisonneuve, a consumer who wants to obtain insurance can expect to pay an average of $ 323,39 for a policy that protects his assets against certain specific risks, not exceeding $15 000. There is however a big variation between the least expensive product and the most expensive one. Indeed, there is a difference of $ 311,74 between the premium charged by Wawanesa ($ 195,11) and La Capitale ($ 506,85).

In Rosemont, the average premium was $ 302,67. The variation is very big here too. Indeed, there is a difference of $ 335,72 between Wawanesa ($ 195,11) and Belair Direct ($ 530,83).

<u>Variations between the two sectors</u>

Except for Wawanesa, the premiums are always higher in Hochelaga-Maisonneuve. The difference in prices from one sector to the other varies between $ 13,25 (ING) and $ 185,30 (La Capitale).

Table 2

«Specific risks» **Asset value : $ 15 000** **Deductible : $ 500** **Liability : $ 1 million**			
Insurance company	*Hochelaga-Maisonneuve*	*Rosemont*	*Variation*
Belair	Refused to insure	$ 530.83	N/A
Federation	$ 366,53	$ 298	$ 68,53
Industrial Alliance	Refused to insure	$ 260,51	N/A
ING	$ 295,61 [24]	$ 282,31	$ 13,25
La Capitale	$ 506,85	$ 321,55	$ 185,30
Union Canadienne	$ 252,85[25]	$ 230,41[26]	$ 22,44
Wawanesa	$ 195,11	$195,11	$ 0
Average premium	*$ 323,39*	*$ 302,67*	*$ 20,72*

[24] The amount is the average result from two offers: $292,21 and $ 299.
[25] The amount is the average result from two offers: $ 244,99 and $ 260,70.
[26] The amount is the average result from two offers: $ 226,46 and $ 234,35.

« All risks », $ 20 000 coverage, with $ 500 deductible

Premiums charged for each sector

In Hochelaga-Maisonneuve, the average premium was $ 374,22. There is a difference of $ 223,93 between the least and most expensive product, i.e. the premium charged by Wawanesa ($ 241,98) and the Federation ($ 465,91).

In Rosemont, the average premium is $ 330,54. The variation in this case is bigger. Indeed $316.10 separates the premiums charged by Wawanesa ($ 241,98) and Belair Direct ($ 558,08).

Variations between the two sectors

Except for Wawanesa (who charge identical prices in each sector), the premiums charged by other insurance companies are always higher for Hochelaga-Maisonneuve than they are for Rosemont. The variation here is the biggest one. Allstate charges $ 4,36 more and La Capitale charges $ 211,56 more.

Table 3

«Specific risks» **Asset value : $ 20 000** **Deductible : $ 500** **Liability : $ 1 million**			
Insurance company	*Hochelaga-Maisonneuve*	*Rosemont*	*Variation*
Allstate	$ 276,86	$ 272,50	$ 4,36
Belair	Refused to insure	$ 558,08	N/A
CGU	$ 380,15	$ 338,99	$ 41,16
Coseco	$ 325,91	$ 253,97	$ 71,94
Federation	$ 465,91	$ 358	$ 107,91
Industrial Alliance	Refused to insure	$ 320,46	N/A
ING	$ 350,50[27]	$ 340,08	$ 10,42
La Capitale	$ 575,62	$ 364,06	$ 211,56
Missisquoi	$ 415,48	$ 292	$ 123,48

[27] The amount is the average result from two offers: $ 348 $ and $ 353.

Table 3

«Specific risks» Asset value : $ 20 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Hochelaga-Maisonneuve*	*Rosemont*	*Variation*
Union Canadienne	$ 335,59 [28]	$ 295,81[29]	$ 39,78
Wawanesa	$ 241,98	$ 241,98	$ 0
Average premium	*$ 374,22*	*$ 330,54*	*$ 43,68*

<u>« Specific risks », $20 000 coverage, $1000 deductible</u>

Two brokers only offered insurance in this category. If you look at the following table, you can see that Pafco charge identical premiums for both areas. It's interesting to see that the premiums charged by ING and Pafco for the Hochelaga-Maisonneuve district are practically the same, i.e. $ 430 and $ 433 respectively. These premiums are higher than the average amount ($ 374,22) for the coverage previously discussed, meaning « specific risks » with a $20 000 coverage with a $1000 deductible.

Table 4

«Specific risks» Asset value : $ 20 000 Deductible: $ 1000 Liability : $ 1 million			
Insurance company	*Hochelaga-Maisonneuve*	*Rosemont*	*Variation*
ING	$ 430	N/A	N/A
Pafco	$ 433	$ 433	$ 0

[28] The amount is the average result from two offers $ 328,09 and $ 343,09.
[29] The amount is the average result from two offers $ 303,02 $ and $ 288,59.

3.1.3.1.2 ALL RISKS

<u>« All risks», $15 000 and $20 000 coverage</u>

Desjardins are the only ones who offered an all risk insurance when we asked for basic coverage. Please note that there's a difference of $ 91,25 and $ 106,92 between premium costs for Hochelaga-Maisonneuve and Rosemont.

Table 5

«All risks» Asset value : $ 15 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Hochelaga-Maisonneuve*	*Rosemont*	*Variation*
Desjardins	$ 354,25	$ 263	$ 91,25

Table 6

«All risks» Asset value : $ 20 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Hochelaga-Maisonneuve*	*Rosemont*	*Variation*
Desjardins	$ 412,92	$ 306	$ 106,92

3.1.4 OTHER RESULTS

3.1.4.1 INSURANCE AVAILABILITY FOR $350

By looking at the data, you are struck by the very big variation in premiums charged by various insurance companies. This caused us to ask ourselves how many insurers would be willing to cover a consumer for a cost inferior or superior to $ 350.

At the time we did our study a consumer who would have gotten 22 offers for Hochelaga-Maisonneuve would have had a 50% chance of obtaining insurance for less than $350. If he had lived in Rosemont, this proportion would have increased to 78% (table 7).

We also realized that twice as many insurers offer premiums that cost less than $350 for the Rosemont area. These insurers, a total of 11, are : Allstate, CGU, Coseco, Desjardins, Federation, Industrial Alliance, ING, La Capitale, Missisquoi, Union Canadienne and Wawanesa. In

Hochelaga-Maisonneuve, only five companies accepted to insure our investigator for a similar cost: Allstate, Coseco, ING, Union Canadienne and Wawanesa.

Furthermore, Desjardins offers an all risk coverage for less than $250 in the Rosemont area only.

In Hochelaga-Maisonneuve, seven different insurance companies offer premiums that cost more than $350: CGU, Desjardins, Federation, ING, La Capitale, Missisquoi and Pafco. In Rosemont, only three companies fall into this category: Belair, Federation and La Capitale (table 8).

Table 7

Breakdown of offers/insurance companies According to product type and where the premiums cost less than $ 350				
Category	**Hochelaga-Maisonneuve**	**Number of offers)**	**Rosemont**	**Number of offers)**
RN $ 15 000	ING (2), Union Canadienne (2), Wawanesa	5	Federation, Industrial Alliance, ING, La Capitale, Union Canadienne (2), Wawanesa	7
RN $ 20 000 ($500 deductible)	Allstate, Coseco, ING, Union Canadienne (2), Wawanesa	6	Allstate, CGU, Coseco, Industrial Alliance, ING, Missisquoi, Union Canadienne (2), Wawanesa	9
All risk coverage ($ 15 000, $ 20 000)	No offer	0	Desjardins (2)	2
Number of offers for this category / Total number of offers for this sector		11/22 = 50 %		18/23 = 78 %
Number of different companies	5 companies		11 companies	

Table 8

Breakdown of offers/insurance companies According to product type and where the premiums cost more than $ 350				
Category	**Hochelaga-Maisonneuve**	**Number of offers)**	**Rosemont**	**Number of offers)**
RN $ 15 000	Federation , La Capitale	2	Belair	1
RN $ 20 000 ($ 500 and $ 1000 deductible)	CGU, Federation, ING ($ 500 deductible $), ING ($ 1000 deductible), La Capitale, Missisquoi, Pafco ($ 1000 deductible)	7	Belair, Federation, La Capitale, Pafco ($ 1000 deductible)	4
All risk coverage ($ 15 000, $ 20 000)	Desjardins (2)	2	No offer	0
Number of offers for this category / Total number of offers for this sector		11/22 = 50 %		5/23 = 22 %
Number of different companies	7 companies		4 companies	

3.1.4.2 DEDUCTIBLES

Whether the investigator claimed to live in Hochelaga-Maisonneuve or Rosemont, most brokers offered a $500 deductible. Two brokers however set the amount at $1000, i.e. Pafco (an insurer that specializes in more at risk clients) as well as one of the brokers who proposed an ING policy. The broker who sells Pafco products set the deductible at $1000 in both sectors. However, only one of the brokers who sells ING products set the deductible at $1000 for the Hochelaga-Maisonneuve sector. This particular broker justified his decision by explaining that Hochelaga-Maisonneuve is very « congested », that the buildings are old and that they often have sheds (Please refer to table 4).

3.1.4.3 CREDIT INQUIRIES

During our investigation two insurance brokers, i.e. Allstate and Belair, mentioned that they would have to do a credit inquiry if our investigator decided to take out insurance with their company. Moreover, the Coseco agents asked a question that leads us to believe that they intended to do the same thing[30]. These three companies made these inquiries for both areas.

Each company justified having to do a credit inquiry in a very different way :

One of the Belair agents explained that the results of the credit inquiry would enable him to suggest a plan « to meet his demands » (those of the investigator). A company representative informed us afterwards that Belair uses credit files, and especially risk scores, to determine what sort of product or coverage he can offer to a client. This is notably the case with certain products, the premium cost of which is guaranteed the second year.

Allstate use the results of credit inquiries to select the risks they want to insure. One of the agents said that the company required a minimum number of Equifax points, i.e. 620 [31] to cover someone. According to this agent, when there are too many financial pressures, the insured party is likely to file claims.

Finally, one of the Coseco agents indicated that our investigator would have to provide the address or addresses of where he had lived for the last five years to obtain insurance with the company. He also said that this information was necessary because he wanted to find out the investigator's past experience.

[30] Indeed, the Coseco agents demanded that our investigator reveal where he had lived for the past five years, on top of his name, date of birth and employer. This information is required on Equifax forms when someone wants to get their credit file.

[31] Allstate confirmed that this is a CPLS risk score result (Canadian Property Loss Score) i.e. a risk prediction model developed by the American firm Fair Isaac for Equifax.

3.2 HALIFAX

3.2.1 HIGHLIGHTS

- No insurance company refused to insure our investigator when he said he lived in district 9, meaning an underprivileged area.
- Nine of the eleven companies we contacted charged similar premiums for both areas. At least two of them have adopted a uniform price policy no matter where the building is located in the Halifax metropolitan area.
- Only Allstate and Liberty Mutual, two companies who offer their products directly to consumers, asked for a slightly higher premium for district 9. Indeed, these companies charged $ 10 and $9 more respectively.

3.2.2 GENERAL INFORMATION

During our investigation we obtained information concerning premiums and insurance policies offered in districts 9 and 15 by 11 different insurance companies.

We contacted three insurance companies who offer their products directly to consumers or through their exclusive agents. These companies are Allstate, Cooperators and Liberty Mutual.

To get a bigger sample of insurance companies, afterwards we telephoned 15 brokers, whose name and address we got either on the Web or from insurance companies who don't deal directly with consumers. These brokers gave us information on the prices and products of eight other insurance companies : CGU, Citadel, Dominion, Economical, Halifax Insurance, Pembridge, Royal Sun Alliance and Wawanesa.

It's important to mention that a lot of brokers gave us the CGU and Dominion prices. When the premiums for the same product (for the same company) were different, we then calculated the average premium. We used this average amount in our analysis of the variations in premiums for both sectors (Please refer to section 3.2.3.1.1).

At the time of our study, a consumer wanting basic protection would have obtained insurance, the minimum amount of which varies from company to company. It would therefore be possible for him to get insurance up to $15 000 if he chose Allstate, CGU, Royal and Wawanesa, $ 17 000 with Economical, $ 20 000 $ with Citadel and Liberty Mutual and finally $ 25 000 with Cooperators and Halifax. Among others, our investigator was offered an all risk coverage with Pembridge for $30 000.

3.2.3 RESULTS

Following our analysis, it's clear that wherever our investigator's apartment was located, he would have had no difficulty in obtaining insurance. Indeed, all brokers and insurance companies were willing to accept the risk.

Furthermore, nine companies out of eleven charged an identical or similar premium[32] for both areas. These companies are CGU, Citadel, Cooperators, Dominion, Economical, Halifax Insurance, Pembridge, Royal Sun Alliance and Wawanesa.

During our investigation, we noticed that one of the brokers gave us prices without asking for the address or the postal code. When he was asked about this, he explained that CGU and Dominion, the prices of which he gave us, don't ask for that information because they set identical premiums wherever the apartment is located in the Halifax metropolitan area.

Only two companies who offer their products directly to the public, i.e. Allstate and Liberty Mutual, charged slightly higher prices, $10 more on average, when the address our investigator provided was in district 9. Liberty Mutual charged $9 more for their specific risk, $20 000 insurance policy. As far as Allstate are concerned, they charged $10 or $11 more, for a specific risk policy covering up to $ 15 000 and $ 20 000 respectively.

Furthermore, as opposed to Montreal, we noticed a small variation between the premiums charged by different companies. A consumer could have obtained a specific risk insurance covering up to $15 000 for a premium that varies between $ 122 (Allstate, district 15) and $ 133

(Royal Sun Alliance, districts 9 and 15) per year. For a $20 000 coverage, insurance companies would have charged premiums that vary between $104 (Liberty Mutual, district 15) and $156 (Economical, districts 9 and 15).

3.2.3.1 DETAILLED RESULTS

The premium amounts that were offered for each district and for each product are in the following tables:

[32] We include in this category the price obtained for the Pembridge all risk policy, covering assets up to $30 000, although there is a $1 difference between the price for district 9 ($ 272) and district 15 ($ 273). The same broker gave us the premiums for both sectors.

3.2.3.1.1 SPECIFIC RISKS

Table 9

«Specific risks» Asset value : $ 15 000 Deductible: $ 500 Liability: $ 1 million			
Insurance companies	*District 15*	*District 9*	*Variation*
Allstate	$ 122	$ 132	$ 10
CGU	$ 123	$ 123	$ 0
Royal	$ 133	$ 133	$ 0

Table 10

«Specific risks» Asset value : $ 17 000 Deductible: $ 500 Liability: $ 1 million		
Insurance company	*District 15*	*District 9*
Economical	$ 139	$ 139

Table 11

«Specific risks» Asset value : $ 20 000 Deductible: $ 500 Liability: $ 1 million			
Insurance companies	*District 15*	*District 9*	*Variation*
Allstate	$ 139	$ 150	$ 11
CGU	$ 145,50[33]	$ 145,50[34]	$ 0
Citadel	$ 115	$ 115	$ 0
Dominion	$ 149 [35]	$ 149[36]	$ 0
Economical	$ 156	$ 156	$ 0
Liberty	$ 104	$ 113	$ 9
Royal	$ 151	$ 151	$ 0
Wawanesa	$ 144	$ 144	$ 0
Premium average	*$ 137,94*	*$ 140,44*	*2,50 $*

For district 15, the average premium is $ 137,94. Premiums cost between $ 104 (Liberty Mutual) and $ 156 (Economical).

For district 9, the average premium is $ 140,44. Premiums cost between $ 113 (Liberty Mutual) and $ 156 (Economical).

[33] The amount is the average result from two offers: $142 $ and $ 149.
[34] Identical
[35] The amount is the average result from two offers: $ 148 and $ 150.
[36] Identical

Table 12

«Specific risks» Asset value : $ 25 000 Deductible: $ 500 Liability: $ 1 million		
Insurance companies	*District 15*	*District 9*
Cooperators	$ 174	$ 174
Halifax Insurance	$ 193	$ 193

The average premium for both districts is $ 183,50.

3.2.3.1.2 ALL RISKS

Table 13

«Specific risks» Asset value : $ 30 000 Deductible: $ 500 Liability: $ 1 million		
Insurance companies	*District 15*	*District 9*
Pembridge	$ 273	$ 272

3.3 CALGARY

3.3.1 HIGHLIGHTS

- Nine of fifteen insurance companies charged identical or similar premiums for both sectors. In fact, some of them adopt a uniform pricing policy no matter where the building is located in Calgary.
- Only five companies charged slightly higher prices for Spruce Cliff than for Crescent Heights. However the difference in prices is minimal: Between $ 3 and $ 25.
- Wawanesa, depending on the product, charged an identical premium for both areas or a higher price for Spruce Cliff than Crescent Heights.
- Finally, Allstate indicated that a favourable credit inquiry could lower the deductible by $500.

3.3.2 GENERAL INFORMATION

We got information concerning premiums and insurance policies offered in Spruce Cliff and Crescent Heights from fifteen different insurance companies. Spruce Cliff is the underprivileged area we selected for our study and Crescent Heights is our sample area.

Six insurance companies offer their products directly to consumers or through their exclusive agents. These companies are Allsate, Certas, Canadian Direct, Cooperators, Federated and Liberty Mutual.

Afterwards, we telephoned 17 brokers who gave us information pertaining to prices and products from nine insurance companies that don't deal directly with consumers. These companies are Allianz, Axa, CGU, Dominion, Economical, ING, Peace Hill, Royal and Wawanesa.

Please note that many brokers gave us the prices for ING, Peace Hills, Royale and Wawanesa. When the premiums for the same product (from the same company) were different, we then calculated the average premium. This is the amount we used for our analysis of the variations in premiums for both areas (Please refer to section 3.3.2.2.1).

At the time of our study, a consumer who wanted to obtain basic insurance would have gotten prices for a large variety of products. The insurance companies and the brokers we contacted sometimes had very strict sales policies, meaning that some, such as Federated, offered all risk coverage only, whereas others set the minimum protection higher than $ 15 000 or $ 20 000. This is the case with Canadian Direct who imposed a minimum protection of $ 44 000. Consequently, we then obtained prices for specific risk coverage for the following amounts: $ 15 000, $ 20 000, $ 25 000, $ 30 000 and $ 44 000, as well as all risk coverage for $ 15 000, $ 20 000, $ 25 000 and $ 30 000. Please note that we sometimes have a limited number of comparable data for each category because of the variety of products.

3.3.2.1 RESULTS

This didn't stop us however from obtaining a clear portrait of access to home insurance in Calgary. By looking at all the offers, we were able to come up with significant conclusions. We noticed first of all that our investigator had no difficulty in obtaining insurance even if the building was located in an underprivileged area. Indeed, all insurance brokers and insurance companies were willing to accept the risk.

The geographical location of the insured buildings was of little consequence when it came to the premiums the companies charged. In all, nine insurance companies out of fifteen (for which we have comparable data) charged similar premiums for both sectors. The companies where we observed these similarities are:

- Allianz (All risk coverage $ 30 000),
- Axa (Specific risk coverage $ 20 000 and all risk coverage $ 20 000),
- CGU (Specific risk coverage $ 20 000 and $ 30 000),
- Cooperators (Specific risk coverage $ 25 000),
- Dominion (All risk coverage $ 30 000),

- Economical (All risk coverage $ 20 000),
- Federated (All risk coverage $ 15 000 and $ 20 000),
- Liberty (Specific risk coverage $ 25 000),
- Peace Hill (Specific risk coverage $ 25 000 and all risk coverage $ 25 000).

Also, Wawanesa charged identical premiums for specific risk $ 15 000 and $ 20 000 coverage.

During our investigation, we even noticed that many agents and brokers gave us prices without asking for the address or the postal code. When asked about this, they explained to us that certain companies, such as Federated, Peace Hills and Wawanesa, don't ask for this information because they set identical premiums no matter where the building is located in Calgary. The only determining factors are the building's characteristics, for example the construction materials (cement or wood) or the number of apartments the building contains. On the other hand, Allstate and Liberty explained that the sector is an important factor when setting the premium.

Five companies, i.e. Allstate, Certas, Canadian Direct, ING and Royal charged slightly higher premiums for Spruce Cliff than Crescent Heights. However, the differences in prices are minimal: $ 10,83 on average and they vary between $ 3 and $ 25. The companies and products where we observed these differences are:

- Allstate : The price is $ 5 more (Specific risk coverage $ 20 000),
- Certas : The prices are $ 3 and $ 4 more (Specific risk coverage $ 15 000 and $ 20 000),
- Canadian Direct : The price is $ 25 more (Specific risk coverage $ 25 000 and $ 44 000),
- ING : The prices are $ 3,67 $ and $ 16 more (All risk coverage $ 30 000),
- Royal : The price is $ 22,50 more (All risk coverage $ 30 000),

Please note moreover that Wawanesa charged $ 7,50 more for Spruce Cliff for an all risk coverage of $ 25 000.

3.3.2.2 DETAILED RESULTS

This section contains the offers obtained in each area for each type of coverage. As we previously mentioned, we sometimes have a limited amount of comparable data for each one.

3.3.2.2.1 SPECIFIC RISKS

Specific risks, $ 15 000 coverage

Table 14

Specific risks Asset value : $ 15 000 Deductible: $ 500 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Certas	$ 155	$ 152	$ 3
Wawanesa	$ 117,50[37]	$ 117,50[38]	$ 0
Average premium	*$ 136,25*	*$ 134,75*	*$ 1,50*

For the Spruce Cliff area, if a consumer wants to obtain insurance, he can expect to pay an average of $ 136,25 $ for a policy that covers his assets against specific risks, up to $15 000. There is a $ 37,50 variation between the most expensive product ($ 155 Certas) and the least expensive one ($ 117,50 Wawanesa).

For the Crescent Heights area, the average premium was $ 134,75. There is a $ 34,50 variation between Wawanesa ($ 117,50) and Certas ($ 152).

[37] The amount is the average result from two offers : $ 115 and $ 120.
[38] Identical

Specific risks, $ 20 000 coverage

Table 15

Specific risks **Asset value : $ 20 000** **Deductible: $ 500** **Liability : $ 1 million**			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Axa	$ 177	$ 177	$ 0
Certas	$ 170	$ 166	$ 4
CGU	$ 142	$ 142	$ 0
Wawanesa	$ 133	$ 133	$ 0
Average premium	*$ 155,50*	*$ 154,50*	*$ 1*

For the Spruce Cliff area, the average premium was $ 155,50. There is a $ 44 variation between the most (Axa $ 177) and least expensive product (Wawanesa $ 133).

For the Crescent Heights area, the average premium was $ 154,50 $. There is a $44 variation between Wawanesa ($ 133) and Axa ($ 177).

Table 16

Specific risks **Asset value : $ 20 000** **Deductible: $ 1000** **Liability : $ 1 million**			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Allstate	$ 136	$ 131	$ 5

Specific risk, $25 000 coverage

Table 17

Specific risks **Asset value : $ 25 000** **Deductible: $ 500** **Liability : $ 1 million**			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Liberty	$ 135	$ 135	$ 0
Cooperators	$ 139	$ 139	$ 0
ING	$ 149[39]	$ 145,33[40]	$ 3,67
Average premium	*$ 141*	*$ 139,78*	*$ 1,22*

For the Spruce Cliff area, the average premium was $ 141. There is a $ 14 variation between the most (ING $ 149) and least expensive product (Liberty $ 135).

For the Crescent Heights area, the average premium was $ 139,78 $. There is a $10,33 variation between Liberty ($ 135) and ING ($ 145,33).

Table 18

Specific risks **Asset value : $ 20 000** **Deductible: $ 1000** **Liability : $ 2 million**			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Peace Hills	$ 156[41]	$ 156[42]	$ 0

[39] The amount is the average result from two offers: $ 141 and $ 157.
[40] The amount is the average result from three offers: $ 137, $ 141 and $ 158.
[41] Two brokers gave us identical prices, i.e. $156.
[42] Identical

Specific risks, $ 30 000 and $ 44 000 coverage

Table 19

Specific risks Asset value : $ 30 000 Deductible: $ 500 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
CGU	$ 165	$ 165	$ 0

Table 20

Specific risks Asset value : $ 44 000 Deductible: $ 1000 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Canadian Direct	$ 241	$ 216	$ 25

3.3.2.2.2 ALL RISKS

<u>All risks, $15 000 and $ 20 000 coverage</u>

Table 21

All risks Asset value : $ 15 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Federated	$ 125	$ 125	$ 0

Table 22

All risks Asset value : $ 20 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Axa	$ 195	$ 195	$ 0
Economical	$ 200	$ 200	$ 0
Federated	$ 144	$ 144	$ 0

For both sectors, the average premium was $ 179,67. There is a $ 51 variation between the most expensive product (Axa $195) and the least expensive product (Federated $144).

<u>All risks, $25 000 coverage</u>

Table 23

All risks Asset value : $ 25 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Wawanesa	$ 184,50[43]	$ 177	$ 7,50

Table 24

All risks Asset value : $ 25 000 Deductible : $ 500 Liability : $ 2 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Peace Hills	$ 179	$ 179[44]	$ 0

[43] The amount is the average result from three offers: $ 177, $ 192 and $ 192.
[44] Three brokers gave identical prices, i.e. $179.

All risks, $ 30 000 coverage

Table 25

All risks Asset value : $ 30 000 Deductible : $ 500 Liability : $ 1 million			
Insurance company	*Spruce Cliff*	*Crescent Heights*	*Variation*
Allianz	$ 206	$ 206	$ 0$
Dominion	$ 171	$ 171	$ 0
ING	$ 207[45]	$ 191	$ 16
Royal	$ 226[46]	$ 203,35[47]	$ 22,50
Average premium	*$ 202,50*	*$ 192,83*	*$ 9,67*

For the Spruce Cliff area, the average premium was $ 202,50. There is a $ 55 variation between the most (Royal $ 226) and least expensive product (Dominion $ 171).

For the Crescent Heights area, the average premium was $ 192,83 $. There is a $35 variation between Dominion ($ 171) and Allianz ($ 206).

3.4 OTHER RESULTS

Deductible and credit file:

Most of the brokers and insurers we contacted offered a $ 500 deductible. Allstate and Canadian Direct, however, set their deductibles at $ 1000 both for Spruce Cliff and Crescent Heights. The reason they gave is that the investigator had never been insured.

It's important to mention that Allstate indicated that it would be possible to lower the deductible to $ 500. To do this, our investigator had to consent to a credit check and if the result was favourable, the deductible would be reduced. Using credit files seems to have less of an impact in

[45] Three brokers gave us identical prices, i.e. $ 207.
[46] Three brokers gave us identical prices, i.e. $ 226.

Calgary than Montreal. Indeed, the Calgary Allstate agent seems to use it to determine the conditions of the service. The Montreal agent however uses this information openly to select his clients.

4. CONCLUSIONS

4.1 THE HALIFAX, CALGARY AND MONTREAL INVESTIGATION

After our telephone investigation of the Halifax and Calgary agents/brokers, we came to the conclusion that there is no problem with access to home insurance in these two cities. Indeed most insurance companies (9/11 (81,8 %) in Halifax and 9/15 (60 %) in Calgary) charge identical premiums, whether the area is underprivileged or not. Furthermore, the small number of insurers who charge a different price depending on the sector (i.e. 2/11(18 %) for Halifax and 5/15 (33,33 %) for Calgary) and the small variations in these prices are too minimal to be significant.

In Montreal, however, there seems to be barriers when it comes to access to home insurance and consequently, it's more difficult to obtain insurance when one lives in a poorer area such as Hochelaga-Maisonneuve.

Indeed, 15,4 % (2/13) of the companies we contacted[48] refused to insure this area, claiming they had reached their quotas, meaning that they had attained the maximum quantity they were ready to insure for that sector. We unfortunately don't have access to the information concerning the geographical breakdown of the risks taken by insurance companies. Consequently, it's impossible for us to evaluate if the decisions taken are truly based on actual data or if the reasons given are just excuses to cover for their refusal to insure a sector deemed undesirable. We also believe that the number of rejections we got are an underestimate of the real numbers. More than half of our offers came from brokers who deal with many insurance companies. These brokers may have gotten negatives responses from the companies they deal with and may have not mentioned it to us.

[47] The amount is the average result obtained from two offers : $ 170 and $ 237.
[48] These companies are Belair Direct and Industrial Alliance.

Our investigation showed that 69,2 % (9/13) of companies charged higher premiums to insure a building located in Hochelaga-Maisonneuve and that the difference in costs was sometimes high. Should we conclude that this is some sort of manoeuvre to discourage consumers they don't want to insure? Insurance companies would argue that imposing higher fees (or rejecting a risk) is first and foremost justified by the risk factor in a sector such as Hochelaga-Maisonneuve. The differences in breaking and entering rates between the less privileged and more fortunate areas of Halifax and Montreal have caused us to question the fairness of such an argument. In Montreal the breaking and entering rate is approximately twice as high in Hochelaga-Maisonneuve than Rosemont. Based on that element, we could say hypothetically that the breaking and entering rate has an impact on access (rejections and higher rates). In Halifax however, the breaking and entering rate is almost four times higher in district 9 than district 15. Despite all this, the premiums are almost identical in both areas. Consequently, the relationship between the breaking and entering rate and the access to insurance doesn't seem to be a significant factor for all markets we studied.

We also noticed that a consumer was more likely to get insurance for more than $350 if he lives in Hochelaga-Maisonneuve, more so than Rosemont. Indeed, brokers and agents offered coverage costing more than $350 in 22% of cases for Rosemont as opposed to 50% for Hochelaga-Maisonneuve. Consequently consumers and more particularly low income earners have more difficulty obtaining insurance because insurance doesn't come at a reasonable cost. Moreover, since less insurers offer their products for less than $350, this decreases the variety of products available to these consumers.

Finally, our investigation shows that a broker selling ING products set the deductible at $1000 in Hochelaga-Maisonneuve, whereas the other two brokers who offered coverage from that company set the deductible at $500. The broker who set the deductible at $1000 justified his decision by explaining that Hochelaga-Maisonneuve is very congested, that the buildings are old, and that they often have sheds.

The fact that a broker selling ING products imposes a $1000 deductible whereas the other two charge a $500 deductible seems very significant to us and brings us to question the ING criteria. The result can be attributed to criteria that are vague and that lack objectivity. Whatever the cause may be, it indicates to us that because of where he resides, a consumer was offered a far less advantageous coverage, the effect of which was a limit in access to home insurance.

4.2 PARALLEL RESULTS

4.2.1 CREDIT INQUIRY

Our investigation has revealed that three insurance companies, i.e. Allstate, Belair and Coseco use credit files or risk scoring while analyzing insurance risks[49]. According to the agents, these companies seem to use that information to help determine if they will accept to insure a consumer or decrease the amount of the deductible. Allstate indicated that they use the Equifax risk scoring system, the *Canadian Property Loss Score*, whereas Belair use a similar product from Trans Union. This method shows that these companies seem to be concerned mainly by the possibility that the consumer will file a claim rather than his capacity to pay the premiums.

The use of credit files and risk scoring is of concern to us. This method could potentially be disadvantageous for consumers who are low income earners or those with no credit history. Using risk scoring could also become the only factor in refusing to insure someone. Equifax and Fair Isaac emphasize however that this method should be used along with traditional risk evaluation tools, such as inspections or anterior claims (Boyd, 1995). We could however ask ourselves if this is the case, i.e. if a satisfactory result is not a *sine qua non* condition for obtaining insurance [50].

We did a research to find out if there's a Canadian or provincial law that contains provisions that mention the use of credit files or risk scoring by insurance companies. Furthermore, we also wanted to find out what the United States do in these cases.

[49] It's important to make a distinciton bwtween the credit file (a), and credit or risk scoring (b). (a) Credit files usually contain four types of information : 1) the data that identifies the consumer, 2) a history of payments, as well as balances, 3) any information requests made pertaining to the consumer 4) public information such as sentences, bankruptcy, etc. (b) Credit or risk scoring are numerical values that measure the likelihood that a person will reimburse a loan (ex. *Beacon* for Equifax) or file a claim (*Canadian Property Loss Score* for Equifax).

4.2.1.1 EXISTING LEGISLATION IN CANADIAN LAW

In Canada, there are two laws that legislate the use of personal information in the private sector, i.e. the *Privacy Act – Protection of personal information,* at the federal level and the *Loi sur la protection des renseignements personnels dans le secteur privé*, in Quebec.

Please note that the *Loi sur la protection des renseignements personnels dans le secteur privé* makes it compulsory for lenders to divulge any information to the consumer pertaining to his credit report or any recommendation they used to make a decision concerning him[51]. However, neither the federal or provincial law imposes this obligation to insurers who also make decisions based on credit files or credit scoring.

Please note : We don't claim to give a complete picture of the legislation in regards to the use of credit files and credit scoring in Canada. A more elaborate review of provincial laws concerning the activities of credit agencies would be necessary.

4.2.1.2 THE AMERICAN EXPERIENCE

The use of credit files and risk scoring by insurance companies is a controversial subject for our neighbours to the south. Insurance companies in the United States use them for many things: When accepting to insure a consumer, determining a premium amount, etc. (III (1), 2001) ; PR Newswire, 2000). Some use them to cancel insurance policies (Hadley, 2001).

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[50] Please note : A study done in 1995 questions the use of credit scoring because it was developed based on data (credit files) that isn't always that reliable Some of the studies claim to have found error percentages that vary between 3 % and 50 % of the credit files that were looked at (Musick, Cargil 1995).

[51] art 19 of the *Loi sur les renseignements personnels dans le secteur privé* : « Toute personne qui exploite une entreprise ayant pour objet le prêt d'argent et qui prend connaissance de rapports de crédit ou de recommandations concernant la solvabilité de personnes physiques, préparés par un agent de renseignements personnels, doit informer ces personnes de leur droit d'accès et de rectification relativement au dossier détenu par l'agent et leur indiquer comment et à quel endroit elles peuvent avoir accès à ces rapports ou recommandations et les faire rectifier, le cas échéant. Rapport de crédit. La personne qui exploite une telle entreprise doit communiquer à la personne physique qui lui en fait la demande la teneur de tout rapport de crédit ou de toute recommandation dont elle a pris connaissance en vue de prendre une décision la concernant. »

The use of credit files for insurance purposes is authorized in the United States by virtue of the *Fair Credit Reporting Act of 1970*. However, certain States have passed legislation that aim more particularly at using credit or risk scoring during the application process. According to the *Insurance Information Institute,* one State has supposedly forbidden their use in automobile insurance (III, April 2001*).*

Furthermore, many States have supposedly adopted provisions that legislate their use. Certain States forbid the use or risk scores when accepting a risk or not (for example the State of Washington, art. 1(4), please refer to appendix 10). Others forbid that insurers use only credit files or credit scores to increase premiums (for example the State of New Hampshire art. 417:4 (g), please refer to appendix 1). Finally, others demand that insurers inform consumers when the review of their credit file causes a cancellation of their insurance policy, the non-renewal of this policy or an increase in premiums. Furthermore, insurers should explain to consumers how they can obtain a copy of the credit report that was used (Sate of Washington art. 1(2), please refer to appendix 10).

4.2.2 INFORMATION PROVIDED ON INSURANCE PRODUCTS

During our study, we found that the information provided by brokers/agents pertaining to products is often minimal. Indeed, they usually only give information concerning the financial aspects, such as the value of the covered assets, the deductible amount, the premium, etc. When we asked what sort of protection they offer, brokers and agents often use a wide variety of terms to describe identical or similar products. For example, brokers and agents who proposed specific risk insurance used different terms, such as basic, broad, standard, complete coverage, global, bronze, superior, security, comfort, etc.

To the extent where people usually ask for information over the telephone, a consumer who is not familiar with insurance products and the vocabulary, who doesn't know what questions to ask to evaluate a product, might have some difficulty finding insurance with the best quality/price ratio. The probability that this factor could contribute to creating confusion seems very big. This situation is unfortunate for the consumer and for the insurance industry because their products remain unknown. The vocabulary and the information given to consumers should maybe be standardized in order to remedy this situation.

5. RECOMMENDATIONS

These results have lead Option consommateurs to make the following recommendations:

1) In order to give a more precise diagnosis of the problems surrounding access to home insurance, we recommend that governments do a complete and full study based on the information that insurance companies hold. Taking a look at the criteria while taking out an insurance policy will help to determine if there is discrimination within the system. Furthermore, evaluating the geographical breakdown of those risks that are accepted by insurers will help determine if certain areas are under insured.

2) To do a better evaluation, we recommend that the Quebec government adopt legislation that would make the following conditions compulsory for insurance companies :

   - Reveal the geographical breakdown of policies that are taken out, cancelled or refused..
   - Divulge the statistics pertaining to losses for each postal code.
   - Make public the criteria they use.

3) We recommend that provincial governments, especially the Quebec government, examine the possibility of implementing a home insurance access programme, i.e a risk sharing « pool ».

4) We recommend that provincial governments pass legislation which would make insurers justify in writing their decision to cancel a policy, or refuse to take out or renew a policy.

5) To enable consumers to better understand the various insurance products that are available and to compare them, we recommend that brokers/agents as well as insurance companies use a standardized vocabulary to designate these various products.

6) We recommend that the federal and provincial governments do a complete study to determine what use insurers make of credits ratings, to verify if they use the latter to accept a specific

risk, cancel a policy or to determine the amount of the premiums.

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7. APPENDIXES

7.1 APPENDIX 1 : RELEVANT PROVISIONS IN THE STATE OF NEW HAMPSHIRE

NEW HAMPSHIRE REVISED STATUTES
TITLE XXXVII. INSURANCE

CHAPTER 417. UNFAIR INSURANCE TRADE PRACTICES
GENERAL PROVISIONS
RSA 417:4 (2002)

§ 417:4. Unfair Methods, Acts, and Practices Defined

The following are hereby defined as unfair methods of competition and unfair and deceptive acts and practices in the business of insurance:

VIII. Unfair Discrimination.

(…)

(e) Refusing to insure risks solely because of age (except in the case of life, accident or health insurance), place or area or residence, race, color, creed, national origin, ancestry, marital status, lawful occupation including the military service (except in the case of life, accident or health insurance), of anyone who is or seeks to become insured or solely because another insurer has refused to write a policy, or has cancelled or has refused to renew an existing policy in which that person was the name insured or solely because the insured does not insure collateral business with the insurer. The exemption in this subparagraph shall not permit a mortgage life insurance policy or certificate to cease, cancel or terminate solely on the basis of the mortgagor's age, until the mortgagor has reached the age of 80.

(f) Refusing to insure or to continue to insure, or limiting the amount, extent or kind of coverage available solely because the applicant who is also the proposed insured has been or may become the victim of domestic abuse or violence. Nothing in this subparagraph shall prohibit an insurer from underwriting a risk on the basis of the physical or medical history or condition of the proposed insured, or other relevant factors relating to the proposed insured, at the time of application regardless of the underlying cause of the condition and in accordance with subparagraph (a) of this paragraph. No insurer shall be held criminally or civilly liable for any cause of action which may result from compliance with this subparagraph.

(g) Charging a higher premium for private passenger automobile or homeowner insurance solely on the basis of information obtained from a credit rating, a credit history, or a credit scoring model.

7.2 APPENDIX 2 : RELEVANT PROVISIONS IN THE STATE OF TEXAS

INSURANCE CODE

TITLE 1. THE INSURANCE CODE OF 1951

CHAPTER TWENTY-ONE--GENERAL PROVISIONS

SUBCHAPTER B. MISREPRESENTATION AND DISCRIMINATION

Tex. Ins. Code art. 21.21-6 (2002)

Art. 21.21-6. Unfair Discrimination

Sec. 1. No person shall engage in any practice of unfair discrimination which is defined in this article or is determined pursuant to this article to be a practice of unfair discrimination in the business of insurance.

Sec. 3. "Unfair discrimination" means:

(a) Refusing to insure; refusing to continue to insure; limiting the amount, extent, or kind of coverage available; or charging an individual a different rate for the same coverage because of race, color, religion, or national origin;

(b) Refusing to insure; refusing to continue to insure; limiting the amount, extent, or kind of coverage available; or charging an individual a different rate for the same coverage because of the age, gender, marital status, or geographic location of the individual; however, nothing in this paragraph shall prohibit an insurer from taking marital status into account for the purpose of defining persons eligible for dependent benefits;

(c) Refusing to insure; refusing to continue to insure; limiting the amount, extent, or kind of coverage; or charging an individual a different rate for the same coverage because of disability or partial disability.

Exceptions

Sec. 4. (a) A legal entity engaged in the business of insurance as specified in Section 2 of this article is not in violation of the prohibited acts defined in or determined pursuant to Sections 3(b) and 3(c) of this article if the refusal to insure; refusal to continue to insure; the limiting of the amount, extent, or kind of coverage; or the charging of an individual a different rate for the same coverage is based upon sound underwriting or actuarial principles reasonably related to actual or anticipated loss experience.

(b) A legal entity engaged in the business of insurance as specified in Section 2 of this article is not in violation of the prohibited acts defined in or determined pursuant to Section 3 of this article if the entity provides insurance coverage only to persons who are required to obtain or maintain membership or qualification for membership in a club, group, or organization, so long as membership or membership qualifications are uniform requirements of the insurer as a condition of providing insurance, and are applied uniformly throughout this state, and the entity does not engage in any of the prohibited acts defined in or determined pursuant to Section 3 of this article for persons who are qualified members, except as otherwise provided in this section.

(c) A legal entity engaged in the business of insurance as specified in Section 2 of this article is not in violation of the prohibited acts defined in or determined pursuant to Section 3 of this article if the refusal to insure; refusal to continue to insure; the limiting of the amount, extent, or kind of coverage; or the charging of an individual a different rate for the same coverage is required or authorized by law or regulatory mandate.

(d) A legal entity in the business of insurance specified in Section 2 of this article is not in violation of the prohibited acts defined in or determined pursuant to Section 3 of this article because different premiums result for policyholders with like expense factors but different loss exposures under a mass marketing plan. The commissioner shall by rule define selected groups eligible for issuance of policies under mass marketing plan.

(e) In this article, sound actuarial principles for purposes of title insurance means based on an examination of title or closing of the transaction. This article shall not prevent requirements to provide title insurance coverage relating to possible community, homestead, or other martial rights in land.

7.3 APPENDIX 3 : RELEVANT PROVISIONS IN THE STATE OF MINNESOTA

Insurance

CHAPTER 65A FIRE AND RELATED INSURANCE

HOMEOWNER'S INSURANCE

Minn. Stat. § 65A.27 (2001)

65A.27 Definitions

Subdivision 1. For purposes of sections 65A.27 to 65A.30 the following terms have the meanings given. (…)

Subd. 3. "Decline" or "declination" means an agent's refusal to accept an application for homeowner's insurance or an insurer's refusal to issue a policy of homeowner's insurance to a person who has submitted a written application.

Subd. 4. "Homeowner's insurance" means insurance coverage, as provided in section 60A.06, subdivision 1, clause (1)(c), normally written by the insurer as a standard homeowner's package policy or as a standard residential renter's package policy. This definition includes, but is not limited to, policies that are generally described as homeowner's policies, mobile/manufactured homeowner's policies, dwelling owner policies, condominium owner policies, and tenant policies.

Subd. 5. "Insurer" means any insurer licensed to write insurance, as defined in section 60A.06, subdivision 1, clause (1), and writing homeowner's insurance in this state.

Subd. 6. "Metropolitan area" means the area defined in section 473.121, subdivision 2.

Subd. 7. "Nonpayment of premium" means a failure of the named insured to pay the premium when due on a policy of homeowner's insurance or any installment of the premium, whether the premium is payable directly to the insurer or its agent or indirectly under a premium finance plan or an extension of credit.

Subd. 8. "Renewal" or "renew" means an insurer's issuance and delivery to the insured of a new insurance policy at the end of the policy period of an existing policy written by the insurer or an insurer's issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term.

HISTORY: HISTORY: *1979 c 207 s 2; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92; 1996 c 326 s 1; 1999 c 177 s 64*

Minn. Stat. § 65A.28 (2001)

65A.28 Disclosure and filing requirements

Subdivision 1. Each insurer writing homeowner's insurance for property located in the metropolitan area or a statutory or home rule charter city of the first class shall compile and file annually with the commissioner on or before May 1 a report for the preceding calendar year. This report shall contain the following information reported by postal zip code areas for each zip code area located in a city of the first class which contains property for which the insurer wrote, declined to write, or canceled homeowner's insurance:

(a) the number of policies written;

(b) the number of policies canceled;

(c) the number of policies nonrenewed; and

(d) the number of applications for homeowner's insurance declined.

If the commissioner determines that additional information is necessary to effectuate the purposes of sections 65A.27 to 65A.29 and 72A.20, subdivision 13, the commissioner may require, by rule:

(i) that the required information be reported for additional areas of the state, or

(ii) that additional types of information, including premium and claims data, be reported for some or all of the areas subject to the reporting requirements.

If the commissioner has reason to believe that an insurance company or insurance agent has violated section 72A.20, subdivision 13 or 14, the commissioner may issue an order requiring the company or agent to compile and submit within a reasonable time information on its homeowner's insurance marketing, underwriting, or rating practices for a specific geographic area or areas. This information may be in addition to the types and categories of information required to be reported by this section or rules promulgated under subdivision 4.

Subd. 2. The commissioner shall make the reports filed pursuant to subdivision 1 available for public inspection.

Subd. 3. Any insurer required to report under this section which fails to file a report, containing the data and within the time prescribed by this section or rules promulgated under subdivision 4, shall be subject to a penalty of $ 10 for each day in default. Any penalty imposed under this section may be recovered in a civil action brought by and in the name of the state.

Subd. 4. The commissioner may prescribe rules necessary to carry out the purposes of this section. The rules may provide for classifications, differentiations, adjustments or exceptions, as in the judgment of the commissioner are necessary and proper to effectuate the purposes of, prevent circumvention or evasion of, or to facilitate compliance with this section.

HISTORY: HISTORY: 1979 c 207 s 3; 1986 c 444

Minn. Stat. § 65A.29 (2001)

65A.29 Cancellation; nonrenewal; refusal to write

Subdivision 1. Cancellation. No insurer may cancel a policy of homeowner's insurance except for the reasons specified in section 65A.01.

Subd. 2. Repealed, 1984 c 602 s 6

Subd. 3. Refusal to write. Upon completion in writing of the insurer's application form for homeowner's insurance, any person having an insurable interest in real or tangible property at a fixed location shall be entitled upon written request either (a) to the insurer's offer of coverage, including type, amount and premium cost of coverage, or (b) to a written declination, stating specifically the underwriting or other reason for the refusal to write. For purposes of this subdivision, "insurer" means only an insurer writing or offering to write homeowner's insurance for property in the same statutory or home rule charter city or town in which the applicant's property is located.

Subd. 4. Form requirements. Any notice or statement required by subdivisions 1 to 3, or any other notice canceling a homeowner's insurance policy must be written in language which is

easily readable and understandable by a person of average intelligence and understanding. The statement of reason must be sufficiently specific to convey, clearly and without further inquiry, the basis for the insurer's refusal to renew or to write the insurance coverage.
The notice or statement must also inform the insured of:
(1) the possibility of coverage through the Minnesota property insurance placement facility under sections 65A.31 to 65A.42;
(2) the right to object to the commissioner under subdivision 9; and
(3) the right to the return of unearned premium in appropriate situations under subdivision 10.
Subd. 5. Inclusion in policies after 1980. Notwithstanding sections 65A.01 and 65A.07, any policy of homeowner's insurance issued after January 1, 1980 shall contain nonrenewal provisions consistent with this section.
Subd. 6. Immunity of insurer or commissioner. There shall be no liability on the part of and no cause of action of any nature shall arise against the commissioner or against any insurer, its authorized representative, its agents, its employees or any firm, person or corporation furnishing to the insured information as to reasons for declination, nonrenewal, or cancellation, for any statement made by them in any written notice of declination, nonrenewal or cancellation, for the providing of information relating thereto, or for statements made or evidence submitted at any hearings or investigations conducted in connection therewith. This subdivision shall not apply to any action or proceeding arising under section 72A.20.
Subd. 7. Renewal; notice requirement. No insurer shall refuse to renew, or reduce limits of coverage, or eliminate any coverage in a homeowner's insurance policy unless it mails or delivers to the insured, at the address shown in the policy, at least 60 days' advance notice of its intention. The notice must contain the specific underwriting or other reason or reasons for the indicated action and must state the name of the insurer and the date the notice is issued.
Proof of mailing this notice to the insured at the address shown in the policy is sufficient proof that the notice required by this section has been given.
Subd. 8. Rules. (a) The commissioner may adopt rules pursuant to chapter 14, to specify the grounds for nonrenewal, reduction in limits of coverage, or elimination of coverage of a homeowner's policy. The rules must limit the grounds to the following factors:
(1) reasons stated for cancellation in section 65A.01, subdivision 3a;
(2) reasons stated in section 72A.20, subdivision 13;
(3) insured's loss experience, not to include natural causes; and
(4) other factors deemed reasonable by the commissioner.
The rules may give consideration to the form and content of the termination notice to the insured, a statement as to what constitutes receipt of the termination notice, and the procedure by which the insured may appeal a termination notice.
The rules adopted under this subdivision may provide for imposition of a monetary penalty not greater than $ 500 per occurrence upon insurers who are found to be in violation of the law or the rules.
(b) In addition to any rules adopted under this subdivision, an insured may appeal any nonrenewal under this section to the commissioner of commerce. If the commissioner finds that the nonrenewal is unjustified, arbitrary, or capricious, the commissioner shall order the insurer to reinstate the insured's policy. The commissioner's order may be appealed pursuant to chapter 14. The insured's policy shall continue in force pending the conclusion of the appeal to the commissioner. The insurer must notify the insured of the insured's right to appeal the nonrenewal to the commissioner in the notice of nonrenewal required under subdivision 7.

Subd. 9. Notice of right to complain. A named insured who believes a nonrenewal, reduction in the limits of coverage, elimination of coverage, or cancellation under section 65A.01, subdivision 3a, is in violation of the law or the rules may, within 30 days after receipt of the notice, file in writing an objection to the action with the commissioner.

Upon receipt of a written objection, the commissioner shall notify the insurer of receipt of the objection and of the right of the insurer to file a written response within ten days of receipt of the notification. Within 30 days of receipt of written objection by an insured, the commissioner shall approve or disapprove the insurer's action and shall notify the insured and insurer of the final decision. A decision which disapproves the insurer's action constitutes a exigethat the insurer has violated the law or the rules. Either party may institute proceedings for judicial review of the commissioner's decision. The commissioner's decision is binding pending judicial review.

Subd. 10. Return of unearned premium. Cancellation of a policy of homeowner's insurance pursuant to this section is not effective unless any unearned premium due the insured is returned to the insured with the notice of cancellation or is delivered or sent by mail to the insured so as to be received by the insured not later than the effective date of cancellation. If the premium has been paid by the insured's agent and debited to the agent's account with the company, upon cancellation, the unearned premium must be credited to the agent's account with the company.

Subd. 11. Nonrenewal. Every insurer shall establish a plan that sets out the minimum number and amount of claims during an experience period that may result in a nonrenewal.

No homeowner's insurance policy may be nonrenewed based on the insured's loss experience unless the insurer has sent a written notice that any future losses may result in nonrenewal due to loss experience.

Any nonrenewal of a homeowner's insurance policy must, at a minimum, comply with the requirements of subdivision 8 and the rules adopted by the commissioner.

Subd. 12. Repealed, 1999 c 177 s 88

HISTORY: HISTORY: *1979 c 207 s 4; 1983 c 94 s 1; 1984 c 602 s 2-4; 1986 c 444; 1987 c 337 s 92; 1989 c 260 s 9-11; 1992 c 564 art 4 s 13; 1994 c 485 s 52; 1996 c 337 s 1; 1999 c 177 s 65; 2001 c 215 s 28*

CHAPTER 72A REGULATION OF TRADE PRACTICES

REGULATION OF TRADE PRACTICES

Minn. Stat. § 72A.20 (2001)

72A.20 Methods, acts, and practices which are defined as unfair or deceptive

Subd. 13. Refusal to renew. Refusing to renew, declining to offer or write, or charging differential rates for an equivalent amount of homeowner's insurance coverage, as defined by section 65A.27, for property located in a town or statutory or home rule charter city, in which the insurer offers to sell or writes homeowner's insurance, solely because:

(a) of the geographic area in which the property is located;

(b) of the age of the primary structure sought to be insured;

(c) the insured or prospective insured was denied coverage of the property by another insurer, whether by cancellation, nonrenewal or declination to offer coverage, for a reason other than those specified in section 65A.01, subdivision 3a, clauses (a) to (e); or

(d) the property of the insured or prospective insured has been insured under the Minnesota FAIR Plan Act, shall constitute an unfair method of competition and an unfair and deceptive act or practice.

This subdivision prohibits an insurer from filing or charging different rates for different zip code areas within the same town or statutory or home rule charter city.

This subdivision shall not prohibit the insurer from applying underwriting or rating standards which the insurer applies generally in all other locations in the state and which are not specifically prohibited by clauses (a) to (d). Such underwriting or rating standards shall specifically include but not be limited to standards based upon the proximity of the insured property to an extraordinary hazard or based upon the quality or availability of fire protection services or based upon the density or concentration of the insurer's risks. Clause (b) shall not prohibit the use of rating standards based upon the age of the insured structure's plumbing, electrical, heating or cooling system or other part of the structure, the age of which affects the risk of loss. Any insurer's failure to comply with section 65A.29, subdivisions 2 to 4, either (1) by failing to give an insured or applicant the required notice or statement or (2) by failing to state specifically a bona fide underwriting or other reason for the refusal to write shall create a presumption that the insurer has violated this subdivision.

Minn. Stat. § 473.121
MINNESOTA STATUTES 2001
Metropolitan Area

CHAPTER 473 METROPOLITAN GOVERNMENT

DEFINITIONS

Minn. Stat. § 473.121 (2001)

473.121 Definitions

Subdivision 1. Terms. For the purposes of this chapter, the terms defined in this section have the meanings given them in this section, except as otherwise expressly provided or indicated by the context.

Subd. 2. Metropolitan area or area. "Metropolitan area" or "area" means the area over which the metropolitan council has jurisdiction, including only the counties of Anoka, Carver, Dakota excluding the city of Northfield, Hennepin excluding the city of Hanover, Ramsey, Scott excluding the city of New Prague, and Washington.

APPENDIX 4 : RELEVANT PROVISIONS IN THE STATE OF CALIFORNIA

INSURANCE CODE
DIVISION 2. Classes of Insurance
PART 3. Liability, Workers' Compensation, and Common Carrier Liability Insurance
CHAPTER 1. General Regulations
ARTICLE 5. Motor Vehicle Liability Insurance
Cal Ins Code § 11628 (2001)

§ 11628. Prohibited discrimination

(a) No admitted insurer, licensed to issue and issuing motor vehicle liability policies as defined in Section 16450 of the Vehicle Code, shall fail or refuse to accept an application for that insurance, to issue that insurance to an applicant therefor, or issue or cancel that insurance under conditions less favorable to the insured than in other comparable cases, except for reasons applicable alike to persons of every race, language, color, religion, national origin, ancestry, or the same geographic area; nor shall race, language, color, religion, national origin, ancestry, or location within a geographic area of itself constitute a condition or risk for which a higher rate, premium, or exigemay be required of the insured for that insurance.

As used in this section "geographic area" means a portion of this state of not less than 20 square miles defined by description in the rating manual of an insurer or in the rating manual of a rating bureau of which the insurer is a member or subscriber. In order that geographic areas used for rating purposes may reflect homogeneity of loss experience, a record of loss experience for the geographic area shall include the breakdown of actual loss experience statistics by ZIP Code area (as designated by the United States Postal Service) within each geographic area for family owned private passenger motor vehicles and lightweight commercial motor vehicles, under 1 1/2 -ton load capacity, used for local service or retail delivery, normally within a 50-mile radius of garaging, and which are not part of a fleet of five or more motor vehicles under one ownership. A record of loss experience for the geographic area, including that statistical data by ZIP Code area, shall be submitted annually to the commissioner for examination by each insurer licensed to issue and issuing motor vehicle liability policies, motor vehicle physical damage policies, or both. Loss experience shall include separate loss data for each type of coverage, including liability or physical damage coverage, underwritten. That report shall include the insurer's statewide loss ratio, loss adjustment expense ratio, expense ratio, and combined ratio on its assigned-risk business. An insurer may satisfy its obligation to report statistical data under this subdivision by providing its loss experience data and statewide expense ratio and combined ratio on its assigned-risk business to a rating or advisory organization for submission to the commissioner. This data shall be made available to the public by the commissioner annually after examination. However, the data shall be released in aggregate form by ZIP Code in order that no individual insurer's loss experience for any specific geographic area be revealed. Differentiation in rates between geographical areas shall not constitute unfair discrimination.

All information reported to the department pursuant to this subdivision shall be confidential.

7.4 APPENDIX 5 : LIST OF PEOPLE AND ORGANIZATIONS THAT WERE INTERVIEWED

MONTREAL

- Collectif aménagement urbain Hochelaga-Maisonneuve
- Comité Logement Hochelaga-Maisonneuve
- Comité Logement de Rosemont
- Tandem Mercier-Hochelaga-Maisonneuve
- Tandem Rosemont
- Montreal Urban Community Police Service: Public relations

HALIFAX

- Halifax Regional Municipality : Councillor Russell Walker (district 15)
- Halifax Regional Municipality : Councillor Jim Smith (district 9)
- Halifax Regional Municipality : Social Indicators Project
- Halifax Regional Municipality : Community services
- Halifax Regional Municipality : Planning and development services
- Halifax Regional Police : Community division
- Nova Scotia : NS Community Services
- Nova Scotia : Regional Housing Authority
- Nova Scotia : Superintendant of Insurance

CALGARY

- Alexandra Community Health Center
- City of Calgary : Department of Social services
- City of Calgary : Community Strategy

7.5 APPENDIX 6 : DESCRIPTION OF BUILDINGS USED IN MONTREAL

	ROSEMONT	HOCHELAGA-MAISONNEUVE
Address	____13th Ave H1X ___ / (2nd floor apartment)	____ Aird H1V ___/ (2nd floor apartment)
Building / number of apartments	Triplex / 3 apartments /	Triplex / 3 apartments /
Year building was built	1928	1920
Exterior facing	Brick	Brick
Shed	No	No
Garage	No	No
Water fountain	15 meters	10 meters in front
Fire department	-	-
Comments concerning building	-	Renovations to ramp and door but not to stoop and windows
Comments concerning adjacent building	Adjacent buildings	Adjacent buildings

7.6 APPENDIX 7 : DESCRIPTION OF BUILDINGS USED IN HALIFAX

	DISCTRICT 15	DISTRICT 9
Address	____Berts Drive, Halifax, B3M ___	____Albro Lake road, B3A ___
Building / number of apartments	Triplex / 3 apartments	Two-floor building with 4 apartments
Year building was built	1963	Approximative age: 40 years
Exterior facing	Wood shingles and brick	Wood/vinyl
Shed	No	No
Garage	No	No
Water fountain	30 meters	100 meters
Fire department	Less than 1 kilometer	Approximately 2 kilometers
Comments concerning building	Building in good condition but no recent renovations	Exterior facing seems to have been redone recently
Comments concerning adjacent building	No adjacent building	No adjacent building

7.7 APPENDIX 8 : DESCRIPTION OF BUILDINGS USED IN CALGARY

	SPRUCE CLIFF	CRESCENT HEIGHTS
Address	____ Hemlock cr. S.W., T3C ___	____ 4st NW, T2M ___
Building / number of apartments	3 floors and 12 apartments	3 floors and 9 apartments
Year building was built	1953	1960
Exterior facing	Stucco	Stucco
Shed	No	No
Garage	No	No
Water fountain	0.1 kilometers	0.3 kilometers
Fire department	1.7 kilometers	2 kilometers
Comments concerning building	In good condition – recent repairs	In good condition
Comments concerning adjacent building	No adjacent building	No adjacent building

7.8 APPENDIX 9 : FORM USED FOR OUR TELEPHONE INVESTIGATION

TEST FORM

Apartment address:	
Name and address of insurance company/ agency:	

<u>CONTACT</u>

Date of telephone call:	
Time the telephone conversation started:	
Time the telephone conversation ended:	
Duration of telephone conversation:	
Name of agent or broker:	
Date message was left :	
Date person called back :	

<u>EVALUATION QUESTIONNAIRE</u> - Questions asked by the agent or broker:

<u>Personal information</u>

☐1- Name:
☐2- Address / postal code :
☐3- Date of birth :
☐4- Civil status:
☐6- Occupation:
☐7- Employer:
☐8- Schooling:
☐9- Number of creditors:
☐10- Do you have any assets that have any value (computer, jewellery, etc.)

<u>Profile of insured party</u>

☐11- Have you ever been insured ?
☐12- Do you currently have home insurance?
☐13- How long have you lived in the same place ?
☐14- How many people reside with you ?
☐15- Have you filed a claim in the last 5 or 6 years?
☐16- Has your home insurance ever been cancelled/rejected?
☐17- Do you use your residence for other purposes (work, renting out rooms, etc.)
☐18- Non-smoker?

<u>Housing</u>

☐19- Type of building/ number of apartments
☐20- Year the building was built ?
☐21- Alarm system ?

☐22- Smoke detector ?
☐23- Business activities in the building?
☐24- Shed or garage ?
☐25- How many rooms are there in your home ?
☐26- How do you heat your home ?
☐27- Additional heating (Oil, gas or firewood)?
☐28- Is there a fire hydrant in the vicinity of your home ?
☐29- Is there a fire department in the vicinity of your home?
☐30- How much rent do you pay?
☐31- Have there been any recent renovations?

Neighbourhood

☐32- Are there any adjacent buildings?
☐33- Is it a commercial/residential street/area?

Coverage

☐34- What amount do you want to insure?
☐35- What deductible amount do you want?
☐36- What kind of protection do you want?

IMMEDIATE DECISION- Accepted

Type of protection	Replacement value	Value of content	Deductible	Public liability	Premium
- Basic - Extended - All risks	- Value as new - Value on the day of the event				

- If rejected, what is the reason?

DECISION AT A LATER DATE

- What information has the agent or broker given concerning what the process is to obtain insurance, including the delay for evaluation procedures ?
- Did the agent or broker explain the steps that follow your application?
- Did the agent offer to forward any written information? Please describe:

COMMENTS

- Did the agent or broker suggest that you look for insurance elsewhere? If yes, where?
- Did the agent or the broker make comments on the area where your home is located (fire hazard/crime rate/ people who reside there)? If yes, what did the agent say?
- Did the agent or broker write down the information you provided?

7.9 APPENDIX 10 : RELEVANT PROVISIONS IN THE STATE OF WASHINGTON

ENGROSSED SUBSTITUTE HOUSE BILL 2544
Chapter 360, Laws of 2002
57th Legislature
2002 Regular Session
INSURANCE--CREDIT HISTORY

Sec. 1. A new section is added to chapter 48.18 RCW to read as follows:
UNDERWRITING RESTRICTIONS THAT APPLY TO PERSONAL INSURANCE.
(1) For the purposes of this section:
(a) "Adverse action" has the same meaning as defined in the fair credit reporting act, 15 U.S.C. Sec. 1681 et seq. Adverse actions include, but are not limited to:
(i) Cancellation, denial, or nonrenewal of personal insurance coverage;
(ii) Charging a higher insurance premium for personal insurance than would have been offered if the credit history or insurance score had been more favorable, whether the exigeis by:
(A) Application of a rating rule;
(…)
(iii) Any reduction, adverse, or unfavorable change in the terms of coverage or amount of any personal insurance due to a consumer's credit history or insurance score. A reduction, adverse, or unfavorable change in the terms of coverage occurs when:
(A) Coverage provided to the consumer is not as broad in scope as coverage requested by the consumer but available to other insureds of the insurer or any affiliate; or
(B) The consumer is not eligible for benefits such as dividends that are available through affiliate insurers.
(d) "Consumer report" has the same meaning as defined in the fair credit reporting act, 15 U.S.C. Sec. 1681 et seq.
(e) "Credit history" means any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's creditworthiness, credit standing, or credit capacity that is used or expected to be used, or collected in whole or in part,for the purpose of serving as a factor in determining personal insurance premiums or eligibility for coverage.
(f) "Insurance score" means a number or rating that is derived from an algorithm, computer application, model, or other process that is based in whole or in part on credit history.

(2) An insurer that takes adverse action against a consumer based in whole or in part on credit history or insurance score shall provide written notice to the applicant or named insured. The notice must state the significant factors of the credit history or insurance score that resulted in the adverse action. The insurer shall also inform the consumer that the consumer is entitled to a free copy of their consumer report under the fair credit reporting act.
(3) An insurer shall not cancel or nonrenew personal insurance based in whole or in part on a consumer's credit history or insurance score. An offer of placement with an affiliate insurer does not constitute cancellation or nonrenewal under this section.

(4) An insurer may use credit history to deny personal insurance only in combination with other substantive underwriting factors. For the purposes of this subsection:
(5) Insurers shall not deny personal insurance coverage based on:
(a) The absence of credit history or the inability to determine the consumer's credit history, if the insurer has received accurate and complete information from the consumer;
(b) The number of credit inquiries;

Credit history shall not be used to determine personal insurance rates, premiums, or eligibility for coverage unless the insurance scoring models are filed with the commissioner. Insurance scoring models include all attributes and factors used in the calculation of an insurance score. RCW 48.19.040(5) does not apply to any information filed under this subsection, and the information shall be withheld from public inspection and kept confidential by the commissioner. All information filed under this subsection shall be considered trade secrets under RCW 48.02.120(3).