

Exhibit Number: 4

This exhibit exceeds the 5-page maximum; therefore only a small portion of the exhibit is scanned for your research. The original exhibit is on file at the Montana Historical Society and may be viewed there

Hello:

My name is Dennis Lusin and I am from Billings. My background covers 30 years in the banking and investment profession with the last 23 years being with D.A. Davidson & Co as a Financial Consultant and Vice President.

Thank you for allowing me some time today to share with you my own personal experience regarding Credit Scoring and ask for your support of HB 41.

I believe very strongly in having and maintaining a good, strong credit history and record. The status for achieving this financial responsibility should allow, for the most part, people to borrow money on favorable terms from any choice of financial institution.

However, the use of Credit Scoring or Insurance Scoring has no place, in my opinion, in determining premiums on homes and automobiles.

My experience started approximately one year ago, and in this last year I just have not been able to fathom how a "SCORE" can determine premiums. The insurance industry will want you to believe that if they can't use this method then premium rates will have to go up. This is only a scare tactic. The industry executives will want you to believe that research shows the insurance score is a reliable predictor of insurance claim activity. To this I say "HUH?" Several insurance agents I have spoken with have become quite frustrated with this procedure and trying to explain the method of Credit Scoring to angry, frustrated, and confused customers. If this is true, that this Score is so predictable, then why didn't the insurance carriers radically increase premiums on property prior to 9-1-1, prior to the recent tsunamis in south east Asia, prior to the recent storms in the Northeast, and anytime there have been floods, hurricanes, etc.etc. If this "SCORE" is that fantastic then why have the insurance companies lost millions or

even billions of dollars these last few years. Surely, their SCORE would have predicted these severe, unfortunate events and they would have responded accordingly before the event..

My point is “ A SCORE” has absolutely no bearing when a catastrophe or accident will occur. This is why we have insurance, to protect us at those unfortunate times a loss occurs.

Insurance premiums should be based on insurance matters, claims experience and losses not on a “SCORE”

Approximately one year ago I received my homeowner’s renewal notice. I was shocked to see a 50% increase in premium going from 1054/yr to 1581/yr. I have enclosed Exhibits A,B,C,and D as it pertains to correspondence pertaining to this matter. You will find in this correspondence that my agents and myself were really never given a valid explanation of why the 50% increase in my premium.

I have no problem if a carrier files for a general rate increase and can justify this increase and receives approval from our Insurance Commissioner.

What I do take issue about is when my carrier, Safeco, tells me my premium was increased 50% due to score, length of time with Safeco, claims history, payment history, financial responsibility, year home built and type of construction, and fire protection. Well, here are some facts:

Score: My credit scores with the 3 major reporting agencies ranges from 710 to 787. My carrier is very secretive of my Insurance Score, only to say it dropped from 810 to 670.

Time with Safeco: 3-16-1993 Same agent for 30 years

Claims History: 7-17-1993, one and only claim, hail damage

Payment History: Have always paid on time

Financial Responsibility: Credit scores 710 to 787
Home built: 1981 and 2 story construction
Fire protection: A hydrant within 50 yards. Fire station within 2 miles. Security alarm system to central dispatch operator with 24/7 protection.

I don't believe any of these reasons justify a 50% increase. I was told my credit score was affected negatively because of my first mortgage and a second mortgage home equity line of credit. Even though all payments are current and have never been late this was used against me. The one mortgage payment (in a 4 year period) that was reported as being late should not be enough reason for a drastic premium increase. As it turned out this payment never was late and my mortgage company corrected their mistake. Again this should have no relevance to calculating insurance premiums. A first, second, or even third mortgage will not be able to predict when a potential loss may occur. However the insurance industry wants you to believe that a "SCORE" can predict these events. My credit score also took into account that at the time of review I owed 10600.00 on my Visa bill. This card is used extensively, to obtain airline miles, but is paid in full each month. I always pay it in full each month, but again this should not have a negative implication in determining my insurance premiums. My credit report also indicated too many bank charge cards being open, but the report also shows that none of these had any balances on them and hadn't been used for years and in some cases the accounts were actually closed at my request. Again, this type of information affects a score but in reality has no justifying reason in determining insurance premiums. Ladies and gentlemen, if in fact this scoring model is that accurate then I want to use this methodology and apply it to my profession so my clients can become multi millionaires. Quite frankly it is absurd to think that a "SCORE" could ever accurately predict claims losses and the timing of the loss. If it could, the carriers would collect premiums right up to the potential damage, drop coverage, and then reinstate coverage after

the damage has been done. This way all they ever would do is collect premiums and never have to pay any claims. This statement I just made is as ridiculous as the predictability of Credit Scoring determining when a loss is going to occur.

In closing, it is my opinion that Credit Scoring has no place or use by insurance companies to determine premiums. There are too many variables that affect a person's score from time to time that ultimately have absolutely no bearing on the time a loss will occur. For my carrier to tell me that because of where my house is located, that it is 20 years old and 2 stories and that I represent a higher risk is really quite laughable and without any merit. The Safeco representative also told me that credit scoring accounts for about 60% of premium calculation. He reluctantly told me this and only after considerable persuasion on my part to try and get him to explain what was going on with my premium increase.

I again ask you to support HB 41 that would limit insurance carriers use of credit histories, provide a means for correction to erroneous credit histories (as I experienced with my mortgage payment – which finally got corrected) and require record keeping by the insurance companies on such matters. Montana is not the only state looking at this type of legislation. DE, WA, MI, and TX also have this on their agendas. Obviously many more insured's feel the same way as I do about this.

Thank you.