



March 28, 2017

Representative Sam Kito III, Chair
House Labor & Commerce Committee
State Capitol Room 403
Juneau AK, 99801

Re: House Bill 195- SUPPORT USE OF CREDIT SCORE

Dear Representative Kito III:

On behalf of Alaska USA Federal Credit Union, American Insurance Association (AIA), National Association of Mutual Insurance Companies (NAMIC), and the Property Casualty Insurers of America (PCI) we support HB 195, which would address issues with Alaska's existing credit scoring statute. We commend Governor Walker and the Division of Insurance's efforts in crafting this proposal. In our collective view, this proposal is a reasonable middle ground that would allow consumers to see the full benefits of credit scoring, and put in place an equitable process to resolve credit disputes.

ALLOWS CONSUMERS THE FULL BENEFIT OF CREDIT SCORING AND ADDRESSES UNNECESSARY MARKET DISRUPTION FOR CONSUMERS

Alaska's existing law allows for insurers to combine a consumer's credit based insurance score with other rating factors to provide the consumer with an insurance rate that accurately reflects the consumer's risk. Alaska is the only state in the nation that requires insurers to strip out the credit based insurance score from the rating process upon renewal. Every time credit information is removed from a consumer's policy it has led to a consumer losing the benefit of credit based insurance such as premium discounts. Another consequence of Alaska's existing credit based insurance score is best summed up in an Auto Insurance Report published by Risk Information on October 19, 2015, via a quote from the Alaska Division of Insurance "*fixing the law is a priority because it results in many consumer complaints and unnecessary churning of policies...*," as consumers continually move from one insurer to another to maintain their insurance rate discount previously obtained. This bill address these issues by removing the statutory requirement to strip out the credit based insurance score upon renewal.

PROVIDES FOR A BROADER EXTRAORDINARY LIFE CIRCUMSTANCES EXCEPTIONS AND AUTHORIZES THE DIVISION OF INSURANCE TO RESOLVE CREDIT DISPUTES BETWEEN A CONSUMER AND AN INSURER

One of the main concerns raised by Governor Walker in last year's credit scoring bill is that the extraordinary life circumstances (ELC) exceptions were "limited." This bill allows consumers to apply for ELC exceptions such as catastrophe, serious illness, death, divorce, identify theft, loss of employment, military deployment, and others, but granting of those ELC exceptions would no longer be at the insurer's sole discretion. Under HB 195, "a consumer, aggrieved by an adverse action resulting from the denial of the consumer's request for an exception..." will have the opportunity to appeal to the Director of the Division of Insurance. This provision adds another layer of protection for consumers should credit dispute arise.

HB 195 is a common-sense approach in fixing Alaska's existing rules for credit scoring by allowing consumers to receive the full benefits of credit scoring and balancing consumer protection. We, therefore, respectfully request an "aye" vote on HB 195. If you have questions or comments, feel free to contact anyone of us: Armand Feliciano, ACIC Vice President (PCI / 916-205-2519/ armand.feliciano@pciaa.net), Christian Rataj, Senior Director (NAMIC/ 303-907-0587/ crataj@namic.org), Katherine Pettibone, Vice President, (AIA/ 916-402-1678/ kpettibone@aiadc.org), or Dan McCue, Senior Vice President, (Alaska USA Federal Credit Union / 907-786-2807/D.McCue@alaskausa.org). We appreciate your consideration of these issues and look forward to working with you.

cc Governor's Office, Darwin Peterson, Legislative Director
Alaska Division of Insurance, Director Lori Wing-Heier

SENT VIA EMAIL: Senator.Mia.Costello@akleg.gov
Senator.Shelley.Hughes@akleg.gov; Weston.Eiler@akleg.gov

Corporate Law West
1201 K Street, Suite 920
Sacramento, CA 95814

Robert R. Nash
Counsel
Phone: 916-321-6915
Fax: 916-321-6905
robert.r.nash.gted@statefarm.com

March 27, 2017

Honorable Mia Costello, Chair
Honorable Shelley Hughes, Vice Chair
Honorable Members of the Senate Labor and Commerce Committee
Alaska Legislature

RE: SB 98A—Insurer’s Use of Credit/History Scores

Dear Chair Costello, Vice Chair Hughes, and Members of the Committee:

I am writing on behalf of State Farm Mutual Automobile Insurance Company (State Farm) in support of SB 98A relating to an Insurer’s Use of Credit/History Scores at renewal.

Existing law allows insurers to consider certain credit factors when a new policy is issued. Alaska, however, is the only state that requires insurers to strip the credit information at renewal unless the consumer signs a written waiver requesting their credit be used. SB 98A permits insurers to use credit factors at renewal, thereby allowing Alaska consumers, our customers, to continue to receive the rates they deserve and not face unexpected, and often significant, rate changes when their policy renews. As SB 127, this bill passed overwhelming last year, but was vetoed by Governor Walker because of concerns that are addressed to his satisfaction in SB 98A.

- SB 98A benefits Alaskans because they will no longer be required to provide written consent at each policy renewal.
- SB 98A adds new consumer protections. It requires insurers to make reasonable exceptions for Alaskans whose credit factors are impacted by *extraordinary life circumstances* (ELC) such as a catastrophe; a serious illness or injury; death of a spouse, child or parent; divorce; identity theft; employment loss; or overseas military deployment.
- In addition, and new to the bill this year, SB 98A adds an important new protection that allows consumers to appeal an ELC determination to the Director of Insurance. This means that a consumer will be able to have the State’s insurance regulator review any denials of an ELC exception. The bill also requires insurers to give consumers notice of this right.
- Under SB 98A, the insurance market will be more stable and efficient because consumers will not be compelled to leave their preferred insurer and policy solely because their rates increased due to the removal of credit information at renewal. They will be able to stay with their insurer and take advantage of benefits such as long-term customer discounts.
- SB 98A will eliminate the unique and unnecessary problems currently confronting Alaskans, which are compounded by the state’s geographic size and diverse rural areas.

Thank you for considering these comments. Please let me know if I can help with any questions.

Sincerely,



Robert R. Nash, Counsel

cc: Sheldon Winters, Esq. (via email)