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The Honorable Mike Dunleavy
Chair, Senate Labor and Commerce Committee
Alaska Capitol, Room 510
Juneau, Alaska 99801

Dear Senator Dunleavy:

Liberty Mutual and Safeco Insurance companies applaud the Alaska Senate and Labor Committee along with its esteemed Chair, Senator Mike Dunleavy, for recognizing the need to repair a flaw in Alaska statutes pertaining to the use of credit in insurance underwriting and rating. Please pass SB 55.

No other state in the U.S. requires, as Alaska currently does, that insurers "strip out" credit information at renewal and re-rate our customers as though credit information was never considered in their initial price. SB 55 will allow insurers that use credit information to determine rates for homeowners and auto insurance policies to apply credit information for all renewals as well as new business. The existing statute's nonsensical requirement creates unnecessary cost and churn in the marketplace, and results in the bulk of our customers experiencing increased premiums. Stripping credit information from our renewal underwriting and rating produces an increase in premiums for 75% of our auto insurance customers. SB 55 would allow us to seamlessly offer lower prices to this broad swath of our customers.

Secondly, SB 55 deletes language that currently requires insurers to send an adverse action notice to an insured who is not receiving the insurer's very best rate - even if the rate provided due to the inclusion of credit information is lower than the rate that would be provided without consideration of credit information. The change would mean far fewer consumers would receive adverse action notices, because most insureds benefit from or are not harmed by the inclusion of credit information in insurance rating. The change would reduce frustration and confusion among insureds, who are today often misled into feeling that credit information is preventing them from saving money on their insurance.

Credit has been shown by countless independent and government studies to be a very accurate predictor of loss. The current Alaska statute is an outlier that increases costs for insurers and Alaskans alike. SB 55 will align Alaska statutes with those of the vast majority of states relative to the use of credit information for insurance customers. Please pass SB 55.

Sincerely,

Gary Strannigan
AVP, Public Affairs
Liberty Mutual Insurance