

**Fred Stadelbauer**  
**PRODUCT MANAGER**

February 20, 2013

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

Subject: Support for Alaska SB 55

To Whom It May Concern:

I am writing on behalf of Progressive Specialty Insurance Company (Progressive) in support of SB 55, which amends AS 21.436 to allow insurers to use credit-based insurance scores for rating new and renewal auto and home insurance policies.

Currently AS 21.36.460 authorizes an insurer writing new personal insurance policies in Alaska to consider a consumer's credit information for underwriting and rating. It prohibits an insurer from considering that information at renewal unless the insured affirmatively requests the continued use of such information. As a result, without affirmative consent (something this is administratively impractical to obtain), insurers are required to eliminate the impact of credit information on premium when a policy renews, and the impact of credit information on underwriting after two years, when insurers are required to re-underwrite each policy.

No other jurisdiction has these restrictions, which result in higher rates for good drivers at renewal, and are a source of market disruption. This is borne out by a survey of homeowners and auto insurers on policies issued in Alaska in 2009-2010. The survey showed that as a result of current law, insurance rates for many Alaskans increased, some by as much as 42%. This occurs because credit information, which numerous studies have demonstrated is an accurate predictor loss, allows insurers to offer more accurate rates. Accordingly, with the removal of credit information at renewal, the rates for good drivers must increase.

When this happens, there is disruption in the market as good drivers with good credit information are forced to switch carriers to obtain a rate that more accurately reflects their risk of loss.

Senate Bill 55 will address these concerns by eliminating the provisions of AS 21.36.460(d)(1) requiring that the use of credit information be removed at renewal.

In addition, SB 55 will modify the current adverse action requirements so that insurers will no longer be required to provide an adverse action notice (Notice) to an insured that did not receive

the very lowest possible rate due to the use of credit information. Rather, the Notice would only be required when credit information results in a higher premium than the insured would have been charged if credit history had not been considered. This change will result in a better customer experience and ensure that customers whose rates have truly been negatively impacted by the use of credit information are notified of that fact. This requirement is also consistent with what is currently required under the federal Fair Credit Reporting Act.

For the reasons provided in this letter, Progressive believes that the changes proposed in SB 55 benefit Alaska consumers and insurers without impacting the existing consumer protections contained in AS 21.436 (d). Progressive strongly supports legislative action to enact SB 55.

Please feel free to contact me at 440-395-9192 or via email at [Fred\\_Stadelbauer@progressive.com](mailto:Fred_Stadelbauer@progressive.com).

Sincerely,

Fred Stadelbauer  
Alaska Product Manager  
Progressive Companies

