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One GEICO Plaza ■ Washington, D.C. 20076-0001

February 22, 2013

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

Dear Senator Dunleavy:

GEICO strongly supports the amendments to clarify AS 21.356.460 contained in Senate Bill 55. Current law generally prohibits the use of credit information to rate or underwrite a personal insurance policy at renewal two years after the policy was underwritten using credit as one factor in determining an appropriate rate, except when a consumer signs a new waiver of the use of credit at each renewal.

GEICO supports modification and clarification of the existing law to allow use of credit at renewal without the requirement that the use of credit be stripped from a company's model unless a waiver is signed at each renewal. The current requirement of a new signed waiver at each renewal creates burdensome systems and tracking requirements.

Current law allows the use of credit or insurance scores at the time a new business policy is written, and then requires that the insurer completely reunderwrite the policy 2 years afterward. As a result, some policies receive a higher rate at renewal and some policies receive a lower rate, even though no additional surchargeable activity has occurred. This result is so fundamentally unfair to consumers that GEICO does not use credit at the current time, even though, if it were allowed to use it at renewal without seeking the waiver, most consumers would benefit from its use. This further places an insurer at a competitive disadvantage with other insurers for any consumer whose credit history qualifies the customer for a better rate than would be otherwise available.

Studies have shown that the use of credit is very predictive in providing an accurate rate for motor vehicle insurance.

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Safeguards have been built into the current law that would prohibit unfair use of certain factors that would harm consumers, such as the absence of credit, inquiries relating to insurance coverage, inquiries initiated by the consumer for his or her own credit information, multiple lender inquiries for automobile, boat, recreational vehicle, or home mortgage loans, scores based on accounts identified with a medical industry code, the total available line of credit, and the like. These safeguards are unchanged in Senate Bill 55.

GEICO urges the amendment of current law to clarify that the use of credit may be used as outlined above to benefit Alaska consumers both at new business and at renewal, without the burdensome requirement of a new waiver at each renewal. We ask the committee to pass Senate Bill 55.

Thank you for your consideration of this request.

Sincerely,



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