

# Alaska State Legislature

## Senate Labor and Commerce Committee

Senator Michael Dunleavy, Chair  
State Capitol Bldg., Rm. 510  
Juneau, AK 99801-1182  
Phone (907) 465-6600  
Fax (907) 465-3805



Senator Peter Micciche, Vice-Chair  
Senator. Johnny Ellis  
Senator Donald Olson  
Senator Bert Stedman

Committee Room: Beltz  
Room 105 Stewart Bldg

### Sponsor Statement-SB55

#### **SB55 - An Act relating to actions by insurers based on credit history or insurance score**

Under current law (AS 21.36.460), an insurer writing new personal insurance policies in Alaska may consider a consumer's credit information to underwrite or rate a policy. An insurer may consider the information at renewal only if the consumer affirmatively requests the continued use. Under current statute, "personal insurance policies" include property/casualty insurance policies purchased by individuals for personal use, such as homeowner's coverage or motor vehicle coverage. This does not include life, health, disability or commercial property & casualty.

The authorization for the use of credit information has been interpreted by the Supreme Court of Alaska (Alaska Division of Insurance v. Progressive, 2007) to require insurers to "strip-out" the impact of credit information on premium when the policy renews. They must also remove credit information for a policy after two years; the duration of underwriting. Alaska is the only state in the nation with these renewal-based restrictions, which leaves many Alaskans with non-competitive policies.

A survey of Alaska personal insurance policy writers in 2009-2010 showed that the credit score restriction has increased premium rates for many Alaskans by as much as 42%. In some cases, credit information has been shown by numerous studies as an accurate predictor of risk. Risk assessment tools provide insurers the ability to offer consumers lower rates. Removing credit information has meant higher personal insurance rates for many Alaskans.