



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](mailto:armand.feliciano@pciaa.net)), Christian Rataj, Senior Director (NAMIC/ 303-907-0587/ [crataj@namic.org](mailto:crataj@namic.org)), Katherine Pettibone, Vice President, (AIA/ 916-402-1678/ [kpettibone@aiadc.org](mailto: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