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WRITTEN TESTIMONY

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REPRESENTING: Self

BILL # or SUBJECT: HB 195

COMMITTEE: Senate Finance DATE: 2-21-18

HB 195 / SB 98 Points to consider

- Auto insurance rates should be based on your driving record and the type of vehicle you have.
- Insurance companies are creating two classes of consumers, those with a good credit score / those without.
- Those who pay their bills in cash or do not have consumer loans will not have a credit score. Should they be charged a higher auto insurance rate because of this?
- If everyone were treated equally there would be no need to get permission to obtain or factor in one's credit score, either when first opening a policy *or* upon renewal.
- Current insurance company policy and procedure causes this situation, *not* current Alaska Statute.
- Purchasing insurance is NOT optional; it is mandated by law. Consumers *DO NOT* have a choice.
- Insurance companies don't need this information for their protection. If you don't pay your insurance bill, they can cancel your policy. They don't have to insure you - insurance companies *DO* have a choice.
- Insurance is a purchased commodity. It is not a consumer loan or credit card contract which requires a *voluntary* credit check / score to which the customer agrees and gives written permission.
- Insurance companies are trying to select customers based on their income and status in life.
- You are giving too much personal information to companies who have no right to keep it in their files.
- Insurance agents come and go. How is your information protected?
- Some insurance agents also sell investments, stocks & bonds. Giving them access to one's credit score allows them to "cherry pick" which clients they want to market their financial services to based on their income.
- Every time someone checks your credit score you lose points.
- Questionable banking practices can also affect one's credit score (example: Wells Fargo opening millions of unauthorized accounts on behalf of members without their consent).
- Students loan debt can dramatically affect your credit score, whether you are working or not.
- A damaged credit score can take YEARS to correct, even if due to identity theft and through no fault of the consumer.
- When the statute allowing credit scores to be used for opening an insurance policy was enacted in Alaska, there was minimal public internet use. Since then, identity theft has dramatically increased and is a common problem today.

- Costs associated with renewal notices are moot. Local insurance agents continually send worthless solicitations in the mail to try to woo new customers, which costs hundreds of dollars each month. These usually end up in the trash. Cutting the number of these mailings in half would more than pay for the extra supplies and labor to send occasional (1 or 2 per year) renewal notices to their *current* paying customers as needed. This is their job.
- Eliminating the policy of factoring in a credit score (both when first opening or upon renewal of a policy) would avoid having to send any credit check "permission" requests at all, reducing unnecessary paperwork.
- Insurance companies have no right to know about your personal, "*extraordinary life circumstances*", nor does the Division Director have the ability to judge your credit-worthiness or insurability based on them.
- It is not the Director of the Alaska Division of Insurance's job to advocate on behalf of the insurance industry. The Division of Insurance is supposed to represent and protect the citizens of Alaska, not for-profit companies.
- Alaska does not allow this under current statute because Alaskans place a high value on their right to privacy and understand that one's credit history / score has value and should be protected and kept confidential.
- It would be far simpler to delete the portion of statute that allows a credit score to be used in the first place rather than complicating matters with this inappropriate "fix".

RADFORD, Va. (WDBJ) -- Changes are coming to the math behind your credit score. April, 2017

Formulas that determine your score are getting a big overhaul that may make you think twice about your spending habits.

Most college seniors are keeping a watchful eye on their scores before entering a world where a good score means everything.

"I got hired for my post-graduate job about two months ago and immediately started looking," said Cory Rowan, a senior at Radford University in Virginia.

Rowan is searching for a place to live in Richmond, Virginia. His parents have encouraged him to watch his credit behavior and not rack up much debt.

"I started looking into my credit score, what am I going to be making, what am I going to be able to afford?" Rowan said.

He says he's always made credit card payments on time and tries not to overspend.

Paying down debt will help credit scores under the new methods.

"So now it is very important for you to pay attention to what you do on a month-to-month basis because now the data can be incorporated into your credit score," said Feifei Zhu, a Radford University assistant finance professor.

A person who is paying down debt is more likely to be scored better than someone making minimum payments. Also, keeping credit card accounts open may now lower scores, as well as having excessive credit card limits.

"Before, people just want to pay minimum payments. That's small. It's already a bad idea because of interest, but now it's an even worse idea because those kind of people will be treated differently or even more negatively than the people who actually pay the debt in full," Zhu said.

On the flip side, civil judgments, medical debts and tax liens will no longer affect scores.

These changes won't take place until later this year. They were enforced by VantageScore, a company created by three credit bureaus.

Read the original version of this article at wdbj7.com.