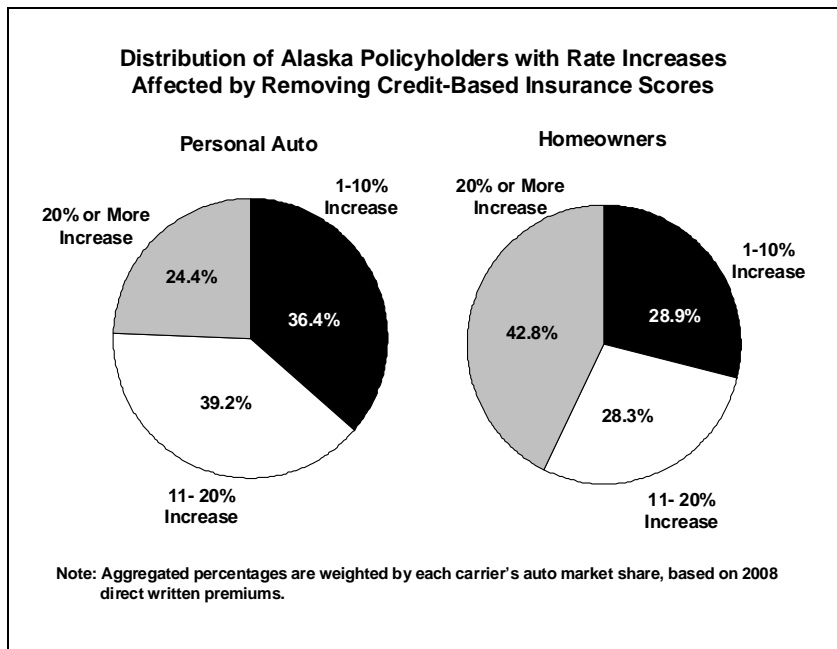


# Clarifying Alaska's Credit Scoring Law Means Protecting Alaska Insurance Consumers

Alaska's comprehensive insurance credit scoring law (**AS 21.36.460**) was approved in 2003 with the intent of protecting consumers from unfair treatment in underwriting or rating of personal insurance policies.

In Alaska (and no other state), an insurer may consider credit information when rating a **new** policy, but must remove that information after two years and re-rate their policyholder at the next policy renewal.

The accuracy of credit information as a predictive tool to determine a policyholder's risk of loss means that insurers' use of credit information has helped most consumers **pay less** for insurance. So, what has happened to Alaskans when they have been re-rated at renewal without including credit information?



According to a survey of insurers writing home and/or auto insurance in Alaska conducted by the Property Casualty Insurers Association of America, (see chart above - February 2010):

- **Nearly 40 percent (39.2% = 21.7% + 17.5%) of personal auto policies had premium increases between 11 percent and 20 percent.**
- **Almost 3 out of 10 homeowners policies (28.3% = 14.3% + 14.0%) had premium increases between 11 percent and 20 percent.**
- **The most significant premium increases – greater than 20 percent – were given to roughly one-fourth (24.4% = 14.7% + 9.7%) of the personal auto policies and more than 4 out of 10 (42.8% = 13.9% + 28.9%) homeowners policies.**

*These results are based on 2008 data – but insurers confirm the rate increases are still going on today – 5 years later!*

## **The proposed amendments to AS 21.36.460 would:**

**2/18/13**

1. Clarify and/or remove language found in **AS 21.36.460(d)(1)** which has been interpreted to prohibit insurers' use of credit information to rate or underwrite a personal insurance policy at renewal; and
2. Clarify **Section 2 (i)(1)(B)**, to require that consumers must be notified by their insurer through the use of an "adverse action notice" (as required by federal law) if information in their credit history results in a higher – priced premium than they would be charged if their credit history had not been considered.

## **Benefits for Alaskans:**

1. **Fair, accurate insurance rates** for Alaskans based in part on the proven correlation between responsible financial history and reduced risk of insurance loss – lower risks pay less and do not subsidize higher risks.
2. **Fair competition** among insurers; less market disruption as policyholders no longer need to cancel policies and find a new insurer in order to continue receiving lower rates based in part on credit history.
3. **Continued safeguards for consumers** – insurers are still **prohibited from considering:** absence of credit history, 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.