

January 25, 2016

Senator Bill Stoltze, Chair
Senate State Affairs Committee
State Capitol Room 125
Juneau AK, 99801

Re: Senate Bill 127 (Huggins)- SUPPORT USE OF CREDIT SCORE

Dear Senator Stoltze:

On behalf of Alaska USA, American Insurance Association (AIA), National Association of Mutual Insurance Companies (NAMIC), and the Property Casualty Insurers of America (PCI) we support SB 127 by Senator Huggins for the following reasons as discussed below.

ALASKAN CONSUMERS DESERVE THE FULL BENEFIT OF CREDIT BASED INSURANCE SCORING AS PART OF THEIR RATING UPON RENEWAL OF THEIR INSURANCE POLICY

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. Federal and state studies on the use of credit based insurance scoring have consistently and repeatedly found that the use of credit information in conjunction with other rating factors helps insurers provide consumers with fair and accurate insurance rates. It is the only state in the nation that requires insurers to strip out the credit based insurance score from the rating process after two years. This rule has prevented Alaskans from seeing the full benefits of insurers using credit as part of their process to determine risk-based insurance rates. Also, removal of credit based insurance score after two years tends to discourage companies to compete in Alaska's market because they often need to modify existing policy issuance system or create a new one to accommodate Alaska's law on credit.

ALASKA'S EXISTING CREDIT LAW HAS LED TO UNNECESSARY MARKET DISRUPTION FOR CONSUMERS

Insurers have long raised the concern that every time credit information is removed from a consumer's policy it has led to a consumer losing the benefit of credit based insurance scoring used in the policy rate calculation taking away premium discounts previously received by the consumer. An Auto Insurance Report published by Risk Information on October 19, 2015, sums up the market disruption 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 preferred insurance rate discount obtained as a result of the insurer being able to use credit based insurance scoring in the rating process. There is no public policy rationale for allowing the use of credit based insurance scoring in the initial insurance policy rating process and then stripping its use in the insurance policy after two years.

DIVISION OF INSURANCE STUDIES CONSISTENTLY SHOW THAT THE VAST MAJORITY OF CONSUMERS BENEFIT FROM OR ARE NOT ADVERSELY IMPACTED BY THE USE OF CREDIT BASED INSURANCE SCORING

Like Alaska, Arkansas has allowed for use of credit information since 2003, but without the statutory provision stripping credit information out of the rating process at policy renewal time. Arkansas' Division of Insurance has conducted an annual study on the consumer impact of the use of credit based insurance scoring, and the results continue to demonstrate that the vast majority of policyholders (80%+) receive either a premium decrease or are not adversely impacted by insurers using credit based insurance scoring.

Personal Insurance Policyholder Reviewed	Percentage of policies that received a premium decrease	Percentage of policies that received a premium increase	Percentage of policies that were unaffected by the use of credit
(2011) 3,100,000	43%	12%	45%
(2012) 3,184,401	43%	13%	45%
(2013) 3,134,973	45%	13%	45%
(2014) 3,243,043	45.2%	14.4%	40.4%
(2015) 3,297,155	47.2%	13.9%	38.9%



PCI, NAMIC, AIA, and ALASKA USA SUPPORT ADDITIONAL SAFEGUARDS FOR CONSUMERS

To add another layer of protection for consumers, insurers support including an “extraordinary life circumstances” provision in the law that would provide exceptions for consumers whose credit have been influenced by certain conditions like catastrophic events, serious illness, death, and other events.

PLEASE SUPPORT PASSAGE OF SB 127, A COMMON SENSE APPROACH IN FIXING ALASKA’S CREDIT LAW TO ALLOW CONSUMERS TO RECEIVE THE FULL BENEFITS OF CREDIT SCORING

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), Christian Rataj, Senior Director (NAMIC/ 303-907-0587/ crataj@namic.org), Steve Suchil, Assistant Vice President, (AIA/ 916-718-9568/ ssuchil@aiaadc.org), or Tim Maudsley, President, (Alaska USA/ 907-564-6188). We appreciate your consideration of these issues and look forward to working with you.

cc. Alaska Division of Insurance, Director Lori Wing-Heier