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Senator Charlie Huggins Senate Rules Chair

Sponsor Statement – SB 127

SB 127 "An Act relating to actions by insurers based on credit history or insurance score; and providing for an exception to consideration by an insurer of credit history or insurance score."

When Alaskans apply for personal auto and homeowners insurance, there are several variables of which companies take into consideration to assess risk. Factors such as motor vehicle record, good student discount, marital status, age, and credit history are allowable by statute; however, when an Alaskan consumer considers renewing a policy with the same company, the business is not allowed to use credit history. Under current law, insurers must strip out credit information after two years and may only include it with request from the policy holder.

By not being able to include credit when it benefits consumers, increases in renewal rates can often be significant, causing unnecessary market disruption and consumer complaints. This occurrence leads consumers to seek new insurance companies which means they may not secure the benefits of being a long-term policy holder. Senate Bill 127 would allow for insurance companies to include credit history at the time of policy renewal.

The passage of Senate Bill 127 would also require insurers to make exceptions to a consumer's rate when the consumer's credit is unfavorably impacted by extraordinary life circumstances. This applies to the time of policy inception and policy renewal. An extraordinary life circumstance clause is a safeguard for consumers. Unforeseen circumstances include incidents such as death of an immediate family member, military deployment, suffering a catastrophic event, and divorce.