



Consumers Benefit from Continued Use of Credit When Insurance Policy Renews

S.B. 127 (Senator Huggins)

Insurance rates are more accurate and fair when certain credit information is used as one of many factors that are used to determine rates. Alaska allows the use of credit information at the inception of a policy. But when that policy renews, the credit information must be completely stripped-out of the rate unless the consumer specifically requests their credit be used. For many Alaskans this results in unexpected, unnecessary and often significant rate increases. SB 127 allows the continued use of credit information at renewal, just as it was used when the consumer originally purchased the insurance.

SB 127 also requires insurers to make exceptions to a consumer's rate when the consumer's credit is adversely impacted by extraordinary life circumstances, both at inception and renewal of the policy.

State Farm Supports SB 127:

- Alaska, like 46 other states, allows the use of credit information because it is a proven, accurate tool for setting insurance rates. Allowing the continued use of credit information at renewal will mean consumers will continue to receive the rates they deserve.
- Consumers will not face unexpected, often significant, rate changes when their policy renews.
- Consumers will not be compelled to leave their preferred insurer and policy solely because their rates have increased due to the removal of credit information. Consumers will be able to stay with their insurer and can take advantage of the other benefits such as long-term customer discounts.
- The insurance market will be better stabilized and more efficient because "churning" by consumers from one insurer to another every two years will be significantly reduced.
- SB 127 maintains the current law that excludes certain factors from being considered in credit, including: the absence of a credit history; the consumer's income, age, address, census block, ethnic group and marital status; collection accounts with a medical industry code; credit inquiries not initiated by the consumer; absence of a credit card and other prohibited credit factors.
- SB 127 also adds relief for consumers whose credit information is adversely impacted by extraordinary life circumstances, both at the policy inception and at renewals. Insurers will be required to provide reasonable exceptions to rates where a consumer's credit information has been influenced by: (1) a catastrophic event; (2) serious illness or injury to the consumer or immediate family member; (3) death of a spouse, child or parent; (4) divorce or interruption of alimony or support payments; (5) identity theft; (6) involuntary temporary loss of employment for 3 months or more; (7) military deployment overseas; (8) other events as determined by the insurer.