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To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 17 – Motor Vehicle Insurance – Use of Credit History in Rating Policies
(SUPPORT)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 17 submitted by Senators Ronald N. Young, Jill P. Carter, and Mary Washington. The bill prohibits the use of credit history in the rating of a private passenger auto insurance policy. Proponents of using credit history to rate insurance policies often argue that a low credit rating is indicative of an increased risk of loss. But driving habits do not factor in any way into an individual's credit history and, likewise, one's credit history does not affect one's driving habits.

When the economy takes a downturn, such as during the financial crisis, many people experience a negative impact to their credit due to circumstances beyond their control. Unemployment increases and the dramatic impact to the housing market alone caused many people to suffer losses to their credit rating through little fault of their own. Others have suffered illnesses with large medical bills, many of which may not be covered by insurance, once again striking a blow to an otherwise healthy credit rating. In addition, studies have shown that credit history is negatively impacted simply by becoming a widow.

However, these difficulties do not necessarily translate to a higher risk of an automobile loss. When the economy suffers, individuals often experience financial setbacks that could easily affect their credit history in ways that do not justify an increase in their auto insurance rates. Even if an individual is financially struggling for reasons of his or her own making, this does not necessarily mean that he or she is not a good driver. Instead, those rates should be based on the driving history and rating characteristics of the individuals and their vehicles. This is the only way of truly ensuring that the individual is properly rated for the risk he or she presents, rather than his or her current financial circumstances.

For these reasons, we ask that the Finance Committee return a favorable report on this bill.

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cc: The Honorable Ronald N. Young
The Honorable Jill P. Carter
The Honorable Mary Washington
Members, Finance Committee