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The impact of the credit-based insurance score ban in Washington

Commissioner Kreidler's illegal credit ban causes widespread market disruption

During the 2021 legislative session, the Washington state legislature considered a bill that would ban the use of credit-based insurance scores in the rating and underwriting of personal insurance. Following education on the issue and committee testimony by both advocates and opponents of the ban, the bill failed to advance in the legislature. In response, Commissioner Kreidler took unilateral action to issue an emergency rule banning the practice, which a Thurston County Superior Court judge subsequently declared invalid. The significant disruption resulting from this invalid emergency rule remains resulting in substantial premium increases for many consumers and dissatisfaction from local agents. The permanent ban for up to 3 years that the Commissioner now plans to adopt will only perpetuate this marketplace disruption..

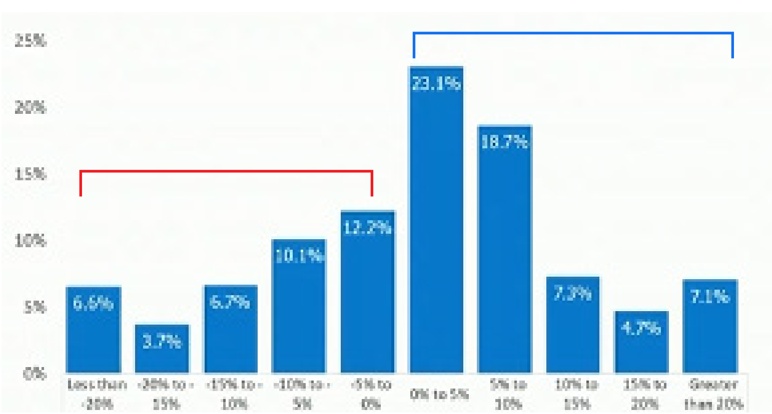
It is estimated that millions will pay more for insurance in Washington

The Commissioner's illegal ban gave very strict instructions. It only allowed companies to replace credit-based insurance scores with a single 'neutral' factor. There was no way for companies to lessen the burden on policyholders who were about to see huge increases. Companies scrambled to adjust rates and mitigate the "rate shock" caused by banning credit-based insurance scores - but these attempts to help good drivers stalled at the Office of Insurance Commissioner (OIC) despite its promises of quick approval. The result? Millions of responsible drivers with excellent credit-based insurance scores are paying more—sometimes a lot more. Senior citizens have been particularly hard hit because many have excellent credit-based insurance scores. Responsible people of every ethnicity and every income level are seeing large premium increases.

Rates increase for the majority of Washington consumers and for some of the best drivers

> **FACT CHECK:** *At the IIABW/PIA joint conference on September 24, 2021, Commissioner Kreidler stated "With this emergency rule that I had, as many policies went up as went down." This statement is FALSE. In a presentation made by the Commissioner's office on rate dispersion, the chart below was used from an unnamed company and showed that over 60% of consumers saw rate increases with almost 20% seeing double digit increases.*

Link to recording (statement occurs at 28:30): https://register.gotowebinar.com/recording/197828948035395339



60.9% receive a rate increase

39.1% receive a rate decrease

The ban on credit-based insurance scores simply shifts costs. Those that are statistically proven to cost less to insure pay more so that those that are statistically proven to cost more to insure pay less.

Availability becomes limited

Insurance options for consumers have become more limited as pricing inaccuracies increase. Carriers responded to the credit-based insurance score ban with limitations on bill plans, tighter acceptability, and a number of other actions. One carrier, for example, shifted from open acceptability to rejecting all customers with no prior insurance. Insurance options have narrowed as a result of the ban.

Insurance benefits are disrupted

The mass disruption in the market impacted many and forced consumers to shop for better rates. Rates increased across the market for consumers with good credit-based insurance scores, and finding better rates became difficult. Switching insurers caused consumers to lose insurance benefits like loyalty discounts and accident forgiveness, which are earned over time. In the end, consumers are suffering—especially senior citizens—all because of the unlawful action by Commissioner Kreidler.

Consumers are hurting and agents are frustrated

On September 21, 2021, Senator Mark Mullet (D), Committee Chair of the Senate Business, Financial Services & Trade Committee held a public work session to assess how the emergency rulemaking by the OIC to ban the use of credit-based insurance scores affected insurance premiums. Powerful statements show that consumers are hurting and insurance agents are frustrated.

Link to recording: watch – TVW, Washington State's Public Affairs Network

Consumer: Karen Dawson (starting at 1:05:00 in the video)

"I am a single mother of biracial children…I did not come from wealth and I don't live in it now. I am risk averse. I am a good driver and I have good credit. My driving record and my credit score reflect the cumulative effect of small choices made daily. They do not reflect income or wealth. I am not rich. I am responsible. Every additional dollar I pay to my insurance company…as a result of this new rule will be dollars pulled directly from our family's needs. It will not be pulled from some slush fund or vacation fund or elusive discretionary income. It will come from our utility fund, our healthcare fund, or our grocery fund…"

"[This rule] will negatively impact the group of people you may not have thought of - single moms and young men of color who played by the rules only to have this rug pulled out from underneath them during a pandemic."

"There are a lot of issues to resolve around equity but this tactic, in my opinion, grossly misses the intended target."

Consumer: Gary Glenz (starting at 1:25:00 in the video)

"I have been with my insurance company for in excess of 30 years and all of a sudden I now have a 40% increase in my homeowners and looking at 40% increase in my auto policy - so a $600 increase in the homeowners and $800 in the auto policy. I'm not on a fixed income yet, but budgeting in that much extra money due to absolutely no fault of my own just because one individual decided to make an arbitrary decision to take away our credit rating as a factor…totally not fair."

Insurance Agent Tamara Ellingson (starting at 1:49:45 in the video)

Insurance agent in Lakewood, WA. Community has one of the lowest average incomes in the state. Customer base is approximately 30% Hispanic, 25% African American and 15% Asian/Pacific Island.

"One of my client's renewals that hasn't been generated is a 72 year old African American. He is still working full-time to make ends meet. His wife's unable to work; she's on disability and his disabled daughter who was, um, living in their home passed away in May, which is lowering the family income. His increase is going to be over $82 a month. He makes $15 an hour so he will have to work 5.4 hours [a month] to pay for that increase…I just know they can't afford it."

"The increases are much more substantial than the decreases. So, reducing coverages to keep insurance for those impacted negatively just doesn't seem right. Unfortunately, it seems to be the only thing we have and I'm a broker so I shop all of my companies and I'm not seeing a huge, um, differentiation from one company to another."

"A fixed income is a fixed income. I know other expenses are rising and I'm just really, really concerned about the people who are being impacted through no fault of their own."