

July 16, 2020

Media Advisory:

NW Insurance Council statement in response to Commissioner Kreidler's letter and news release

Olympia, WA - Washington State Insurance Commissioner Mike Kreidler (D) has called on insurers to support his proposal to prohibit the use of credit information for rating auto, homeowners, renters and life insurance policies. This is NW Insurance Council's response.

Insurance companies, like many businesses, organizations, government agencies and communities across our nation, are taking a fresh look at systems and actions in the current environment of economic disruption, worldwide health crises and the need for racial and social justice reform. As foundational role-players in our economy, insurers are full participants in the rapidly evolving discussions about how racial, social and economic policies impact equity, access, availability and opportunity for all.

Insurance companies are all different from each other, working in a highly competitive marketplace. Each one employs a myriad of factors they believe will most accurately predict and determine the best rate for the risk each policyholder presents.

Property & Casualty (P&C) insurers have found that one of the most accurate tools they can use to predict risk of loss is an "insurance score," which combines *some factors* in a consumer's credit history with other "traditional" insurance factors, like driving record, claims history, history of home ownership/rental history and/or location of the insured home or vehicle. This *combination* of factors – credit and non-credit – works to the benefit of consumers: most people pay *less* for insurance when credit information is considered as a rating factor.

Numerous studies by insurance regulatory agencies, universities and industry groups agree that credit-based insurance scores help insurers predict risk and offer reduced premiums to most policyholders.

Many of those same studies have also concluded that concerns that the use of credit information may result in unfair discrimination based on race or income are unproven. Nonetheless, insurers are keenly aware that these concerns persist and are top of mind in our society right now – which means they are top of mind for insurance companies, who strive to be responsive to the needs of policyholders.

NW Insurance Council believes banning proven, objective, accurate rating practices without data to support the need for such a ban could result in large-scale market disruption and higher costs for insurance consumers. However, meaningful, fact-and-data-based research and discussions are critical and welcomed by Property & Casualty insurers, so that consumers and policymakers may continue to have confidence that home, auto and renters' insurance is accurately and equitably rated; available and affordable for Washington consumers.

End

NW Insurance Council is a non-profit, insurer-supported organization providing information about auto, home and business insurance to media, consumers and public policymakers in Washington, Oregon and Idaho.

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