

**Title 3. Commerce, Community, and Economic Development.**

**Part 2. Division of Insurance.**

**Chapter 29. Property, Casualty, and Related Insurance.**

**Article 7. Use of Credit Information or Insurance Scoring in Insurance Underwriting.**

3 AAC 29 is amended by adding new sections to read:

**Section**

600. Applicability

605. Insurance scoring model filing

610. Statistical validation of the model

615. Use of credit information for renewal policies

620. Neutral credit information

**3 AAC 29.600. Applicability.** The provisions of 3 AAC 29.600 - 3 AAC 29.620 apply to each insurer that uses credit information in underwriting or rating a personal insurance policy.

(Eff. \_\_\_/\_\_\_/\_\_\_\_\_, Register \_\_\_\_\_)

Authority: AS 21.06.090 AS 21.36.460 AS 21.39.035

**3 AAC 29.605. Insurance scoring model filing.** An insurance scoring model filed under AS 21.39.035 must include

- (1) the name of the model;
- (2) the name of the modeler;

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- (3) the date of the model;
- (4) if a revised model, the date of the latest revision;
- (5) the dates of credit data and insurance data used to develop the model;
- (6) an explanation of how the model complies with the standards listed in

AS 21.36.460;

(7) a description in plain language of all attributes and credit information that will be used as input into the model, including definitions of technical terminology and abbreviations used by the insurer or model developer;

(8) the weights assigned to each attribute and the formula used to calculate the insurance score;

(9) a statistical validation of the model that demonstrates that

- (A) each attribute is predictive of future loss potential;
- (B) the model as a whole is an accurate predictor of future loss potential;

and

(C) the credit attributes do not duplicate other rating or underwriting

factors; and

(10) any other information that the director may request to support the insurance scoring model filing. (Eff. \_\_\_\_/\_\_\_\_/\_\_\_\_, Register \_\_\_\_\_)

Authority: AS 21.06.090 AS 21.36.460 AS 21.39.035

**3 AAC 29.610. Statistical validation of an insurance scoring model filing.** (a) The statistical validation required in 3 AAC 29.605 must include a multivariate analysis, which must include

- (1) a description of the factors included in the analysis;
- (2) the formula used in the analysis;
- (3) the rates, rating factors, or other factors that result from the analysis; and
- (4) the relationship between the insurer's proposed rates, rating factors, or other

factors and those of the multivariate analysis.

(b) If an insurer believes that other methodologies provide more appropriate support for the insurance scoring model than a multivariate analysis, the insurer shall describe why a multivariate analysis is inappropriate and include a detailed explanation of the methodology that is being used to support the validity of the insurance scoring model. Supporting information that consists only of loss ratios for each of the proposed credit attributes is not adequate statistical validation of the model. (Eff. \_\_\_\_/\_\_\_\_/\_\_\_\_\_, Register \_\_\_\_\_)

Authority: AS 21.06.090 AS 21.36.460 AS 21.39.035

**3 AAC 29.615. Use of credit information for renewal policies.** (a) An insurer may rate or underwrite an applicant or insured using the consumer's credit history only once, unless the consumer waives the requirement in writing as allowed under AS 21.36.460.

(b) If an insurer uses a consumer's credit history or insurance score for rating a policy, the credit history or insurance score may not be used again at the first annual renewal or any

subsequent renewals, unless the consumer waives the requirement in writing as allowed under AS 21.36.460.

(c) If an insurer uses a consumer’s credit history or insurance score for determining tier or market eligibility, the credit history or insurance score may be used for tier or market placement only once, unless the consumer waives the requirement in writing as allowed under AS 21.36.460.

(d) If an insurer uses a tier or market rating system or a tier or market underwriting system, the insurer must re-evaluate its insureds to ensure that they are placed in the correct tier or market based on the eligibility criteria contained in the filings that are in effect for the insurer. The insurer shall perform the re-evaluation at least every two years.

(e) If an insurer uses a consumer’s credit history or insurance score as one component of an initial tier or market eligibility criteria, the insurer may not include the consumer’s credit history or insurance score in a re-evaluation of tier or market placement under (d) of this section. The insurer may not freeze the consumer’s initial insurance score for use in renewal rating or underwriting. The insurer must use renewal rating and underwriting criteria that do not include the consumer’s credit history or insurance score as one of the tier or market eligibility criteria, unless the consumer waives the requirement in writing as allowed under AS 21.36.460. (Eff.

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_, Register \_\_\_\_\_)

Authority:	AS 21.06.090	AS 21.36.460	AS 21.39.035
	AS 21.36.090	AS 21.39.030	AS 21.39.040

**3 AAC 29.620. Neutral credit information.** (a) The director will not approve a rating or underwriting plan that automatically

(1) assigns an average credit history or insurance score to a consumer who does not have a credit history or whose credit history cannot be determined; or

(2) places in the average tier or market a consumer who does not have a credit history or whose credit history cannot be determined.

(b) In a rating or underwriting plan, the absence of credit history or the inability of an insurer to determine a consumer's credit history may not automatically prohibit the consumer from being eligible for the insurer's best rate. The insurer is not required to give such a consumer the insurer's best rate, but the insurer must consider whether other positive risk characteristics override the lack of sufficient credit history;

(c) In a rating or underwriting plan, an insurer may demonstrate that the insurer's use of neutral credit is consistent with an underwriting or rating decision that would be made without including credit as a factor. This does not mean that credit information is not used, but that a neutral credit history or neutral credit score is assigned. The use of neutral credit, when combined with other underwriting or rating criteria, must result in the same underwriting or rating decision that would be arrived at without the use of credit information. (Eff.

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Authority: AS 21.06.090 AS 21.36.460 AS 21.39.035