

February 20, 2017

Members of the Senate Retirement and Insurance Committee
Oklahoma State Capitol
Oklahoma City, OK

RE: NAMIC opposition to SB 582

Via email

Members:

The National Association of Mutual Insurance Companies would like to register our opposition to SB 582.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 39 percent of the total market. In Oklahoma, we represent 145 member companies doing business here, including six companies domiciled in Oklahoma, comprising 42 percent of the overall insurance market.

Back in October, NAMIC testified at the joint interim hearing on the issue of credit based insurance scoring (CBIS). We raised a number of concerns with placing limitations on credit scoring.

SB 582 makes what appears to be one simple change – it would prevent insurers from using credit information to take an adverse action against the policyholder. Note an insurer could still use credit to lower the premiums of a policyholder, however.

The bill in essence creates a one way street. While this legislation may seem to be a consumer friendly concession, the reality is that SB 582 is a tacit admission about the efficacy of credit based insurance scoring. If CBIS is reliable enough to make actuarially sound decisions to lower premiums, **then the corollary of that must also be true – it's reliable enough to make increases in premium to accurately reflect the predicted risk of a particular policyholder.**

We note that at least two states – Alaska and Michigan – previously used the same restrictions on CBIS that Oklahoma is now considering with this bill. Both of those states have since migrated to a more free market approach, allowing credit to be used as a factor in both increasing and decreasing a premium. Alaska and Michigan recognized what various

departments of insurance and researchers have determined over the years: CBIS allows insurers to properly match premiums to the predicted risk a particular policyholder presents. As we discussed in the interim hearing, recent data from the Arkansas Insurance Department reveals that in 2015, 52.4% of all personal lines policyholders saw their premiums decrease due to the use of CBIS, while only 18% of policyholders saw their premiums increase due to the use of CBIS. To quote the report, **“for those policies in which credit played some role in determining the final premium, those receiving a decrease outnumbered those who received an increase by 2.91 to 1.”** We are attaching a copy of the report to the transmittal email for your reference.

We note the current law in Oklahoma provides robust protections for consumers doing business with insurers using CBIS. This bill Section 953, which already prohibits:

- Using an insurance score calculated by using income, gender, address, zip code, ethnic group, religion, marital status, or nationality
- Using credit as the sole basis for denying, cancelling or failing to renew a policy
- Using credit solely as the basis of setting a renewal premium
- Taking adverse action against a customer solely because they do not have a credit card account
- Considering an absence of credit information, with limited exceptions
- Using credit information that is not up to date
- Using credit inquiries, with limited exceptions

These consumer protections are substantial. Insurers cannot use one’s credit score as the sole basis of a change in premium or decision to deny, cancel or non-renew a policy. Credit information can only be used in conjunction with other data to arrive at a CBIS, which can help Oklahomans pay less for insurance.

In short, CBIS provides insurers with a reliable tool to charge an accurate premium to a customer commensurate with that customer’s risk. As states move away from the model proffered by SB 582, we urge the Committee to examine the consequences of eliminating a system which has effectively helped make insurance more affordable for consumers.

We hope you will reach out to us if you have questions.

Sincerely,

A handwritten signature in black ink that reads "Paul Martin". The signature is written in a cursive style, with the first name "Paul" and the last name "Martin" clearly legible.

Paul Martin
Director – State Affairs
Southwest Region

CC: Sen. Rob Standridge

Enclosure: Arkansas Insurance Department report