

Commissioner Kreidler's "emergency rule" is hurting Washington policyholders

By Kenton Brine, President, NW Insurance Council

Thank you to the members and leadership of our state's great producer trade groups for inviting NWIC to participate in the 2021 IIABW/PIA of Washington Joint Conference at Tulalip Resort.

Thank you also for taking time to hear from Commissioner Mike Kreidler and Representative Chris Corry.

Commissioner Kreidler in particular deserves credit for his remarks – made during the middle of a lawsuit filed against his emergency rule – and knowing that producers and insurer trade associations in our industry strongly oppose his unilateral ban on the use of credit-based insurance scores (CBIS).

But with all appropriate respect to the Commissioner, he did not make his case for banning CBIS to producers at the Tulalip that day, and he hasn't made it to Washington's P&C policyholders, either.

- Commissioner Kreidler asked, "What do credit scores have to do with how I drive?" Of course, that question over-simplifies how CBIS are considered by insurers. And he is likely aware of actuarially sound and proven data, gathered over 20+ years by his fellow regulators in other states, plus the Federal Trade Commission, universities and others, showing (repeatedly and consistently) a correlation between CBIS and likelihood of claims.
- The Commissioner also said, "Credit scores are predictive, but unfair." Aside from contradicting his previous statement, his opinion has not been irrefutably confirmed by facts or data. Anywhere. In the context of P&C insurance – where the goal is to match risk to rate as closely as possible for the greatest number of insureds, in order to offer the best price to the most consumers and still pay claims – "predictive" is as close as insurers can get to "fair." (Also, if rates using CBIS are unfair, why has OIC approved hundreds of rate filings that include CBIS over nearly 20 years?)
- The Commissioner repeated the claim that a person with a DUI on a driving record and a high credit score can pay less than a person with a low credit score and a perfect driving record. This often-repeated trope comes from the Consumer Federation of America, which uses dubious and unsubstantiated methodologies to cherry-pick data, produce "infographics" and present them as "fact." (The audience at the Tulalip, to their credit, didn't buy it.)

Washington P&C policyholders are facing massive premium increases for home, auto, renters, condo, RV and other policies. Those policyholders have had no accidents, no speeding tickets, no claims...no changes to their policies. Many are retirees on fixed incomes. And virtually all of them – according to the most accurate rating tool yet developed by insurers – are your lowest-risk customers. By being lower risk, they earned lower rates. That is, until - without evidence or support from consumers, and in direct conflict with Washington statutes – the Commissioner banned the rating tool, and shifted the greatest share of the cost of covering current and future claims from the highest-risk to the lowest risk insureds.

Hearing from frustrated, worried consumers, Commissioner Kreidler issued a press release saying the ban and its unfair impacts made for "a good time to shop for insurance." (Producers know there are reasons why that is unwelcome advice for consumers.) And now, at the IIABW/PIA-WA conference, he

said he was encouraging companies to file revised rate plans that shift other rating factors around in response to the loss of CBIS. But he didn't say how long it would take his agency – which has in recent history required several months or more to approve insurer rate filings – to review and approve any new filings.

There is a better way – legislation pending when lawmakers reconvene in Olympia in January would only allow CBIS to be used if a consumer's rate improves at renewal (SSB 5010), while another (HB 1351) would require an insurer to consider "extraordinary life circumstances" (like job loss due to a pandemic, divorce or death of a spouse) if it negatively impacted the insured's premium.

The Commissioner's emergency rule is hurting Washington's P&C insurance policyholders. Let's hope for – and encourage - legislators to choose a better course.