

Low credit scores are not the cause of insurance claims

By Insurance Commissioner Mike Kreidler

I enjoyed spending time with many of you at your recent annual meeting at the Tulalip Resort. The topic, of course, was credit scoring and my recent emergency rule. We had a lively conversation, and I appreciated your questions. I know my action has not been popular in some circles.

My duty as the insurance regulator is to protect consumers from harmful practices. That's the duty I took on when first elected as insurance commissioner 21 years ago.

My informed belief is that the use of credit scoring for insurance is unjust. That's not just an opinion or belief that came up overnight.

When I was first elected as insurance commissioner, many producers expressed their frustrations with me about the industry's use of credit scores.

Producers were the ones who brought the unfairness of using credit scoring to my attention. They said it had nothing to do with assessing risk.

I continue to hear that today from more than a few producers – despite how some in the state Legislature and elsewhere might portray things.

The insurance industry likes credit scoring because it's easy and it's cheap for underwriting purposes.

This is the same industry that for years approved of the use of redlining. That practice was rightly outlawed.

Some of you disagree with my emergency order. I've heard your voices. But I'm committed to ending credit scoring. When it comes to setting insurance rates, we should judge people the right way – by how they drive and how they maintain their property.

Call me old fashioned, but I believe in treating people as individuals, not numbers.

And the insurers are not helpless in this debate. Don't let them tell you otherwise.

[I've encouraged them to file new rates](#) with our office – ones that, without credit scoring as a factor, can better reflect the dozens of other risk factors of their customers. My office will make those filings a priority.

Since the emergency order declaration last March, we have received 34 new auto and homeowners filings. A quarter of those have made rating factor addition or revisions. I hope more will take advantage of this opportunity. They can price to attract and retain their long-standing customers or attract new ones. You should encourage them to do so.

The continued emphasis and reliance on credit scoring is detrimental to reducing the actions that lead to insurance claims. We need to get to the root causes.

Low credit scores do not cause claims.

It's in everyone's best interest to move away from the secretive use of credit scoring. The industry should price products in a way that consumers can understand and trust.