AARP Real Possibilities
Washington

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Dear Chairman Mullet,

As you know, AARP Washington has a long history in this state of advocating for the rights of consumers to ensure a fair marketplace with a level playing field that works for everyone. We are writing to you this afternoon to urge passage of Senate Bill 5010 as it was originally proposed which would ban the use of credit scores to set insurance premium rates in Washington State.

The practice of insurance companies using consumer credit scores to underwrite home and auto insurance rates has always been unfair and particularly harmful to the very group AARP focuses so much of our attention toward: low income and vulnerable consumers, including individuals of color who are disproportionately penalized by this practice due to historic income and credit inequities.

I know you are aware of this Senator Mullet, but it bears repeating. There are thousands of older AARP members in this state who struggle to make financial ends meet every month and who, for whatever reason, may no longer have the perfect credit score they once enjoyed. There could be any number of reasons for those experiencing lower credit scores: unexpected medical bills, divorce, death of a spouse, loss of a job or income, or simply because they no longer use as much credit as they once did and their score has been lowered accordingly. What do any of those events have to do with one's ability to safely drive an automobile? Why should a reduced credit score for these folks, many of whom may have perfect driving records, result in their paying higher auto and homeowner's insurance premiums?

As a matter of fact, you have already heard from other consumer advocates who shared with the committee a study by Quadrant Information Services showing that Washington drivers pay a 35% penalty on average if they have a fair credit score instead of an excellent credit, even if they have never had an accident, ticket or filed a claim. If they have poor credit, that penalty is even worse, jumping to 79% on average, with some companies almost tripling the premium for good drivers in the state with poor credit.

And these examples existed before the Covid 19 pandemic which has devasted huge swaths of the labor market here and around the country. Credit scores, as you know, are a lagging indicator and so it may very well be many months before we see credit scores for those who have lost their jobs, been evicted from their homes or who have fallen behind on their bills see their credit scores drop, which in turn, will result in premiums increasing for these same folks at a time when they can least afford it. Given that Washington law requires that every driver buy auto insurance, it is deeply unfair that someone with a perfect driving record would pay a much higher premium for the same product as another driver, just because they had a lower credit score.

This debate is not about younger versus older consumers. It's about basic fairness. When the use of credit is banned, insurance companies will have to make poor drivers pay higher rates, but good drivers will be protected regardless of their credit score, which is the way it should be in a market with a fair and level playing field.

We think Senate Bill 5010 will reduce the current unfairness in the insurance market, increase participation by reducing the number of uninsured motorists, and make it safer for everyone in Washington State.

AARP Washington strongly urges you to pass SB 5010 and would be willing to review proposed amendments.

Thank you.

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