

Dear Legislator;

We'd like you to join us in supporting Commissioner Kreidler's legislative effort to ban the insurance industry's use of credit scores to set rates. Using credit scoring to determine how much someone pays for insurance is unfair and has a disproportionate economic impact on low-income individuals and communities of color in our state.

As our state slowly recovers from the COVID-19 pandemic, we know that many individuals and businesses will continue to feel the economic impacts of this crisis for months and even years to come.

Many will see their credit scores go down, as they struggle to pay their bills and manage their credit. Most people do not know their credit score can affect how much they pay for their insurance. Today, insurers use credit scores to determine whether or not a person can purchase auto insurance, life insurance, renter's insurance and homeowner's insurance and to set what price they will pay.

The pandemic's impact on peoples' credit is why the federal CARES Act placed a temporary hold on the use of credit scoring. Unfortunately, the ban is set to end this fall.

The continued use of credit scores in insurance penalizes individuals by embedding existing economic and racial inequities in our credit system and economy. Insurers have many fair and reliable factors they can use in their rate calculations. They use these factors to develop complex formulas to predict if someone will file a future insurance claim. These formulas are difficult to explain, but one thing is clear to insurance regulators: credit scoring plays a significant role in how much you pay for insurance.

The use of credit scoring is controversial because of its disparate impact on low-income individuals and people of color. These same individuals are also the most economically impacted by the COVID-19 crisis.

Helping our state recover from the pandemic will be your top priority. An action you could take that has no state fiscal impact but could help your constituents is to pass legislation banning the use of credit scoring in auto, life, renters and homeowners insurance.

The Office of the Insurance Commissioner is proposing legislation to end the discriminatory practice of credit scoring in insurance. Your support would help alleviate this burden on individuals and business owners in our state. It will not harm insurance companies – they have many other factors to use – and it will not impact the state budget.

We look forward to working with you to end the use credit scoring in insurance in Washington state.

Best regards,

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