

WHAT ALASKANS NEED TO KNOW ABOUT CREDIT USE



STATE OF ALASKA

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"Regulate the insurance industry
to protect Alaskan consumers."

What Alaskans Need to Know About Credit Use

Insurer Responsibilities	Consumer Responsibilities
<p>An insurer must disclose to the consumer that his or her credit history will be used to rate or underwrite a personal insurance policy.</p> <p>The disclosure must:</p> <ul style="list-style-type: none"> • be on the application or made at the time the application is taken; and/or • at the time of renewal if credit information is used at renewal. 	<p>The consumer should:</p> <ul style="list-style-type: none"> • read the application and renewal notices carefully; and • ask questions if something is not clear. <p>The insurer may ask for your social security number to help in identifying your credit history. However, disclosing your social security number is not a requirement for an insurer to check your credit history.</p>
<p>An insurer must consider other underwriting factors, in addition to the consumer's credit history, when making underwriting and rating decisions.</p> <p>The specific factors that an insurer will consider depend upon the type of insurance and the insurer's operating practices.</p> <p>For example, if an insurer elects to use credit history to rate a homeowners policy, the insurer might also consider some or all of the following:</p> <ul style="list-style-type: none"> • whether the house is frame, brick or log construction; • the age of the home; • how far the house is from a fire department; or • if the house has a wood stove. <p>For an automobile policy the insurer might use some or all of the following:</p> <ul style="list-style-type: none"> • the age, make and model of the vehicle; • the driving record of the driver, • the age of the driver; and • the sex of the driver 	<p>The consumer should:</p> <ul style="list-style-type: none"> • provide current, accurate information; • periodically review this information to ensure its accuracy; and • update any changes that may occur.
<p>An insurer must provide opportunity for the consumer to request reconsideration of an adverse action. This is done by providing the consumer with a reconsideration certification form at the time of the adverse action.</p> <p>Adverse action is defined to be:</p> <ul style="list-style-type: none"> • a policy cancellation; • denial of insurance coverage to an applicant; • non-renewal of coverage for a consumer who already has a policy with that insurer; • offering the consumer a higher premium on a policy than if the consumer's credit history were more favorable; or • offering the consumer reduced coverage because of the consumer's credit history. 	

Insurer Responsibilities	Consumer Responsibilities
<p>The insurer must provide the consumer with a written notice of the consumer's right to request reconsideration of the adverse action. This notice must clearly state the significant factors of the consumer's credit history so that the consumer can identify the basis for the adverse action.</p> <p>The notice must</p> <ul style="list-style-type: none"> i) inform the consumer that: <ul style="list-style-type: none"> • the consumer can request the insurer to reconsider the adverse action; • the consumer may request a free copy of the consumer's credit report; • the consumer has the right to correct any errors that appear in the credit report; • reasonable exceptions to an insurer's rates and underwriting rules are available for consumers whose credit history has been affected by certain extraordinary life circumstances, and how the consumer may request such an exception ii) advise the consumer on ways to improve the consumer's insurance score; and iii) provide information to assist the consumer with the error correction process. 	<p>The consumer should:</p> <ul style="list-style-type: none"> • review the information on his or her credit report to ensure that it is accurate; • take steps to correct any inaccurate information that appears on the credit report; and • ask the insurer to review the offer of insurance to verify that the consumer's credit history and other underwriting or rating factors have been accurately determined.
<p>If an insurer uses incorrect credit history to underwrite or rate a policy and the use of any disputed information results in the consumer being charged a higher premium or offered less favorable coverage terms, the insurer must re-rate or reunderwrite the policy based on the corrected credit history.</p> <p>If the consumer overpaid a premium because of incorrect credit history, the insurer must refund the amount of overpayment back to the last 12 months or the actual policy period, whichever is shorter.</p>	<p>The consumer must discover the incorrect credit history within 12 months after the policy is issued, and either:</p> <ul style="list-style-type: none"> i) resolve the dispute under the Fair Credit Reporting Act process and notify the insurer in writing that the dispute has been resolved; or ii) return the reconsideration certification form to the insurer as soon as possible following the discovery; indicate what items on the credit report are in dispute, and document that the consumer has initiated the dispute resolution process under the Fair Credit Reporting Act.
<p>If the use of disputed credit history results in denial of or cancellation of a policy, the insurer must reunderwrite the coverage without the use of credit information.</p> <ul style="list-style-type: none"> • An insurer denies coverage when a consumer submits an application to the insurer but the insurer does not issue the applicant a policy. • A cancellation occurs when a consumer has an existing policy with an insurer and the insurer elects to end the policy term before the usual expiration date of the policy. 	<p>The consumer must:</p> <ul style="list-style-type: none"> • return the reconsideration certificate to the insurer within 10 days following the denial or cancellation; • indicate what items on the credit report are in dispute; and • document that the consumer has initiated the dispute resolution process under the Fair Credit Reporting Act.