

Washington State Credit Ban Information

The Washington State Office of the Insurance Commissioner has issued an emergency rule that prohibits any insurance company doing business in Washington state from considering individuals' credit histories in determining rates, premiums and coverage eligibility for personal auto, renter, condo and home insurance. All insurance carriers in Washington State have used credit history as part of the scoring process for 20+ years because it has proven to be a strong indicator of future losses. State Insurance Commissioner Mike Kreidler believes credit scoring is unfair and puts additional burden on Washingtonians especially if resource are impacted by Covid-19.

The rule applies to new policies effective on and after June 20, 2021, and renewing policies processing on or after that date. Once the emergency rule is in effect, many people in Washington will likely see changes in the cost of their insurance policies, as removing credit from among the many factors most insurance companies consider when determining rates is likely to result in a change to how those rates are calculated.

Credit scores are one factor of many, insurance carriers use to formulate their "insurance score," which correlates with forecasting claims and subsequently how they establish premium rates.

- If your rates remain the same and/or decrease, then this order is a non-issue for you.
- **If your rates increase**, as it may be for most average to excellent credit scores will see an impact in premium.

The emergency rule's impact on policies takes effect June 20, 2021. That means for all new policies that start on or after that date, credit history will no longer be used as a consideration in setting prices. Existing policies that will process for renewal on or after that date will likewise no longer consider credit history. Customers are likely to see changes in their existing rates as a result. Policies renewing annually the change will apply at your first renewal after the emergency rule goes into effect.

The emergency rule applies only to Washington policyholders who have auto, renter, condo and/or home insurance.

Since the emergency order is **temporary**, our advice is to remain with your current insurance companies until a longer term decision is reached.

Short term gain will likely mean long-term pain. There are many reasons to remain with your current carrier, but the largest reason is that changing carriers will negatively impact any savings earned from insurance history. Insurance history is very valuable and should be sustained as much as reasonably possible. Also, switching companies may require a new home inspection, subsequent home updates, current jewelry appraisals, adjustments to your escrow account etc. In addition it will likely take the

carrier additional time to adjust to this change and incorporate other rating modules to predict future loss and outcomes. We are happy to navigate through options available and review your current information to even better advise if a change in carrier is the best decision for the moment.

As your insurance broker, we do not set rates, but we do support our clients. The rate change was a direct impact from a Governmental rule change. We want to remain your trusted source and guide you through this process and find best possible decision for you. There are ways we can help you plan and save on your insurance products.

We have been preparing our team since the moment we heard this might happen (late March). As soon as we heard the efforts by the industry for an injunction on the order failed, which was on 4/23/21 we began ramping up our plans.

- We are changing our internal workflows to allow a better response to the influx of client rate concerns while allowing time to help new clients as well.
- We are implementing a review every renewal process. You will get an email and text or voice mail from us when your review has started and are looking forward to conversation with you.
- We are actively staying involved with our carriers sharing ideas on how to offset these increases and making sure they are doing all they can as well.

We appreciate your business and partnership, and we are committed to working together to navigate this unprecedented impact to our industry and all of us living in Washington State. We count on YOU and we want you to count on US! Please feel free to contact us with questions.