

THE FACTS

Credit-Based Insurance Scores & COVID-19



HELP CONSUMERS BY ADOPTING ELC

What is ELC? ELC refers to “extraordinary life circumstances,” and it grants consumers the right to ask their insurer to make exceptions to their use of credit information. Examples of ELCs include, but are not limited to: catastrophic events like a pandemic; serious illness or injury to you or a family member; death of a family member; divorce; identify theft; and job loss.

STATES WITH ELC

ALASKA	MINNESOTA
CONNECTICUT	MONTANA
DELAWARE	NEVADA
FLORIDA	NEW HAMPSHIRE
ILLINOIS	NEW JERSEY
INDIANA	NEW MEXICO
IOWA	RHODE ISLAND
KANSAS	TEXAS
KENTUCKY	VERMONT
LOUISIANA	VIRGINIA
MICHIGAN	

DON'T SEE YOUR STATE LISTED?

Contact APCA for ELC model language.

HELPING, NOT HURTING, CONSUMERS IN THE MIDDLE OF A PANDEMIC

Property and casualty insurance companies have long considered credit history in the underwriting and rating of personal auto and homeowners insurance in the form of credit-based insurance scores (CBIS). We understand that policymakers are naturally concerned about the potential impact of COVID-19 on their constituents' credit history. Before you consider restricting the use of CBIS, we ask that you consider some important facts.

FACTS TO CONSIDER

The Vast Majority of Consumers Benefit From the Use of Credit-Based Insurance Scores

State and federal regulators, universities, independent auditors, and insurance companies have all confirmed that the use of credit information by insurance companies saves most consumers money and is actuarially justified. An annual survey published by the state of Arkansas between 2005-2017 found on average that about 75 percent of consumers either paid less or were otherwise unaffected by the use of credit. Adopting restrictions on the use of CBIS now would deprive consumers of this benefit at a time they need it most.

Credit Scores & Credit-Based Insurance Scores Have Remained Stable, If Not Improved During the Pandemic

As during the Great Recession, when many expected credit scores and CBIS to fall, scores have actually stayed the same if not slightly improved during the pandemic. FICO, the data analytics firm, reports that scores have continued their steady increase over 2020, driven by a reduction in missed payments and debt levels and the neutral treatment of forbearance and deferment agreements required under the federal CARES Act. Data from LexisNexis and Transunion confirm this trend. Unsurprisingly, consumers are becoming more conservative with their finances in response to macroeconomic conditions.

Rather Than Banning Credit-Based Insurance Scores, Many States Are Considering Adopting Extraordinary Life Circumstances Protections

In the wake of the Great Recession, about half the states adopted an extraordinary life circumstance (ELC) exception to an insurer's use of credit information. In these states, consumers can request that their insurer make reasonable exceptions to the use of credit information impacted by a national catastrophe, like a pandemic, or other extraordinary life events. Several states are considering adopting ELC protections in 2021, and we strongly encourage policymakers concerned about the potential financial impact of COVID-19 on consumers to consider doing the same.