

## Risk Classification Data Call

### Instructions

This Risk Classification Data Call is meant to meet several objectives, first described in the NAIC's Property and Casualty Insurance (C) Committee charges.

- Evaluate how insurers use credit-based insurance scores.
- Determine how current economic conditions have affected policyholder premiums related to credit-based insurance scores.
- Evaluate the role played by credit-based insurance scoring vendors.
- Evaluate the use of new and innovative risk classifications and risk evaluation tools used by the industry and what impact these risk classifications have on consumer rates.

This data call is being issued to insurers as a data call. All responses will be submitted to the issuing state and will be kept confidential to the extent allowed by state law. Aggregate data may be made public.

For purposes of this data call, the following definitions are to be used. When used in this data call:

- The term "Underwriting" describes the standards under which the insurer issues, refuses to issue, renews, refuses to renew, cancels or limits coverage for automobile insurance to persons within this state.
- The term "Tier Placement" describes a situation where the insurer has multiple rating plans within a single company.
- The term "Company Placement" describes a situation where the insurer has a different rating plan for each affiliate, but only a single rating plan for each affiliate.

Companies should respond to this data call on a company basis. If multiple affiliates are operating in this state, complete the document for each affiliate.

This data call consists of four tables (Tables I-V) as well as a series of additional questions (Additional Information) to be answered as completely as possible.

**Company is asked to submit the following information:**

**State:**

**Name of Company:**

**Cocode:**

**Contact Information**

**Name:**

**Phone number:**

**E-mail:**

**Data Call Questions**

**Use of Risk Classifications in Private Passenger Auto Insurance**

**TABLE I**

**Check all that apply. If a risk factor is used for both company placement and tier placement, be sure to check both options.**

Risk Classification	Used in Rating		Used in Tier Placement		Used to Decide if Coverage is being Offered or Limited	Used in Company Placement		Not Permitted in State	
	For new business	For renewal	For new business	For renewal		For new business	For renewal	For new business	For renewal
Credit-based Insurance Score									
Occupation									

Risk Classification	Used in Rating		Used in Tier Placement		Used to Decide if Coverage is being Offered or Limited	Used in Company Placement		Not Permitted in State	
	For new business	For renewal	For new business	For renewal		For new business	For renewal	For new business	For renewal
Education									
Marital Status									
Income									
Loss History									
Lapse in Coverage									
Prior Limits									
Multi-policy Discounts									
Gender									
Age									
Territory									
Liability Limits									
Tickets or Traffic Violations									
At-fault Accidents									
Not-at-fault Accidents									
Ownership of a Home									
Value of Vehicle									
Damageability of Vehicle									
Years of Driving Experience									
Annual Mileage									

Risk Classification	Used in Rating		Used in Tier Placement		Used to Decide if Coverage is being Offered or Limited	Used in Company Placement		Not Permitted in State	
	For new business	For renewal	For new business	For renewal		For new business	For renewal	For new business	For renewal
Vehicle Safety Features									
Commuting Mileage									
Number of Years Licensed									
Type of Use									
Driver Primacy <sup>1</sup>									
Number of Cars in Household									
Number of Operators									
Good Student									
Claim-free Renewal									
Usage-based <sup>2</sup>									
Policy Purchased directly via Internet									
Policy Purchased directly via telephone									
Policy Purchased directly through Agency									

<sup>1</sup> Based on whether individual being evaluated is primary driver of vehicle.

<sup>2</sup> Based on in-car monitoring system to determine actual miles driven or other driving patterns rather than just broad ranges of mileage.

Risk Classification	Used in Rating		Used in Tier Placement		Used to Decide if Coverage is being Offered or Limited	Used in Company Placement		Not Permitted in State	
	For new business	For renewal	For new business	For renewal		For new business	For renewal	For new business	For renewal
Policy Purchased via captive agent									
Policy Purchased through the mail									

**TABLE II**

What Other Risk Classifications are Used?	Used in Rating		Used in Tier Placement		Used to Decide if Coverage is being Offered or Limited	Used in Company Placement		Not Permitted in State	
	For new business	For renewal	For new business	For renewal		For new business	For renewal	For new business	For renewal

**Effect of Risk Classifications in Private Passenger Auto Insurance**

Use company’s complete current rating plan. This table considers the lowest and highest effects a factor can have on a rate, within a company, assuming other factors remain constant.

**TABLE III**

**Add additional risk classifications that you included in Table II to the blank rows of Table III.**

<b>Range of Rate Relativities for each Risk Classification</b>				
<b>Risk Classification</b>	<b>Lowest Possible Rate Relativity—A</b>	<b>Highest Possible Rate Relativity—B</b>	<b>Range (B÷A)</b>	<b>Median Value</b>
Credit-based Insurance Score				
Occupation				
Education				
Marital Status				
Income				
Loss History				
Lapse in Coverage				
Prior Limits				
Multi-policy Discounts				
Gender				
Age				
Territory				
Liability Limits				
Tickets or Traffic Violations				
At-fault Accidents				
Not-at-fault Accidents				
Ownership of a Home				
Value of Vehicle				
Damageability of Vehicle				
Years of Driving Experience				
Annual Mileage				

<b>Range of Rate Relativities for each Risk Classification</b>				
<b>Risk Classification</b>	<b>Lowest Possible Rate Relativity—A</b>	<b>Highest Possible Rate Relativity—B</b>	<b>Range (B÷A)</b>	<b>Median Value</b>
Vehicle Safety Features				
Commuting Mileage				
Number of Years Licensed				
Type of Use				
Driver Primacy				
Number of Cars in Household				
Number of Operators				
Good Student				
Claim-free Renewal				
Usage-based				
Policy Purchased directly via Internet				
Policy Purchased directly via telephone				
Policy Purchased directly through Agency				
Policy Purchased via captive agent				
Policy Purchased through the mail				

**TABLE IV**

**Add additional risk classifications that you included in Table II to the blank rows of Table IV.**

Risk Classification	% Distribution of policyholders receiving discount or surcharge from the median value												
	<-50%	<-40% ≥-50%	<-30% ≥-40%	<-20% ≥-30%	<-10% ≥-20%	<-1% ≥-10%	≥-1% ≤1%	>1% ≤10%	>10% ≤20%	>20% ≤30%	>30% ≤40%	>40% ≤50%	>50%
Credit-based Insurance Score													
Occupation													
Education													
Marital Status													
Income													
Loss History													
Lapse in Coverage													
Prior Limits													
Multi-policy Discounts													
Gender													
Age													
Territory													
Liability Limits													
Tickets or Traffic Violations													
At-fault Accidents													
Not-at-fault Accidents													
Ownership of a Home													



Risk Classification	% Distribution of policyholders receiving discount or surcharge from the median value												
	<-50%	<-40% ≥-50%	<-30% ≥-40%	<-20% ≥-30%	<-10% ≥-20%	<-1% ≥-10%	≥-1% ≤1%	>1% ≤10%	>10% ≤20%	>20% ≤30%	>30% ≤40%	>40% ≤50%	>50%
Value of Vehicle													
Damageability of Vehicle													
Years of Driving Experience													
Annual Mileage													
Vehicle Safety Features													
Commuting Mileage													
Number of Years Licensed													
Type of Use													
Driver Primacy													
Number of Cars in Household													
Number of Operators													
Good Student													
Claim-free Renewal													
Usage-based													
Policy Purchased directly via Internet													
Policy Purchased directly via													

	<b>% Distribution of policyholders receiving discount or surcharge from the median value</b>												
<b>Risk Classification</b>	<-50%	<-40% ≥-50%	<-30% ≥-40%	<-20% ≥-30%	<-10% ≥-20%	<-1% ≥-10%	≥-1% ≤1%	>1% ≤10%	>10% ≤20%	>20% ≤30%	>30% ≤40%	>40% ≤50%	>50%
telephone													
Policy Purchased directly through Agency													
Policy Purchased via captive agent													
Policy Purchased through the mail													

**TABLE V**

Add additional risk classifications that you included in Table II to the blank rows of Table V.

	<b>% Distribution of policyholders receiving discount or surcharge from the average value</b>												
<b>Risk Classification</b>	<-50%	<-40% ≥-50%	<-30% ≥-40%	<-20% ≥-30%	<-10% ≥-20%	<-1% ≥-10%	≥-1% ≤1%	>1% ≤10%	>10% ≤20%	>20% ≤30%	>30% ≤40%	>40% ≤50%	>50%
Credit-based Insurance Score													
Occupation													
Education													
Marital Status													
Income													
Loss History													
Lapse in Coverage													

Risk Classification	% Distribution of policyholders receiving discount or surcharge from the average value												
	<-50%	<-40% ≥-50%	<-30% ≥-40%	<-20% ≥-30%	<-10% ≥-20%	<-1% ≥-10%	≥-1% ≤1%	>1% ≤10%	>10% ≤20%	>20% ≤30%	>30% ≤40%	>40% ≤50%	>50%
Prior Limits													
Multi-policy Discounts													
Gender													
Age													
Territory													
Liability Limits													
Tickets or Traffic Violations													
At-fault Accidents													
Not-at-fault Accidents													
Ownership of a Home													
Value of Vehicle													
Damageability of Vehicle													
Years of Driving Experience													
Annual Mileage													
Vehicle Safety Features													
Commuting Mileage													
Number of Years													

Risk Classification	% Distribution of policyholders receiving discount or surcharge from the average value												
	<-50%	<-40% ≥-50%	<-30% ≥-40%	<-20% ≥-30%	<-10% ≥-20%	<-1% ≥-10%	≥-1% ≤1%	>1% ≤10%	>10% ≤20%	>20% ≤30%	>30% ≤40%	>40% ≤50%	>50%
Licensed													
Type of Use													
Driver Primacy													
Number of Cars in Household													
Number of Operators													
Good Student													
Claim-free Renewal													
Usage-based													
Policy Purchased directly via Internet													
Policy Purchased directly via telephone													
Policy Purchased directly through Agency													
Policy Purchased via captive agent													
Policy Purchased through the mail													

### **Additional Information**

1.
  - a. Are domestic partners (whether same-sex or opposite-sex) classified the same as married couples?
  - b. Explain the requirements.
2.
  - a. Once a policyholder is slotted in a tiered company does that policyholder ever switch companies over time?
  - b. Once a policyholder is slotted in tiers within a company, does that policyholder ever switch tiers over time?
3. Do you charge different rates in cases of Extraordinary Life Events that may have otherwise impacted credit-based insurance scores?
4. Do you include foreclosures as a part of your
  - a. Underwriting review?
  - b. Rating review?
5. Do you deny coverage based solely on credit-based insurance scores?
6. Do you allow customers to have their credit-based insurance score re-run upon request if they have corrected information on their credit report?
7. How often do you check a customer's credit-based insurance score when renewing business?
8.
  - a. If you use credit to develop a credit-based insurance score, do you have a vendor produce scores for you?
  - b. If so, is (are) the credit scoring algorithm(s) developed by the vendor or by you?
  - c. If the credit scoring algorithm(s) you use is (are) developed by a vendor, did you choose between several different algorithms offered by that vendor, or were you only offered a single algorithm or set of algorithms to use with that vendor?



17.

a. For renewal business, what was the range of scores obtained in each year by decile, from worst to best?

Calendar Year	1st Decile Range	2nd Decile Range	3rd Decile Range	4th Decile Range	5th Decile Range	6th Decile Range	7th Decile Range	8th Decile Range	9th Decile Range	10th Decile Range
2005										
2006										
2007										
2008										
2009										

b. For new business, what was the range of insurance scores obtained in each year by decile, from worst to best?

Calendar Year	1st Decile Range	2nd Decile Range	3rd Decile Range	4th Decile Range	5th Decile Range	6th Decile Range	7th Decile Range	8th Decile Range	9th Decile Range	10th Decile Range
2005										
2006										
2007										
2008										
2009										

- c. In total (renewal business plus new business), what was the range of insurance scores obtained in each year by decile, from worst to best?**

Calendar Year	1st Decile Range	2nd Decile Range	3rd Decile Range	4th Decile Range	5th Decile Range	6th Decile Range	7th Decile Range	8th Decile Range	9th Decile Range	10th Decile Range
2005										
2006										
2007										
2008										
2009										

- d. Over this time period, did the company make material changes to its model or recalibrate its model such that a current in-force policyholder would have received a different score if the revised model had been used when the in-force policies were originally written?**
- e. If so, please explain.**

**18.**

- a. What is the name of your current credit-based insurance scoring model?**
- b. When did you begin using it?**

**19.**

- a. What data years are the primary basis for your current credit-based insurance scoring model?**
- b. When did you last calibrate the rating or underwriting factors derived from the credit scores produced by the model?**
- c. What data did you use as your basis for that calibration?**

**20. How many policies did you write**

- a. In 2007?**
- b. In 2008?**



- c. In 2009?
- 21. Of those policies in Q20, what percentage received a premium increase due to credit-based insurance scoring
  - a. In 2007?
  - b. In 2008?
  - c. In 2009?
- 22. Of those policies in Q20, what percentage received a premium decrease due to credit-based insurance scoring
  - a. In 2007?
  - b. In 2008?
  - c. In 2009?

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