

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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ORDER NO. R93-05

### RATING OF APPLICANTS FOR AUTOMOBILE INSURANCE USING PRIOR INSURANCE HISTORY

September 15, 1993

The Director of the Division of Insurance does hereby find as follows:

#### **Background:**

1. The Division of Insurance has received complaints from consumers regarding surcharges to their automobile policies based on the fact that they have not continuously maintained automobile insurance coverage, even though their circumstances did not require that coverage under Alaska law.
2. In response to these complaints, the Division of Insurance conducted a survey of companies writing personal automobile policies in Alaska in order to determine if companies do, in fact, apply such surcharges.
3. Responses to this survey showed that most companies do not have a surcharge for lack of prior insurance, but interpretation of approved rate filings sometimes differs between a company and its producers.

#### **Purpose:**

The purpose of this order is to clarify those practices that constitute arbitrary or unfair discrimination in the premium or rates charged for a policy, or in the selection of risks as prohibited by AS 21.39.030 and AS 21.36.090 when these practices are based solely on prior insurance coverage.

The Director hereby orders:

- A. Without filing detailed actuarial support with the Division of Insurance, insurers may not
  - i) charge an individual a different rate for the same coverage,
  - ii) charge a surcharge upon the usual premium, or
  - iii) limit the amount, extent, or kinds of coverage available.

when these practices are based solely upon the prior insurance history or previous insurance company of an applicant for automobile insurance.

- B. Failure to maintain continuous automobile insurance coverage, when this failure does not result in violation of the Mandatory Insurance Act AS 28.22, may not be used as a rating factor.
- C. Insurers offering private passenger automobile insurance must provide complete actuarial justification in support of the acts or practices described in A if prior insurance history is used as one of the rating criteria. In addition, insurers must file detailed rules describing how and to whom these surcharges will apply.
- D. All currently filed and approved rate schedules remain approved to the extent not inconsistent with this order.
- E. This order takes effect on January 1, 1994.



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David J. Walsh  
Director of Insurance

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