

ORDER NUMBER R96-05

WITHDRAWAL OF APPROVAL FOR RATE AND RULE FILING #13353

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

Background:

1. Progressive Casualty Insurance Company, Progressive Northwestern Insurance Company, Progressive Specialty Insurance Company, and Progressive Preferred Insurance Company (referred to hereafter as Progressive) filed with the Division of Insurance on June 28, 1995, a major revision to their personal automobile program. This filing was assigned a division filing identification number of 13353.
2. The filing was approved on October 4, 1995.
3. One of the criteria contained in the filing, the use of an applicant's or insured's credit card information to determine the premium to be charged, appeared to be unfairly discriminatory and in violation of Alaska Statute (AS) 21.36.090.
4. Under authority vested by AS 21.39.050(c), a hearing was held on April 26, 1996, to discuss whether the use of an applicant's or insured's credit card information is unfairly discriminatory and in violation of AS 21.36.090, and to consider the withdrawal of approval of the rate and rule filing number 13353.
5. At the hearing, Progressive stated that their reason for using the credit card information was to identify those individuals with demonstrated financial stability. Progressive argued that credit card ownership demonstrated financial stability which, in turn, was correlated to a decreased loss ratio, a decreased claim frequency, and a decreased claim severity.

The Director hereby orders:

- A. Progressive's use of an applicant's or insured's credit card information simply serves as a surrogate for the consideration of an insured's or applicant's financial responsibility. The use of an applicant's or insured's credit card information provides but a glimpse of their financial status at a single point in time, and does not necessarily predict or reflect their financial responsibility or stability.
- B. Because an individual may obtain a credit card easily, this criterion may easily be manipulated, and it therefore violates Section 5.3 of the Actuarial

Standards Board Standard of Practice No. 12, Concerning Risk Classification.

C. The use of an applicant's or insured's credit card information for rating and/or underwriting purposes is unfairly discriminatory and violates AS 21.36.090.

D. The Division of Insurance, under authority vested by AS 21.39.050(c), withdraws approval of Progressive's rate and rule filing, Alaska Division of Insurance filing number 13353, unless an amendment to the filing is received by July 1, 1996, which removes the use of an applicant's or insured's credit card information for rating and/or underwriting purposes.

This order takes effect July 1, 1996.

Date: June 13 1996, at Juneau, Alaska.

Marianne K. Burke
Director of Insurance