JoAnne Kron

Sent via electronic mail

September 20, 2010

Director Michael McRaith
c/o National Association of Insurance Commissioners
2301 McGree Street Suite 800
Kansas City, MO   64108-2662

Attention: Ms. Pam Simpson

Dear Director McRaith:

On behalf of Allstate Insurance Company (Allstate), we appreciate the opportunity to comment on the draft NAIC Property and Casualty Committee (C) Committee's proposed "Risk Classification Data Call," and provide you with additional information regarding Allstate's use of insurance scoring and why we believe it is important for both consumers and insurers to retain this rating and underwriting tool.   The data call is scheduled for a hearing in Kansas City on September 30, 2010.

Background

The use of credit-based insurance scoring is the most significant advancement in cost-based pricing in the past 30 years. Using insurance scoring is consistent with cost-based pricing and results in premiums that more accurately reflect risk of loss for each consumer. We believe that customers who are less likely to incur losses should be rewarded with lower premiums. Most consumers pay *less* for their insurance coverage than they otherwise would because of insurance scoring.

We have seen little impact of current economic conditions on the overall insurance scores of our customers. What we and others have seen is that overall insurance scores are remaining roughly the same – some consumers are seeing their scores improve, others are seeing their scores worsen, which is normal. We have not seen evidence that overall insurance scores are getting worse.

Allstate Insurance Company
T F E

Turning to the proposed data call itself, we respectfully submit that the information requested in the data tables would provide the regulators with little new or meaningful data. At a very practical level, the proposed data call does not permit the regulator to effectively compare the information and data from one company to those of another.

Moreover, the information requested would represent a significant undertaking, the extent of which would be affected by the number of states which participate in the data call. Some of the information requested could be complied using computer based data retrievals; yet, much of the information would require a manual review of rating plans manuals and underwriting guidelines.

Though not specifically mentioned, it appears the data call may facilitate a comparison as to how the distribution of rating factors for insurance scoring compares to other factors for other rating variables. It is difficult to see where this would lead if the range of insurance scoring factors is larger than the range of some other rating factors; that may be simply a reflection of the underlying explanatory power.

With regard to the five data tables, given that rating factors are updated from time to time, it would be important that the data call includes a common date on which to report how risk classification factors were used and the given factors in use at that time. The data call refers to the company’s complete current rating plan, cureciting[ed yg facto .)TjE9 nreother fact-T0.880 im p

A second question relates to how to report information in those cases where credit information is ordered but only applied if the score improves. In these cases, should insurers report the score that was returned even if it was not applied to the policy, or only report the score actually being used?

Suggested Data Call

We again recommend that the NAIC consider the previous survey issued by New Jersey Department of Banking and Insurance that gathered information regarding the impact of the current economic conditions upon insurance scores. Further, Questions 20 through 22 of the data call seem designed to ascertain if the majority of consumers benefit from the use of insurance scoring. These three questions appear to be similar to those included in an annual report required in Arkansas. In the Arkansas report, however, there are detailed instructions to make it clear how to consider new policies and renewal policies, and how to determine whether a customer received an increase or decrease due to the use of insurance scoring. We would suggest that the NAIC clarify the proffered questions in an effort to obtain consistent results. To the extent information is requested that is consistent with the instructions of the Arkansas report, it may make it easier for companies to prepare this information.

We ask for clarification of the process that the Property and Casualty Committee will use regardless of the specifics of the data call. Will the final data call be vetted through a vote of the C Committee, Executive Committee and then in a Plenary Session? Lastly, since the terms of the final data call are unclear, it is difficult to comment on the confidential nature of the information being sought. We would respectfully request, however, that the NAIC be mindful that to the extent any data call requests confidential information that insurers may request the protections afforded such information under a given state's laws.

In conclusion, Allstate urges the NAIC to continue to recognize the benefits afforded to consumers from the use of credit history in the rating and underwriting of insurance, as both regulators and legislators have done over the past two decades. We firmly believe that government should focus its efforts on educating the public on the use of credit history in determining the cost of personal lines insurance, and ensuring complete transparency in its use by insurance companies. We are committed to working with you and others in helping consumers understand how insurance scoring works in the marketplace and how it can help them with lower insurance premiums.

Sincerely,

- S -

JoAnne L. Kron

c: Members of the Property and Casualty (C) Committee