

Insurance Credit Scoring: An Unfairly Discriminatory Practice

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On Behalf of the Center for Economic Justice¹**

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Many states have considered or are considering a model law on insurance credit scoring developed by the National Conference of Insurance Legislators (the NCOIL model). The Center for Economic Justice objects to the NCOIL model because it does little, if anything, to protect consumers from the unfair and arbitrary practice of insurance credit scoring. Rather, we urge state insurance commissioners to prohibit insurers' use of insurance credit scoring because the practice violates the unfair discrimination rate standard. In addition, insurance credit scoring should be prohibited because it:

- is inherently unfair;
- has a disproportionate impact on consumers in poor and minority communities;
- penalizes consumers for rational behavior and sound financial management practices;
- violates actuarial standards for risk classification;
- undermines rate regulation; and
- undermines the basic insurance mechanism and public policy goals for insurance.

Let me preface my remarks by saying that there are hundreds of agents who want to come forward and tell why they are opposed to credit scoring, why credit scoring has worsened insurance availability and how credit scoring has a disproportionate impact on poor and minority consumers. But they won't be here today because of their fear of reprisal by the insurance companies they represent. To hear from these agents, the agents must be given protection against these reprisals. To give you a sense of who these agents are, the following agent organizations have come out against credit scoring – National Association of State Farm Agents, National Association of Professional Allstate Agents and the United Farmers Agents Association.

¹ CEJ is a Texas 501(c)3 non profit organization that advocates on behalf of low income consumers on insurance, credit and utility matters. CEJ seeks to improve the availability and affordability of basic goods and services to low income consumers. Birny Birnbaum, CEJ's Executive Director, has extensive experience with credit scoring, having worked on the issues for 12 years as an insurance regulator (Associate Commissioner for Policy and Research and Chief Economist at the Texas Department of Insurance) and as a consulting economist to consumer organizations and public agencies. A more detailed description of his experience is attached.

Problems with Insurance Credit Scoring Warrant a Prohibition

Credit scoring is inherently unfair because it penalizes consumers who are the victims of economic or medical catastrophes, such as job loss, divorce, dread disease or terrorist attack. For example, in the aftermath of the September 11 attack, hundreds of thousands of people working in the travel-related industry lost their jobs. Out of this group, thousands had to increase borrowing to offset loss of income or loss of health insurance. Many filed for bankruptcy. It is unfair for insurance companies to further penalize these victims by raising their homeowners and auto insurance rates.

Credit scoring is inherently unfair because a good credit history does not equal a good credit score or favorable insurance treatment. This occurs because insurance credit scores are based not just on bankruptcies and delinquencies, but also on other factors unrelated to credit management. For example, credit scores are often based on the type of credit (consumer finance loans are less favorable than bank loans), the number of credit cards (there is a magic number that is optimal, even if the consumer only uses the retail store cards once to get the first time 10% purchase discount), length of time credit has been established (which is another way of charging younger people more), length of time since last account opened (which penalizes families that have just moved or refinanced their mortgage) and the number of inquiries (which penalizes consumers who shop around for the best rate – behavior that should be rewarded and not punished with higher insurance rates.) While the insurance industry offers a rationale for each of these factors, the fact is that credit scoring casts too wide a net and penalizes people engaged in behavior we would all consider good financial management.

Credit scoring is unfairly discriminatory and violates actuarial standards for risk classification because it is an arbitrary process. For example, your score can vary from very bad (“high risk”) to very good (“low risk”) depending on which credit reporting agency provides the credit information to the insurer because a consumer’s information varies among the big three bureaus. A representative from ChoicePoint admitted this in a hearing before the Georgia Insurance Commissioner in 2001. I recently ordered my three-bureau credit report and found different inquiries in each of the three bureaus – not one single inquiry was reported by more than one bureau.

Credit scoring is arbitrary because a score can change dramatically over a short time frame for no apparent reason. My auto credit score in November 2002 (obtained from www.choicetrust.com) was very low – around the 17th percentile. When I check my score again in May 2003, I was now in the 82nd percentile. In six months (or perhaps a shorter period), my score went from very high risk to very low risk. No other insurance risk factor is so arbitrary.

In addition to being arbitrary, credit scoring also has a systematic bias against consumers in poor and minority communities, described further below. It is important to state clearly that the claim that credit scoring has a disproportionate impact on consumers in poor and minority communities is NOT an argument that poor people are poor financial managers. The two arguments are unrelated because good financial management / good

credit history does NOT equate to a good insurance credit score. It is the structure of insurance credit scoring models – and not the financial management habits of low-income consumers – that creates the bias against consumers in poor and minority communities. Further, it is unclear how anyone who has actually examined the factors and structure of credit scoring models could legitimately assert that the claim of systematic bias against consumers in poor and minority communities is a critique of the financial management habits of low-income consumers.

Credit scoring undermines the basic insurance mechanism and thwarts insurance public policy. Insurance is fundamentally a social mechanism designed to protect consumers from catastrophic loss – either as victims of a catastrophic event, such as a home fire or being hit by another driver, or as citizens who are responsible for causing an automobile accident. Insurance is essential for protecting consumers' most valuable assets and health. Consequently, insurance public policy goals include universal coverage and loss prevention. The public policy of universal coverage is reflected in automobile financial responsibility laws that seek to ensure that all drivers, through insurance, can make whole the victims of an accident. And insurance is a de facto requirement for all homeowners borrowing money to pay for the home. As a society, we have an interest in insurance availability and affordability – and also in loss prevention. It is through the insurance mechanism that consumers are presented economic incentives to pursue less risky behavior (such as discounts installing theft prevention devices and taking driver training courses) and economic disincentives for risky behavior (such as surcharges for speeding or poorly maintained properties).

Credit scoring undermines the basic insurance public policy goals because it worsens insurance availability and affordability for those consumers who already have a difficult time with insurance costs. As described further below, credit scoring has a disproportionate impact on poor consumers and raises costs for all consumers. Credit scoring has no loss prevention capability. Since credit scoring does not result in any reduction in claims – unlike an anti-theft device which reduces theft claims – insurers must pay for discounts to some consumers with surcharges for other consumers. Good insurance public policy should require insurers to use risk classification factors that promote loss prevention and should prohibit risk factors that ignore loss prevention and/or create insurance availability problems. Credit scoring is the poster child for the type of risk classification factor that should be prohibited as contrary to public policy.

Credit scoring undermines the basic insurance risk spreading mechanism because it enables insurers to develop virtually unlimited market segmentation. For example, a recent Progressive filing in Florida introduces a 'continuous underwriting model'. Instead of 7 final price points or market levels, this model uses a finer segmentation of credit score to arrive at 126 different rate levels. This represents a market failure. While rational from the insurer perspective, market forces do not produce – via the invisible hand – the core public policy goals sought by the Legislature and the public.

Inherently Unfair

Penalizes Victims of Economic, Medical or Other Catastrophes

- Majority of bankruptcies caused by economic or medical catastrophe or divorce.
- Penalize victims of job loss, catastrophic illness, terrorist attack, identity theft
- Unrelated to financial responsibility

Arbitrary Results for Consumers

- Variation by Credit Bureau
- Timing of Credit Report
- Data Quality
- Illogical Factors
- Score Manipulation
- Variations by Geographic Regions
- Unrelated to Financial Responsibility

Penalizes Consumers for Lenders' Business Decisions

- Abusive Marketing to College Students
- Growth in Card Offers, Available Credit, Teaser Rates
- Selective Reporting of Credit Transaction Information
- Unrelated to Financial Responsibility

Biased Against Consumers in Poor and Minority Communities

Admission by McCorkell of Fair, Isaac

Freddie Mac Study of Credit by Race

Statistical Abstract Data

University of Texas BBR Study

Nature of Information in Credit History and Information Omitted

Agents' Experience

Penalizes Consumers for Good Financial Management and Rational Behavior

Penalties for Debt Consolidation

Penalties for 10% Initial Use Discount

Penalties for Using 0% Rates

Penalties Using One Card

Penalties for Not Borrowing

Penalties for Shopping Around for Best Rates

Undermines Regulatory Oversight of Insurers

Use Underwriting and Multiple Tiers to Avoid Rate Oversight

Growing Use of Third Party Black Boxes

Undermines the Fundamental Insurance Mechanism, Insurance Public Policy Goals

Moves from Risk Spreading to Pay-As-You-Go

Creates Availability and Affordability Problems

Negates the Critical Loss Prevention Role of Insurance

Bottom Line: Problems with credit scoring are apparent and even acknowledged by the industry, as evidenced by their “compromise” proposal with a variety of purported restrictions and regulatory oversight. But what are the great benefits to consumers that warrant the use of this problematic factor and intense regulatory resources? Ultimately, there are none. Moreover, all the benefits alleged by the insurance industry come down to one claim – the purported statistical relationship between credit scores and loss ratios.

Insurer Misinformation about Credit Scoring

Insurers have provided a tremendous amount of misinformation in the credit scoring debate.

“The majority of consumers benefit from credit scoring.”

This is perhaps the most insidious argument because it contains an implied threat to regulators and legislators – don’t mess with credit scoring or insurers will raise rates and blame regulators and legislators. However, the facts show that the majority of consumers do not benefit and that all consumers lose. First, my own research shows that 50% or fewer consumers actually get a discount. Attached please find a good example of how one insurer – Farmers had to double the base rates to pay for credit scoring discounts and that even consumers who got a 40% “discount” paid more after credit scoring than before. Because credit scoring has no ability to reduce claim costs, there is no free lunch. Beware of proposals to allow insurers to offer only discounts – consumers are not protected from credit-based rate increases.

Second, there is no guarantee that today’s beneficiaries will be tomorrow’s beneficiaries. An insurer can change the cutoff score for a discount and change the percentages of who benefits.

Third, why is this argument relevant? The issue is whether credit scoring is an unfair practice and counter to insurance public policy goals. It is profoundly un-American to justify an unfair practice because the (alleged) majority benefits.

Fourth, insurance credit scoring raises the costs for everyone. There is no reduction in insurance claims, but there is an increase in insurance administrative costs to pay for developing or licensing the scoring model, for obtaining the credit history and for complying with the Fair Credit Reporting Act adverse action notice requirements. Further, because credit scoring has such major rate impacts, particularly on poor consumers, the number of uninsured grows with credit scoring. Consumers pay more with greater numbers of uninsured drivers – higher uninsured motorist rates and higher taxes to pay for emergency room services for uninsured drivers.

“We can write more business with credit scoring.”

If this were the case, why are major agents groups opposed to credit scoring? Groups like the National Association of State Farm Agents, the National Association of Professional Allstate Agents and, the United Farmers Agents Association have called for a prohibition on credit scoring. My research has shown an increase in auto insurance residual markets in the past few years.

“There is a statistical correlation between credit scores and loss ratios.”

Since at least 1995, when the National Association of Insurance Commissioners (NAIC) started examining credit scoring, the key issue has not been whether there is a simple correlation between credit scores and loss ratios, but whether credit scores are a proxy for other factors already used by insurers or a proxy for prohibited factors such as race and income.

Interestingly, the industry has started to cite a study by the University of Texas Bureau of Business Research as providing “definitive” evidence on the correlation of credit to loss. I am well acquainted with this UT report and can provide the following facts. First, the study failed to effectively address the question of correlation to loss because the authors relied upon a methodology that the NAIC working group dismissed in 1996 as being “counterproductive and misleading.” Second, the study did show that credit is a proxy for other factors already used by insurers. This study looked at policies issued before insurers started using credit and found that the average score in the standard and preferred (low risk) market were much higher than the average score in the nonstandard (high risk market). Because the policies examined were from a period before insurers used credit, the difference in average scores shows that credit replicates other underwriting factors already used by insurers. Third, my own research shows that the likelihood of being placed in the nonstandard market is very highly correlated with race and income, indicating that credit scores are, in turn, biased against poor and minority consumers.

Beyond the technical problems with the correlation argument is the bigger policy issue – why should a simple correlation be sufficient justification for the use of a consumer characteristic as a rating factor? From the insurers’ perspective, anything that allows them to further segment the market is good. But from a public policy perspective, why would we want insurers to use your check writing habits as the basis for pricing your insurance? If insurers found a correlation between eye color and risk of loss, should that be allowed?

The Big Lie: “Credit Scoring Rewards Financially Responsible Consumers”

“There is a Statistical Relationship Between Credit History and Risk of Loss”

“Most Consumers Benefit”

“More Accurate Pricing Means More Insurance Sold”

“Assessment of Risk is Essence of Insurance. Eliminating scoring will create unfair subsidies.”

“Ban will make it more difficult to assess risk and therefore make insurance more expensive and difficult to get.”

“Ban Will Harm the Market”

“Models are Color Blind”

“NCOIL Model is a balanced Compromise”

“We only offer Discounts”

“Use of Credit Promotes Competition”

“A Ban on Credit Scoring Puts Independent Agency Companies at a Competitive Disadvantage.”

State Insurance Commissioners Should Prohibit Insurance Credit Scoring Because It Violates the Unfair Discrimination Rate Standard

Most state insurance commissioners are required to disapprove rates that excessive, inadequate or unfairly discriminatory. A rate is unfairly discriminatory if consumers with the same expected risk of loss are treated differently. Stated in another way, different treatment for two similarly situated consumers is unfair discrimination.

For the sake of argument and demonstration that insurance credit scoring is unfairly discriminatory, we will assume consumers with identical credit characteristics and otherwise identical underwriting rating characteristics have the same expected risk of loss. So if consumers with otherwise identical risk characteristics have identical credit characteristics, we will assume that these two consumers have the same expected risk of loss. This assumption is consistent with insurer claims of a statistical relationship between credit scores and risk of loss.

Credit scoring is unfairly discriminatory because these two consumers can be treated differently – differences in offers of insurance and/or rates – for many reasons related to the nature of credit scoring:

1. Because of differences in credit information across the three main credit reporting agencies, the two consumers could be assigned significantly different credit scores – and consequently be treated differently – depending upon which credit reporting agency the consumers’ credit reports are obtained from.
2. Because of differences in credit information at different points in time, including differences of a few days or a few weeks, the consumers could be treated differently depending upon when their credit reports were obtained.
3. Because the same medically-related delinquencies may show up with a medical code or may show up without a medical code (e.g., as a credit card delinquency), the consumers may be treated differently depending upon how their medically-related bankruptcy or delinquency appears in the credit report.

These are just three examples of how the arbitrary nature of credit scoring leads to unfair discrimination. Even if we assume the insurer claim of an overall correlation between credit and risk of loss, the fact that a broad correlation exists does not eliminate the possibility of unfair discrimination because of arbitrary application of the rating factor. The arbitrary nature of credit scoring, as described above, violates actuarial standards for risk classification and violates the unfair discrimination rate standard.

The NCOIL Model Fails to Provide Meaningful Consumer Protections

The insurance industry pushes the NCOIL model throughout the states, calling the model a balanced approach that represents a compromise among various stakeholders. In fact, the NCOIL model is neither balanced nor a compromise.

The NCOIL model was the result of a negotiation between insurer trade associations and one or two of the large independent agent groups. In exchange for a liability shield from insurers, the agents group endorsed credit scoring. And then it was rubber-stamped by NCOIL members who historically have been a very friendly forum for insurers.

A recent analysis by the Consumer Federation of America documents the excessive influence of the insurance industry on NCOIL decision making and many pro-insurance industry and anti-consumer actions by NCOIL. The development and vote of the NCOIL credit scoring model in the NCOIL Property Casualty Committee illustrates how biased the NCOIL process is towards the insurance industry.

In November 2002, the NCOIL P/C Committee adopted the credit scoring model by a vote of 20-5. Those in favor of adoption were:

Rep. Jay Bradford, AR **Chairman of the Board and CEO, First Arkansas Insurance Democrat**

Rep. Rich Golick, GA **Georgia Counsel for Allstate Repub**

Rep. Timothy Osmond, IL **Insurance Agents Repub**

Rep. Ronald Crimm, KY **Insurance, Thoroughbred Associates Repub**

Rep. Shirley Bowler, LA **Staunch Defender of Insurers Repub**

Rep. Dan Flavin, LA **Licensed Real Estate Broker Repub**

Sen. Bill Bullard, Jr., MI **Republican**

Rep. Stephen Ehardt, MI **Republican**

Rep. Andrew Richner, MI **Republican, Member Federalist Society**

Sen. Alan Sanborn, MI **Republican**

Sen. Cal Larson, MN **“Consultant” Republican**

Rep. George Keiser, ND **Owner Printing Service Republican**

Rep. Frank Wald, ND **Insurance and Securities Broker Repub**

Rep. Leo Fraser, NH **Claim Auditor Repub**

Sen. Neil Breslin, NY **Elected Official, Lawyer, Democrat**

Assem. Nancy Calhoun, NY **Elected Official Republican**

Rep. David Evans, OH **Retired State Farm Insurance Underwriter Republican**

Rep. Brian Kennedy, RI **Real Estate Broker Democrat**
Rep. Mark Young, VT **Banker, Republican**
Rep. Phil Montgomery, WI **Gov't Affairs Manager Green Bay CoC Republican**

Those opposed to adoption were:

Assem. Clare Farragher, NJ Legislator, **Republican**
Assem. Alexander Grannis, NY **Legislator, Democrat**
Assem. Ivan Lafayette, NY **Legislator, Democrat**
Rep. Kathleen Keenan, VT **Democrat**
Rep. Virginia Milkey, VT **Democrat**

Representatives from only 15 states voted on the credit scoring model. 3 states alone (MI, NY and VT) accounted for 44% for the votes. 5 states (MI, NY, VT, ND, LA) accounted for 60% of the votes. North Dakota had 8% of the votes – and 0.2% of the population – 40 times more voting weight than share of population.

Republicans were disproportionately represented – 18 out of 25 votes. Seventeen (17) Republicans voted yes and one (1) voted not. Three Democrats voted yes and four (4) voted no.

The voting members were disproportionately employed by the insurance industry – at least seven (7) were employed directly by the insurance industry, including one legislator who is employed by Allstate as their counsel in Georgia.

The bottom line is that the industry-friendly credit scoring model was a product of a process biased towards the insurance industry and unrepresentative of states and consumers.

The NCOIL model is not a compromise and does not balance the interests of consumers with those of insurers. I testified before NCOIL and every one of my recommendations was ignored. Further, the NCOIL model allows insurers to continue their current practices virtually unchanged, allows insurers to hide credit scoring from the public and places an unrealistic burden on insurance regulators. The NCOIL model is “pretend” consumer protection because it includes a series of provisions that purport to provide consumer protection but, in fact, do nothing to change insurer practices.

Consumer Protections Missing from the NCOIL Model

Any effort to provide meaningful consumer protections must include the following provisions, all of which are missing from the proposed regulation. This list is not exhaustive.

1. The use of credit scoring is prohibited for conditioning payment plan eligibility. Payment plans are an essential tool for making insurance available to consumers by making insurance affordable to consumers. Insurers who require full policy payment up front are denying coverage to large numbers of consumers. Payment plan eligibility should be conditioned only on a consumer's payment history with the insurer offering the policy. There is no reason to use credit scores for payment plan eligibility. Insurance scores, in theory, predict risk of loss and not likelihood of making a payment. Insurers stress this repeatedly in their efforts to distinguish lending credit scoring from insurance credit scoring. Further, even a lending credit score is irrelevant for insurance because the insurer is never in a position to provide coverage without payment. The proposed regulation does not address the use of credit information to condition payment plan eligibility.
2. An adverse action should be defined as any underwriting, tier placement or rating activity that results in an insurer failing to offer the most favorable terms of coverage and premium to a existing policyholder or new applicant who, if he or she had a more favorable consumer credit report, would have been eligible for the more favorable treatment. The proposed regulation fails to address insurer's abuse of the FCRA's adverse action language – the failure to provide adverse action notices to most or all new business applicants who failed to receive more favorable terms of coverage and rates because of the insurers' consideration of the consumer credit report. Insurers have mistakenly and inappropriately relied upon the "increase in any charge" language of the FCRA to argue that new customers cannot suffer an adverse action because there can be no increase in a charge for that consumer.

For purposes of this regulation an "adverse determination" includes, but is not limited to, the following situations:

- a. An offer of insurance in an insurance company that is affiliated with an insurance company with lower rates, if the consumer does not qualify for coverage in the lower-rated insurance company because of the consumer's credit score. The lower-rated insurance company has taken an adverse action.
- b. An offer of insurance in an insurance company by an independent agent who also represents an insurance company with lower rates, if the consumer does not qualify for coverage in the lower-rated insurance company because of the consumer's credit score. The lower-rated insurance company has taken an adverse action.

- c. An offer of insurance at a premium or rate that is higher than the premium or rate the consumer would pay if the consumer had the best possible credit score, all other factors being the same. The company charging the higher premium or rate has taken an adverse action.
3. Insurance scores should be defined as numerical or categorical designations because some insurers simply develop assign credit tiers or categories instead of an actual credit score.
4. The scoring models should be filed with the Division of Insurance and be public information. In this way, credit scoring would be treated like any other rating factor used by insurers – the factor is part of a rate filing and the filing is public information. Allowing insurers to keep credit scoring models secret would be like allowing the Insurance Services Office to hide both the derivation of its loss costs and the loss costs themselves because ISO claimed the analytic model and output as a trade secret. No insurance regulator would permit such an action by ISO, yet the proposed regulation contemplates the same type of secrecy for credit scoring models. Further, the trade secret claim made insurers and vendors for the various credit scoring models is without merit. In some states, insurers and vendors file credit scoring models and the models are public information. Yet, the insurers and vendors file the models and use them in those states, demonstrating that public availability of the models does not put one insurer at a competitive disadvantage to other insurers. In addition, by not making the models public information, the only people who don't know what is in the models are consumers. Any insurer who has worked with or used credit scoring models – and certainly the insurers who have developed their own models – knows what credit characteristics go into the models. There will be no great revelation among insurers by making the models public information – only enlightenment of consumers.
5. The relevant statistical plans should be amended to capture credit scoring information. The statistical plans based on transaction-detail reporting should add two data fields – one for the raw credit score for the consumer and another for the credit score category or tier assigned to the consumer based on the raw score. The collection of statistical data that includes credit scoring information is necessary for the Commissioner to fulfill her responsibility of enforcing rate standards and is both authorized and required by the statistical plan statutes cited as authority for the proposed regulation. Further, the Commissioner should collect and analyze statistical data that includes credit scoring data elements prior to approving insurers' use of credit scoring. It is only in this manner that the Commissioner can perform an independent analysis of the statistical relationship of credit scoring to risk of loss that fully accounts for interrelationship of credit scoring with all other rating factors. See attachment for discussion of statistical plans.
6. The statistical justification for the use of credit scoring should specify that a simple loss ratio analysis is not acceptable and that a multivariate analysis that analyzes

credit simultaneous and explicitly with all other known rating factors be required. See attached detailed discussion in the review of the University of Texas Bureau of Business Research Study.

7. Consideration in credit scoring models of the following types of credit information should be prohibited: inquiries, length of time credit has been established, type of lender, vehicle service accounts, the number of credit cards. The use of inquiries should be prohibited because the number of inquiries can be unrelated to efforts by a consumer to increase his or her credit amounts. For example, inquiries occur when a consumer sets up new telephone, cell phone or utility service. Inquiries occur when a consumer gets a new credit card with a 0% teaser rate to transfer current debt. Inquiries occur when a consumer shops around for the best auto loan rate, the best insurance rate, the best mortgage refinancing rate. A statistical relationship between inquiries and risk of loss is insufficient justification for the use of inquiries because of how unrelated an inquiry can be to expanding a consumer's debt load. Length of time credit has been established should be prohibited because it is a proxy for age. Type of lender should be prohibited because it discriminates against consumers who live in neighborhood where the primary financial institution is a consumer finance company and not a bank branch. Vehicle service accounts – consumers are penalized if they have, say, a credit card for a tire store – should be prohibited because a consumer should not be penalized for having an account with a tire store. The number of credit cards should be prohibited because the credit evaluation should focus on management of actual debt, not on the fact that a consumer has a large number of cards that were used once and never again. As the models are made available to the public, this list may grow.
8. Insurers should be required to obtain and use a three-bureau merged credit report in developing credit scores. Consumers should not be penalized because of differences in credit information maintained by the different bureaus.
9. Insurers should be required to confirm the consumer's credit score two weeks after the initial credit score. Consumers should not be penalized because credit scores can depend upon the point in the credit card cycle that the credit report is generated.
10. Consumers should be provided with their credit score, the list of factors included in the credit score, the consumers' value for each of the factors and optimal value for each of the factors. It is only through the provision of this information that a consumer can meaningfully understand the insurer's credit evaluation and check the credit report for errors of commission and omission. The provision of reason codes is simply inadequate information for a consumer to understand an adverse action and review the credit report for errors and omissions.
11. Insurers should be prohibited from penalizing a consumer for a collection account or delinquency report resulting from a catastrophic or life event and should be required to establish a procedure for consumers to inform the insurer of such events. There must be greater consumer protection than a prohibition against consideration

of collection accounts or delinquency reports identified with a medical industry code. This is insufficient protection for consumers who are the victims of a medical catastrophe because most medically-related delinquencies or collection accounts are not coded as medical industry. Rather, a consumer will likely pay medical bills with either a credit card or other form of credit and the collection or delinquency will show up on these other types of credit. The proposed regulation should prohibit insurers from considering collection accounts or delinquency reports resulting from a catastrophic event and provide the consumer with a procedure to inform the insurer about such events. For example, something along the lines of:

EFFECT OF EXTRAORDINARY EVENTS.

- (a) Notwithstanding any other law, an insurer shall, on written request from an applicant for insurance coverage or an insured, provide reasonable exceptions to the insurer's rates, rating classifications, or underwriting rules for a consumer whose credit information has been directly influenced by a catastrophic illness or injury, by the death of a spouse, child, or parent, by temporary loss of employment, by divorce, or by identity theft. In such a case, the insurer may consider only credit information not affected by the event or shall assign a neutral credit score.
 - (b) An insurer may require reasonable written and independently verifiable documentation of the event and the effect of the event on the person's credit before granting an exception. An insurer is not required to consider repeated events or events the insurer reconsidered previously as an extraordinary event.
 - (c) An insurer may also consider granting an exception to an applicant for insurance coverage or an insured for an extraordinary event not listed in this section.
12. There should be a collar on the rate impact of credit scoring. There should be a maximum percentage differential of 25%, for example, between the rates (including consideration of rating tiers) for two consumers with, respectively, the best and the worst credit scores and with otherwise identical underwriting and rating characteristics. Credit scoring should not have greater impact on premiums than factors providing loss prevention incentives to consumers.
 13. Insurers who use credit scoring should be required to file the following information with their credit scoring underwriting and rating plan:
 - a. Any underwriting guidelines or tier placement guidelines based in whole or in part on consumer credit information;
 - b. A complete description of any rating factor based in whole or in part on consumer credit information;

- c. A multivariate analysis of the relationship between credit and expected losses and which simultaneously considers the impact of all other rating, tier placement and underwriting factors on expected losses.
- d. An analysis of the expected impact on consumers of the insurer's use of consumer credit information, including the number of consumers paying less and the number of consumers paying more for insurance when consumer credit information is used compared to when consumer credit information is not used by the insurer. The analysis shall also include the number of consumers moving from one rating tier to another because of the insurer's use of consumer credit information.
- e. A report of the number of consumers in each credit score category used by the insurer by ZIP Code.

With this information, the Commissioner and the public will be able to analyze the impact of credit scoring on insurance markets.

Qualifications of Birny Birnbaum

Birny Birnbaum is a consulting economist whose work focuses on community development, economic development and insurance issues. Birny has served as an expert witness on a variety of economic and actuarial insurance issues in California, New York, Texas and other states. Birny serves as an economic adviser to and Executive Director for the Center for Economic Justice, a Texas non-profit organization, whose mission is to advocate on behalf of low-income consumers on issues of availability, affordability, accessibility of basic goods and services, such as utilities, credit and insurance. Birny has authored reports on insurance markets, insurance credit scoring, insurance redlining and credit insurance abuses for CEJ and other organizations. Birny serves on the NAIC Consumer Board of Trustees.

Birny has worked on insurance credit scoring issues for 12 years as both an insurance regulator and consumer advocate. Birny has recently authored a report on insurance credit scoring for the Ohio Civil Rights Commission and served on the Florida Insurance Commissioner's Task Force on Credit Scoring.

Birny served for three years as Associate Commissioner for Policy and Research and the Chief Economist at the Texas Department of Insurance. At the Department, Birny provided technical and policy advice to the Commissioner of Insurance and performed policy research and analysis for the Department on a variety of topics. His particular areas of insurance expertise include:

- Homeowners and Automobile Insurance Availability and Affordability
- Evaluation of Underwriting and Rating Factors, including Credit Scoring
- Data Strategy, Collection and Analysis
- Analysis of Insurance Markets and Availability
- Review of Rate Filings and Rate Analysis
- Loss Prevention/Cost Drivers
- Regulatory Policy and Implementation

Prior to coming to the Department, Birny was the Chief Economist at the Office of Public Insurance Counsel (OPIC), working on a variety of insurance issues. OPIC is a Texas State agency whose mission is to advocate on behalf of insurance consumers. Prior to OPIC, Birny was a consulting economist working on community and economic development projects. Birny also worked as business and financial analyst for the Port Authority of New York and New Jersey. Birny was educated at Bowdoin College and the Massachusetts Institute of Technology.

Actual Impact of Credit Scoring -- Farmers in Ohio

Code	Policies	Factor	Discount	Rate Before Credit Scoring	Rate After Credit Scoring	Rate Increase After Base Rate Change	
E, N	3,054	1	0%	\$100	\$200.50	Yes	100.5%
Z	661	1	0%	\$100	\$200.50	Yes	100.5%
Y	594	1	0%	\$100	\$200.50	Yes	100.5%
X	740	1	0%	\$100	\$200.50	Yes	100.5%
W	1,038	1	0%	\$100	\$200.50	Yes	100.5%
V	1,326	1	0%	\$100	\$200.50	Yes	100.5%
U	1,652	0.75	25%	\$100	\$150.38	Yes	50.4%
T	1,992	0.75	25%	\$100	\$150.38	Yes	50.4%
S	2,385	0.75	25%	\$100	\$150.38	Yes	50.4%
R	2,635	0.75	25%	\$100	\$150.38	Yes	50.4%
Q	2,884	0.75	25%	\$100	\$150.38	Yes	50.4%
P	3,186	0.6	40%	\$100	\$120.30	Yes	20.3%
O	3,852	0.6	40%	\$100	\$120.30	Yes	20.3%
L	4,236	0.6	40%	\$100	\$120.30	Yes	20.3%
K	5,196	0.6	40%	\$100	\$120.30	Yes	20.3%
J	6,030	0.6	40%	\$100	\$120.30	Yes	20.3%
I	1,545	0.4	60%	\$100	\$80.20		-19.8%
H	7,086	0.4	60%	\$100	\$80.20	49.2% Overall Rate Increase	-19.8%
G	9,506	0.4	60%	\$100	\$80.20		-19.8%
F	7,822	0.29	71%	\$100	\$58.15	50.8% Overall Rate Decrease	-41.9%
D	8,221	0.29	71%	\$100	\$58.15		-41.9%
C	6,063	0.29	71%	\$100	\$58.15		-41.9%
B	2,617	0.29	71%	\$100	\$58.15		-41.9%
A	8	0.29	71%	\$100	\$58.15		-41.9%
Total	84,329						

New Rate Calculated by Multiply \$100 Old Rate time 2.005 (to reflect 100.5% increase)

Farmers Insurance Company of Columbus / Farmers Insurance Exchange

Ohio Fire (Excluding Mobile Homes)
Derivation of FPRA Code Discount Factors

FPRA Score	FPRA Code	Current PIF	Total Premium	Total Loss	Loss Ratio	Loss Ratio Relativity	Rebased Loss Ratio Relativity	Proposed Discount Factor	Premium Spread by Group
NA	E & N	3,054	4,544,004	1,996,307	43.9%	0.724	0.264	1.000	0.040
226-375	Z	661	596,468	993,183	166.5%	2.742	1.000	1.000	0.005
376-400	Y	594	533,863	860,884	161.3%	2.656	0.968	1.000	0.005
401-425	X	740	734,950	902,181	122.8%	2.022	0.737	1.000	0.006
426-450	W	1,038	1,029,330	1,332,899	129.5%	2.133	0.778	1.000	0.009
451-475	V	1,326	1,321,730	1,568,696	118.7%	1.955	0.713	1.000	0.012
476-500	U	1,652	1,723,258	1,631,864	94.7%	1.560	0.569	0.750	0.015
501-525	T	1,992	2,108,336	2,392,179	113.5%	1.869	0.661	0.750	0.019
526-550	S	2,385	2,490,593	2,393,096	96.1%	1.583	0.577	0.750	0.022
551-575	R	2,635	2,908,825	2,792,033	96.0%	1.581	0.576	0.750	0.026
576-600	Q	2,884	3,126,207	2,941,839	94.1%	1.550	0.565	0.750	0.028
601-625	P	3,186	3,727,179	2,438,888	65.4%	1.078	0.393	0.600	0.033
626-650	O	3,852	4,470,625	3,355,325	75.1%	1.236	0.451	0.600	0.039
651-675	L	4,236	5,224,379	4,617,989	88.4%	1.456	0.531	0.600	0.046
676-700	K	5,196	6,484,066	5,204,246	80.3%	1.322	0.482	0.600	0.057
701-725	J	6,030	7,774,172	5,511,778	70.9%	1.168	0.426	0.600	0.069
NA	I	1,545	1,795,786	943,923	52.6%	0.866	0.316	0.400	0.016
726-750	H	7,086	9,638,670	5,531,973	57.4%	0.945	0.345	0.400	0.085
751-775	G	9,506	13,675,321	6,775,538	49.5%	0.816	0.298	0.400	0.121
776-800	F	7,822	12,074,421	5,002,925	41.4%	0.682	0.249	0.290	0.107
801-825	D	8,221	13,112,538	4,898,344	37.4%	0.615	0.224	0.290	0.116
826-850	C	6,063	9,986,690	3,447,613	34.5%	0.569	0.207	0.290	0.088
851-875	B	2,617	4,259,923	1,293,453	30.4%	0.500	0.182	0.290	0.038
876-900	A	8	17,775	1,617	9.1%	0.150	0.055	0.290	0.000
Total	Total	84,325	113,359,109	68,828,774	60.7%	1.000	0.365		1.000

Notes: 1) Total Premium and Total Loss are from IMPACT 1996 to February 2001 YTD data.
2) Base rate will be increased uniformly by 100.5% to achieve revenue neutrality.

Farmers Insurance Company of Columbus
Ohio Homeowners and Landlords Protector
 Summary of Premium Effects -- Effective September 16, 2001

Type of Change	Special/Protector Plus	Renters/Condos	HO Total
Base Rate Changes by Territory	19.3%	11.4%	19.0%
FPRA Discount	-50.1%	-50.1%	-50.1%
Required FPRA Base Rate Offset	100.5%	100.5%	100.5%
Crossover correction	0.0%	0.0%	0.0%
Sewer & Drain Rate Change	2.6%	0.1%	2.5%
Overall Rate Change Effect	22.5%	11.5%	22.1%
Annual 2000 Premium	\$ 25,108,816	\$ 940,929	\$ 26,049,745
Annual Dollar Effect	\$ 5,646,465	\$ 108,225	\$ 5,754,689
Indicated Change	21.7%	11.4%	20.2%

**HOMEOWNERS PACKAGE
FARMERS INSURANCE COMPANY
FARMERS INSURANCE EXCHANGE**

RATING RULES (cont.)

★ FIRE REVISED PRICING MECHANISM DISCOUNT

Insureds may be eligible for a discount based on their **Farmers Property Risk Assessment (FPRA) code**. The FPRA code for the head of the household will apply to all Property policies in the household. The discount will apply to all policy types except Mobile Home.

FPRA CODE	FACTOR
A	0.29
B	0.29
C	0.29
D	0.29
E	1.00
F	0.29
G	0.40
H	0.40
I	0.40
J	0.60
K	0.60
L	0.60
M	1.00
N	1.00
O	0.60
P	0.60
Q	0.75
R	0.75
S	0.75
T	0.75
U	0.75
V	1.00
W	1.00
X	1.00
Y	1.00
Z	1.00

No. 791. Flow of Funds Accounts—Assets of Households: 1980 to 1999

[As of December 31 (6,563 represents \$6,563,000,000,000). Includes nonprofit organizations]

Type of instrument	Total (bil. dol.)							Percent distribution		
	1980	1985	1990	1995	1997	1998	1999	1980	1990	1999
Total financial assets	6,563	10,100	14,963	21,834	27,628	30,583	34,948	100.0	100.0	100.0
Deposits	1,517	2,484	3,265	3,366	3,807	4,165	4,338	23.1	21.8	12.4
Foreign deposits	-	8	13	23	42	42	45	-	0.1	0.1
Checkable deposits and currency	251	342	409	505	445	461	442	3.8	2.7	1.3
Time and savings deposits	1,203	1,941	2,477	2,388	2,725	2,924	3,013	18.3	16.6	8.6
Money market fund shares	62	193	365	449	595	738	838	0.9	2.4	2.4
Credit market instruments	425	849	1,503	1,885	1,873	1,781	1,960	6.5	10.0	5.6
Open-market paper	38	35	63	48	59	63	69	0.6	0.4	0.2
U.S. Government securities	166	270	529	822	721	552	659	2.5	3.5	1.9
Treasury issues	160	251	462	700	511	391	347	2.4	3.1	1.0
Savings bonds	73	80	126	185	187	187	186	1.1	0.8	0.5
Other Treasury	88	171	335	515	325	204	160	1.3	2.2	0.5
Agency issues	5	19	67	122	209	162	312	0.1	0.4	0.9
Municipal securities	104	346	574	458	464	475	528	1.6	3.8	1.5
Corporate and foreign bonds	30	77	192	448	521	581	596	0.5	1.3	1.7
Mortgages	87	120	144	109	109	109	110	1.3	1.0	0.3
Corporate equities ¹	875	1,058	1,807	4,122	5,690	6,339	8,009	13.3	12.1	22.9
Mutual fund shares	46	198	468	1,265	2,057	2,501	3,104	0.7	3.1	8.9
Security credit	16	35	62	128	215	277	319	0.2	0.4	0.9
Life insurance reserves	221	264	392	566	665	718	772	3.4	2.6	2.2
Pension fund reserves ²	971	2,087	3,462	5,768	7,894	9,079	10,360	14.8	23.1	29.6
Investment in bank personal trusts	265	384	552	803	943	1,001	1,117	4.0	3.7	3.2
Equity in noncorporate business	2,154	2,607	3,230	3,640	4,172	4,395	4,630	32.8	21.6	13.2
Miscellaneous assets	74	133	224	292	312	327	339	1.1	1.5	1.0

- Represents zero. ¹ Only those directly held and those in closed-end funds. Other equities are included in mutual funds, life insurance and pension reserves, and bank personal trusts. ² See also Table 846.

Source: Board of Governors of the Federal Reserve System, "Federal Reserve Statistical Release, Z.1, Flow of Funds Accounts of the United States"; published: 10 March 2000; <<http://www.bog.frb.fed.us/releases/Z1/20000310/data.htm>>.

No. 792. Financial Assets Held by Families by Type of Asset: 1992 to 1998

[Median value in thousands of constant 1998 dollars (13.1 represents \$13,100). Constant dollar figures are based on consumer price index data published by U.S. Bureau of Labor Statistics. Families include one-person units; for definition of family, see text, Section 1, Population. Based on Survey of Consumer Finance; see Appendix III. For definition of median, see Guide to Tabular Presentation]

Age of family head and family income	Any financial asset ¹	Transactions accounts ²	Certificates of deposit	Savings bonds	Stocks ³	Mutual funds ⁴	Retirement accounts ⁵	Life insurance ⁶	Other managed ⁷
PERCENT OF FAMILIES OWNING ASSET									
1992, total	90.2	86.9	16.7	22.3	17.0	10.4	39.6	34.9	4.0
1995, total	91.0	87.0	14.3	22.8	15.2	12.3	45.2	32.0	3.9
1998, total	92.9	90.5	15.3	19.3	19.2	16.5	48.8	29.6	5.9
Under 35 years old	88.6	84.6	6.2	17.2	13.1	12.2	39.8	18.0	1.9
35 to 44 years old	93.3	90.5	9.4	24.9	18.9	16.0	59.5	29.0	3.9
45 to 54 years old	94.9	93.5	11.8	21.8	22.6	23.0	59.2	32.9	6.5
55 to 64 years old	95.6	93.9	18.6	18.1	25.0	15.2	58.3	35.8	6.5
65 to 74 years old	95.6	94.1	29.9	16.1	21.0	18.0	46.1	39.1	11.9
75 years old and over	92.1	89.7	35.9	12.0	18.0	15.1	16.7	32.6	11.6
Less than \$10,000	70.6	61.9	7.7	3.5	3.8	1.9	6.4	15.7	(B)
\$10,000 to \$24,999	89.9	86.5	16.8	10.2	7.2	7.6	25.4	20.9	4.9
\$25,000 to \$49,999	97.3	95.8	15.9	20.4	17.7	14.0	54.2	28.1	3.9
\$50,000 to \$99,999	99.8	99.3	16.4	30.6	27.7	25.8	73.5	39.8	8.0
\$100,000 and more	100.0	100.0	16.8	32.3	56.6	44.8	88.6	50.1	15.8
MEDIAN VALUE⁸									
1992, total	13.1	2.6	12.6	0.7	9.1	18.3	16.0	3.5	22.8
1995, total	16.5	2.3	10.6	1.1	9.6	21.2	18.1	5.3	31.9
1998, total	22.4	3.1	15.0	1.0	17.5	25.0	24.0	7.3	31.5
Under 35 years old	4.5	1.5	2.5	0.5	5.0	7.0	7.0	2.7	19.4
35 to 44 years old	22.9	2.8	8.0	0.7	12.0	14.0	21.0	8.5	25.0
45 to 54 years old	37.8	4.5	11.5	1.0	24.0	30.0	34.0	10.0	39.3
55 to 64 years old	45.6	4.1	17.0	1.5	21.0	58.0	46.8	9.5	65.0
65 to 74 years old	45.8	5.6	20.0	2.0	50.0	60.0	38.0	8.5	41.3
75 years old and over	36.6	6.1	30.0	5.0	50.0	59.0	30.0	5.0	30.0
Less than \$10,000	1.1	0.5	7.0	1.8	14.0	6.0	7.5	3.0	(B)
\$10,000 to \$24,999	4.8	1.3	20.0	1.0	10.0	26.0	8.0	5.0	30.0
\$25,000 to \$49,999	17.6	2.5	14.5	0.6	8.0	11.0	13.0	5.0	15.0
\$50,000 to \$99,999	57.2	6.0	13.3	1.0	15.0	25.0	31.0	9.5	32.0
\$100,000 and more	244.3	19.0	22.0	1.5	55.0	65.0	93.0	18.0	100.0

^B Base figure too small. ¹ Includes other types of financial assets, not shown separately. ² Checking, savings, and money market deposit accounts, money market mutual funds, and call accounts at brokerages. ³ Covers only those stocks that are directly held by families outside mutual funds, retirement accounts and other managed assets. ⁴ Excludes money market mutual funds and funds held through retirement accounts or other managed assets. ⁵ Covers IRAs, Keogh accounts, and certain employer-sponsored accounts. ⁶ Cash value. ⁷ Includes personal annuities and trusts with an equity interest and managed investment accounts. ⁸ Median value of financial asset for families holding such assets.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, January 2000, and unpublished revisions.

No. 793. Flow of Funds Accounts—Liabilities of Households: 1980 to 1999

[As of December 31 (1,426 represents \$1,426,000,000,000). Includes nonprofit organizations]

Type of instrument	Total (bil. dol.)							Percent distribution		
	1980	1985	1990	1995	1997	1998	1999	1980	1990	1999
Total liabilities	1,426	2,326	3,679	4,982	5,708	6,206	6,841	100.0	100.0	100.0
Credit market instruments	1,374	2,236	3,554	4,783	5,438	5,910	6,467	96.4	96.6	94.5
Home mortgages	905	1,408	2,461	3,252	3,698	4,058	4,480	63.5	66.9	65.5
Consumer credit	355	604	805	1,123	1,264	1,332	1,429	24.9	21.9	20.9
Municipal securities	17	81	87	98	115	127	137	1.2	2.4	2.0
Bank loans, n.e.c. ¹	28	31	18	57	67	73	65	2.0	0.5	1.0
Other loans	55	79	101	160	191	204	219	3.8	2.7	3.2
Commercial mortgages	15	33	83	92	104	117	137	1.0	2.2	2.0
Security credit	25	51	39	79	131	153	222	1.7	1.1	3.3
Trade payables	14	24	69	103	120	126	133	1.0	1.9	1.9
Unpaid life insurance premiums ²	13	15	16	18	19	17	19	0.9	0.4	0.3

¹ Not elsewhere classified. ² Includes deferred premiums.

Source: Board of Governors of the Federal Reserve System, "Federal Reserve Statistical Release, Z.1, Flow of Funds Accounts of the United States", published: 10 March 2000; <http://www.bog.frb.fed.us/releases/Z1/20000310/data.htm>.

No. 794. Financial Debt Held by Families by Type of Debt: 1992 to 1998

[Median debt in thousands of constant 1998 dollars (19.9 represents \$19,900). See headnote, Table 792]

Age of family head and family income	Any debt	Home-secured debt ¹	Installment	Other lines of credit	Credit card balances ²	Other residential property	Other debt ³
PERCENT OF FAMILIES HOLDING DEBTS							
1992, total	73.2	39.1	46.0	2.3	43.7	5.7	8.4
1995, total	74.5	41.0	45.9	1.9	47.3	4.7	8.5
1998, total	74.1	43.1	43.7	2.3	44.1	5.1	8.8
Under 35 years old	81.2	33.2	60.0	2.4	50.7	2.0	9.6
35 to 44 years old	87.6	58.7	53.3	3.6	51.3	6.7	11.4
45 to 54 years old	87.0	58.8	51.2	3.6	52.5	6.7	11.1
55 to 64 years old	76.4	49.4	37.9	1.6	45.7	7.8	8.3
65 to 74 years old	51.4	26.0	20.2	(B)	29.2	5.1	4.1
75 years old and over	24.6	11.5	4.2	(B)	11.2	1.8	2.0
Less than \$10,000	41.7	8.3	25.7	(B)	20.6	(B)	3.6
\$10,000 to \$24,999	63.7	21.3	34.4	1.2	37.9	1.8	7.0
\$25,000 to \$49,999	79.6	43.7	50.0	2.9	49.9	4.1	7.7
\$50,000 to \$99,999	89.4	71.0	55.0	3.3	56.7	7.7	12.2
\$100,000 and more	87.8	73.4	43.2	2.6	40.4	16.4	14.8
MEDIAN DEBT⁴							
1992, total	19.9	50.2	5.3	2.3	1.1	28.5	2.9
1995, total	23.4	54.9	6.4	3.7	1.6	31.9	2.1
1998, total	33.3	62.0	8.7	2.5	1.7	40.0	3.0
Under 35 years old	19.2	71.0	9.1	1.0	1.5	65.0	1.7
35 to 44 years old	55.7	70.0	7.7	1.4	2.0	40.0	3.0
45 to 54 years old	48.4	68.8	10.0	3.0	1.8	40.0	5.0
55 to 64 years old	34.6	49.4	8.3	4.9	2.0	41.0	5.0
65 to 74 years old	11.9	29.0	6.5	(B)	1.1	56.0	4.5
75 years old and over	8.0	21.2	8.9	(B)	0.7	29.8	1.7
Less than \$10,000	4.1	16.0	4.0	(B)	1.1	(B)	0.6
\$10,000 to \$24,999	8.0	34.2	6.0	1.1	1.0	34.0	1.3
\$25,000 to \$49,999	27.1	47.0	8.0	3.0	1.9	20.0	2.2
\$50,000 to \$99,999	75.0	75.0	11.3	2.8	2.4	42.0	3.8
\$100,000 and more	135.4	123.8	15.4	5.0	3.2	60.0	10.0

B Base figure too small. ¹ First and second mortgages and home equity loans and lines of credit secured by the primary residence. ² Families that had an outstanding balance on any of their credit cards after paying their most recent bills. ³ Includes loans on insurance policies, loans against pension accounts, borrowing on margin accounts and unclassified loans. ⁴ Median amount of financial debt for families holding such debts.

No. 795. Percent Distribution of Amount of Debt Held by Families: 1995 and 1998

[See headnote, Table 796]

Type of debt	1995		1998		Purpose of debt	1995		1998		Type of lending institution	1995		1998	
	100.0	100.0	100.0	100.0		100.0	100.0	100.0	100.0		100.0	100.0	100.0	
Total	100.0	100.0	100.0	100.0	Total	100.0	100.0	100.0	100.0	Total	100.0	100.0	100.0	100.0
Home-secured debt	73.3	71.9	70.4	68.1	Home purchase	70.4	68.1	Commercial bank	35.1	32.6	35.1	32.6	32.6	
Installment loans	11.8	12.8	2.0	2.0	Home improvement	2.0	2.0	Savings and loan	10.8	9.6	10.8	9.6	9.6	
Credit card balances	3.9	3.8			Investment, excluding real estate			Credit union	4.5	4.2	4.5	4.2	4.2	
Other lines of credit	0.6	0.3			Vehicles	1.0	3.2	Finance or loan company	3.2	4.2	3.2	4.2	4.2	
Other residential property	7.5	7.4			Other residential property	7.5	7.5	Brokerage	1.9	3.7	1.9	3.7	3.7	
Other debt	2.8	3.7			Goods and services	5.7	6.0	Real estate lender	32.7	35.9	32.7	35.9	35.9	
					Investment real estate	8.2	7.8	Individual lender	5.0	3.4	5.0	3.4	3.4	
					Education	2.7	3.4	Other nonfinancial	0.8	1.3	0.8	1.3	1.3	
					Other loans	2.4	1.9	Government	1.3	0.6	1.3	0.6	0.6	
								Credit and store cards	3.9	3.8	3.9	3.8	3.8	
								Other loans	0.9	0.7	0.9	0.7	0.7	

Source of Tables 794 and 795: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, January 2000, and unpublished data.

No. 796. Ratios of Debt Payments to Family Income: 1992 to 1998

[In percent. Constant dollar figures are based on consumer price index data published by U.S. Bureau of Labor Statistics. Families include one-person units; for definition of family, see text, Section 1, Population. Based on Survey of Consumer Finance; see Appendix III. For definition of median, see Guide to Tabular Presentation]

Age of family head and family income (constant (1998) dollars)	Ratio of debt payments to family income						Percent of debtors with—					
	Aggregate			Median			Ratios above 40 percent			Any payment 60 days or more past due		
	1992	1995	1998	1992	1995	1998	1992	1995	1998	1992	1995	1998
All families	14.1	13.6	14.5	16.1	16.1	17.6	10.9	10.5	12.7	6.0	7.1	8.1
Under 35 years old	16.5	17.1	16.6	16.6	16.9	17.4	10.5	11.0	11.8	8.3	8.7	11.1
35 to 44 years old	17.8	16.6	17.0	19.0	18.1	19.4	11.6	9.2	11.6	6.8	7.7	8.4
45 to 54 years old	14.6	14.6	16.3	16.1	16.6	17.8	10.2	10.4	11.6	5.4	7.4	7.4
55 to 64 years old	11.4	11.5	12.9	14.5	14.0	16.7	14.3	14.5	13.9	4.7	3.2	7.5
65 to 74 years old	7.8	6.9	8.5	10.6	12.2	13.9	7.8	7.8	17.5	1.0	5.3	3.1
75 years old and over	3.4	2.9	3.9	5.0	3.4	8.9	8.7	8.9	20.9	1.8	5.4	1.1
Less than \$10,000	16.8	19.5	19.4	19.5	15.4	20.3	28.4	27.6	32.0	11.6	8.4	15.1
\$10,000 to \$24,999	14.8	16.1	16.2	15.3	17.7	17.8	15.5	17.3	19.9	9.3	11.3	12.3
\$25,000 to \$49,999	16.5	16.2	17.4	16.3	16.6	18.1	9.6	8.0	13.8	6.3	8.6	9.2
\$50,000 to \$99,999	15.3	16.0	17.4	17.0	16.9	18.3	4.4	4.2	5.7	2.2	2.7	4.5
\$100,000 and more	10.7	8.7	10.0	13.7	11.1	13.1	2.2	1.7	2.1	0.5	1.3	1.5

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, January 2000, and unpublished data.

No. 797. Household Debt-Service Payments as a Percentage of Disposable Personal Income: 1980 to 1999

[In percent. As of end of year. Seasonally adjusted. The household debt-service burden is an estimate of the ratio of debt payments to disposable personal income. Debt payments consist of the estimated required payments on outstanding mortgage and consumer debt]

Year	Total	Consumer	Mortgage
1980	12.41	7.99	4.42
1981	12.34	7.62	4.72
1982	12.33	7.47	4.85
1983	12.33	7.46	4.88
1984	12.83	7.80	5.03
1985	13.74	8.29	5.44
1986	14.18	8.50	5.69
1987	13.71	7.92	5.79
1988	13.34	7.58	5.77
1989	13.51	7.57	5.94
1990	13.24	7.11	6.14
1991	12.56	6.51	6.05
1992	11.70	6.03	5.67
1993	11.59	6.13	5.46
1994	12.01	6.52	5.49
1995	12.70	7.05	5.65
1996	13.09	7.44	5.65
1997	13.17	7.47	5.70
1998	13.29	7.57	5.72
1999	13.51	7.58	5.93

Source: Board of Governors of the Federal Reserve System, "Household Debt Service Burden," published: 24 March 2000; <<http://www.bog.frb.fed.us/releases/housedebt/default.htm>>.

No. 798. Banking Offices by Type of Bank: 1980 to 1999

[As of December 31. Includes Puerto Rico and outlying areas. Covers all FDIC-insured commercial banks and savings institutions. Commercial banks include insured branches of foreign banks. Data for 1980 include automatic teller machines which were reported by many banks as branches]

Item	1980	1985	1990	1994	1995	1996	1997	1998	1999
All banking offices	(NA)	82,367	84,332	81,135	81,273	82,466	83,514	84,332	85,404
Number of banks	(NA)	18,033	15,192	12,641	12,002	11,478	10,945	10,483	10,238
Number of branches	(NA)	64,334	69,140	68,494	69,271	70,988	72,569	73,849	75,166
Commercial banks	53,172	57,660	62,710	65,055	65,827	66,733	68,691	69,873	71,142
Number of banks	14,434	14,407	12,377	10,489	9,972	9,553	9,165	8,794	8,598
Number of branches	38,738	43,253	50,333	54,566	55,855	57,180	59,526	61,079	62,544
Savings institutions	(NA)	24,707	21,622	16,080	15,446	15,733	14,823	14,459	14,262
Number of banks	(NA)	3,626	2,815	2,152	2,030	1,925	1,780	1,689	1,640
Number of branches	(NA)	21,081	18,807	13,928	13,416	13,808	13,043	12,770	12,622

NA Not available.
Source: U.S. Federal Deposit Insurance Corporation, *Statistics on Banking*, annual and *The FDIC Quarterly Banking Profile Graph Book*.

No. 815. Consumer Credit Outstanding and Finance Rates: 1980 to 1999

[In billions of dollars, except percent (349.4 represents \$349,400,000,000). Estimated amounts of seasonally adjusted credit outstanding as of end of year; finance rates, annual averages]

Type of credit	1980	1985	1990	1993	1994	1995	1996	1997	1998	1999
Total	349.4	593.2	789.3	839.2	960.7	1,096.0	1,182.4	1,234.1	1,300.5	1,395.4
Revolving	55.1	124.7	238.6	310.0	365.6	443.2	499.5	531.3	560.7	596.0
Nonrevolving ¹	294.3	468.5	550.7	529.2	595.1	652.8	682.9	702.8	739.8	799.4
FINANCE RATES (percent)										
Commercial banks:										
New automobiles (48 months) ²	14.32	12.91	11.78	8.09	8.12	9.57	9.05	9.02	8.72	8.44
Other consumer goods (24 months)	15.48	15.94	15.46	13.47	13.19	13.94	13.54	13.90	13.74	13.39
Credit-card plans	17.31	18.69	18.17	16.83	16.04	15.90	15.63	15.77	15.71	15.21
Finance companies:										
New automobiles	14.82	11.98	12.54	9.48	9.79	11.19	9.83	7.12	6.30	6.66
Used automobiles	10.10	17.58	15.99	12.79	13.49	14.40	13.53	13.27	12.64	12.60

¹ Comprises automobile loans and all other loans not included in revolving credit, such as loans for mobile homes, trailers, or vacations. These loans may be secured or unsecured. ² For 1980, maturities were 36 months for new car loans.

Source: Board of Governors of the Federal Reserve System, *Federal Reserve Bulletin*, monthly.

No. 816. Credit Cards—Holders, Numbers, Spending, and Debt, 1990 and 1998, and Projections, 2000

[The complete publication including this copyright table is available from the U.S. Government Printing Office and the National Technical Information Service]

No. 817. Usage of General Purpose Credit Cards by Families: 1989 to 1998

[General purpose credit cards include Mastercard, Visa, Optima, and Discover cards. Excludes cards used only for business purposes. All dollar figures are given in constant 1998 dollars based on consumer price index data as published by U.S. Bureau of Labor Statistics. Families include one-person units; for definition of family, see text, Section 1, Population. Based on Survey of Consumer Finance; see Appendix III. For definition of median, see Guide to Tabular Presentation]

Age of family head and family income	Percent having a general purpose credit card	Median number of cards	Median new charges on last month's bills	Percent having a balance after last month's bills	Median balance ¹	Percent of cardholding families who—		
						Almost always pay off the balance	Some-times pay off the balance	Hardly ever pay off the balance
1989, total	56.0	2	\$100	52.1	\$1,300	52.9	21.2	25.8
1992, total	62.4	2	100	52.6	1,100	53.0	19.6	27.4
1995, total	66.4	2	200	56.0	1,600	52.4	20.1	27.5
1998, total	67.5	2	200	54.7	1,900	53.8	19.3	26.9
Under 35 years old	58.3	2	200	71.6	1,500	39.0	22.5	38.5
35 to 44 years old	71.3	2	200	62.5	2,000	46.5	19.1	34.4
45 to 54 years old	75.3	2	200	59.2	2,000	40.2	22.7	29.1
55 to 64 years old	76.0	2	200	48.8	2,300	61.0	20.1	18.9
65 to 74 years old	71.2	2	200	33.9	1,000	74.0	14.9	11.1
75 years old and over	50.8	1	100	16.7	700	86.3	7.8	5.9
Less than \$10,000	23.2	2	100	64.0	900	46.4	19.9	33.8
\$10,000 to \$24,999	50.8	2	100	56.9	1,200	52.3	19.3	28.4
\$25,000 to \$49,999	73.2	2	100	58.2	1,700	48.3	20.5	31.2
\$50,000 to \$99,999	89.6	2	200	55.9	2,400	53.9	20.2	25.9
\$100,000 and more	97.9	2	800	36.4	3,100	72.0	13.8	14.1

¹ Among families having a balance.

Source: Board of Governors of the Federal Reserve System, unpublished data.

Personal insurance credit inquiry for John Doe

With your permission, Progressive reviews selected information from your credit history when you request a quote for insurance. Your rate is based on many factors: the car you drive, where you live, the amount and type of coverage you select, your driving and claims history, and your payment and credit history.

	You	Average
Experience you have with managing credit		
Months you have managed credit	48 Months	96 Months
Age at which you first established credit	16	21
Number of times a payment was past due more than 30 days		
	4	1
Current payment status of installment loans and revolving accounts		
Number of loans and accounts with a satisfactory current payment record	2	5
Number of credit card accounts currently past due more than 30 days	0	0
Use of available credit		
Percent of available credit limit currently being used on revolving accounts	88%	35%
Percent of available credit limit currently being used on all open accounts	70%	56%
Months since your most recent auto loan was made		
	12 Months	4 Months
Credit inquiries you initiated in the past 25 months		
	5	4
Insurance Credit Score		
	116	100

Your payment and credit history information was obtained from Experian. More detailed information can only be obtained by you by calling Experian at 1-888-397-3742. You may order a copy of your credit report free of charge.

Definitions

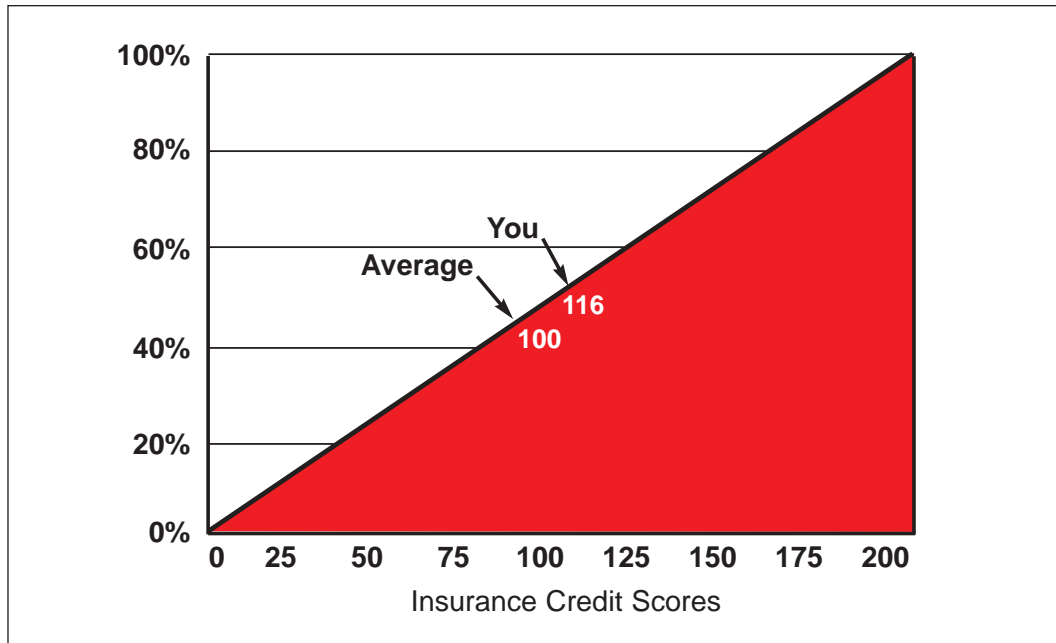
Installment loans have fixed terms with regular payments, such as a car loan, home loan, student loan, or personal loan. Revolving accounts have varying payments depending on the balance of the account. This includes all major credit cards and cards from department stores.

Personal insurance credit inquiry for John Doe

How your insurance credit score is determined

A lower score is better, as it indicates that you have carefully and consistently managed credit over many years. Consumers who use credit responsibly are statistically less likely to be involved in auto accidents and may be eligible for lower rates. To determine your insurance credit score, we subtract points for items that are better than average and add points for items that are worse than average.

Every consumer starts with the same number of points	100
Items better than average:	
First established credit at age 16	-10
12 months since last auto loan was made	<u>-7</u>
Total of all better than average items	-17
Items worse than average:	
Managed credit for 48 months	18
2 loans and accounts that are current	8
88% of available credit in use	4
5 credit inquiries in the past 25 months	<u>3</u>
Total of all worse than average items	<u>33</u>
Your insurance credit score =	116



Consumers who received a quote from Progressive in the past 6 months had an average insurance credit score of 100.

Your insurance credit score is 116 and is lower than 44% of consumers who received a quote from Progressive in the past 6 months, but is higher than the average.