



NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Benjamin M. Lawskey  
Superintendent

March 18, 2015

**Re: Request for Special Report Pursuant to New York Insurance Law § 308**

Dear Company Representative:

Pursuant to the authority granted to the Superintendent of Financial Services under New York Insurance Law § 308, the New York State Department of Financial Services (“Department”) is seeking information concerning price optimization. “Price optimization” refers to the practice of varying rates based on factors other than those directly related to risk of loss, for example, setting rates or factors based on an insured’s likelihood to renew a policy or on an individual’s or class of individuals’ perceived willingness to pay a higher premium relative to other individuals or classes. In other words, the Department is concerned that insurers are charging higher premiums based on whether a consumer is less likely to notice, shop around, or object. Such practices are inconsistent with traditional cost-based rating approaches and could violate Insurance Law § 2303, which prohibits the use of rates that are unfairly discriminatory.

In order to help the Department determine whether insurers use price optimization in New York along all property/casualty insurance lines, and whether corrective actions are needed with regard to insurers’ rating practices, you are hereby directed to provide the information described below to the undersigned by no later than April 15, 2015. References to “company” in this letter include both your company and any subsidiaries controlled by it. The company’s reply shall be subscribed and affirmed as true under penalty of perjury by an officer of the company.

1. Does the company currently use any formalized price optimization models, or less formal price optimization considerations, as part of the company’s pricing, rate filing, or tier placement decisions for any line of insurance in this state?
2. Does the company have a process or tool in place by which either initial tier placement or rating factors are made after giving consideration to any of the following, including but not limited to:
  - policyholder retention or renewal analysis?
  - the likelihood that a particular insured or class of insureds will shop around for insurance coverage when faced with a rate increase (known as price elasticity or price elasticity of demand)?

If your answers to BOTH questions listed above are "NO", you do not need to answer any further questions. Please return your completed response (including the enclosed affirmation) to the Department by e-mail to: [308PriceOpt\\_No@dfs.ny.gov](mailto:308PriceOpt_No@dfs.ny.gov).

If your answer to any of the above questions is "YES", then please answer the following additional questions, and return your completed response (including the enclosed affirmation) to the Department by e-mail to: [308PriceOpt\\_Yes@dfs.ny.gov](mailto:308PriceOpt_Yes@dfs.ny.gov).

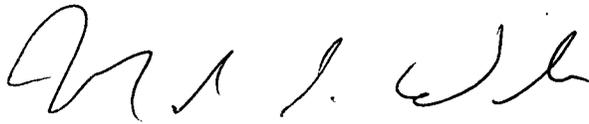
3. Describe in detail all such price optimization models and considerations used by the company, as well as how the company specifically incorporates the results of price optimization models and considerations into its pricing decisions.
4. Identify and list any and all risk or policy characteristics that the company incorporates into its price optimization models.
5. Identify the Department tracking numbers of any filings that the company has submitted that reflect any type of price optimization in the selection of rates, including the specific location within each filing where such information can be found.

If you have any questions, please email them to: [308PriceOpt\\_Survey@dfs.ny.gov](mailto:308PriceOpt_Survey@dfs.ny.gov).

Very truly yours,



Joy Feigenbaum  
Executive Deputy Superintendent  
Financial Fraud & Consumer Protection Division



Mark G. Wade  
Deputy Superintendent  
Property and Casualty Insurance

Enclosure