Personally Speaking

Personal Lines Section Quarterly

Vol. 4 No. 1
February 2002

CPCU SOCIETY
INSURING YOUR SUCCESS

Why Do Auto Insurers Raise Your Rate After an Accident?

by Jerry Tuttle, FCAS, FCIA, CPCU, ARM, AIM, ARe

Editor's note: *In the following article, Jerry Tuttle addresses a question often asked by the general public—"Why do my rates go up after an accident?" This article is informative and useful for sharing and educating others. We would be interested in your experiences in addressing this topic.*

I would guess one of the more popular questions aimed at insurance professionals is, "Why do auto insurers raise your rate after an accident?" I would guess the public is confused about this, and that sometimes we have a difficult time providing a satisfactory answer.

Many people probably think of their auto insurance as a savings account. You pay your premium and the account accumulates. Insurance companies invest these funds, so the account accumulates with interest. In most years, you will not have an insurance claim. Finally you have a claim, quite possibly for an amount smaller than the sum of the premiums you have paid over the years. Then when you renew your policy, you find the insurance company has raised your rate.

Many people probably think the insurance company is trying to recoup the amount of the claim it has paid. It is as if you have borrowed money from your 401K plan, and now you have to repay what you borrowed. But worse, this increase in rate commonly lasts several years, and it bears no relation to the amount of the claim payment.

As an actuary, my answer to the original question is: "We raise your rate after an accident not to recoup the amount of the claim, but because now we think on average you are more likely to have a claim next year than we previously thought." Of course, this is quite an unpopular answer!

This answer is an application of a concept in math called "conditional probability." This involves improving the probability estimate of one event, given that we know a second event has occurred. Let me digress and try to illustrate this with an everyday example, before returning to the issue of auto accidents.

Suppose when I sort my clean socks I roll up each pair into a ball and throw them in a drawer. I have 10 black sock balls, five blue sock balls, and five white sock balls. I grab a pair of socks in the morning at random in the darkness. What is the probability I randomly pick a black sock ball? There are 10 black sock balls compared with 20 total sock balls, so the answer is 10/20 or 1/2.

Now suppose in the darkness I can see white well enough so that I won't pick a white sock ball. But I can't tell black from blue in the darkness. Suppose I pick a dark sock ball, although I don't know if it is black or blue. Now what is the probability I randomly pick a black sock ball? There are 10 black sock balls compared with 15 total dark socks, so the answer is 10/15 or 2/3. The probability of picking black has improved, given that I know I have picked dark. This is the concept of conditional probability.

A similar thing occurs statistically with chargeable accidents or moving traffic violation convictions. A moving traffic violation can be thought of as an accident that almost happened. I am going to call chargeable accidents or moving traffic violation convictions "points;" this is points as defined by the insurance industry, not necessarily points in the state motor vehicle department definition. There is some probability that each insured will have an accident next year from among the entire population of insureds. However, when we start not with the entire population of insureds, but with only those who have had one or more points in the past three years, then the evidence is overwhelming that the probability of having an accident next year has increased.

Continued on page 2

Why Do Auto Insurers Raise Your Rate After an Accident?

Continued from page 1

I have seen this conclusion in many datasets I have examined over the years, both individual state data and countrywide, United States and Canada. The California Department of Motor Vehicles and the Insurance Services Office are two organizations that perform periodic studies of this. The conclusion seems to be universal: As a group, people who have had a point are more likely to have an accident, than people who have not. This is why we increase your rate.

As one numerical example of this, the California Department of Insurance published the following actual loss data from a single large California insurer.[1] This data is pure premium (losses divided by number of earned car years), not claim frequency, but the principle is the same:

Safety Record	Pure Premium
0 points	149.28
1 point	183.79
2 or more points	213.58
Average	155.05

Individual insurer analyses of data by points are confidential. Several analyses of industry data that are public may be found in the Proceedings of the Casualty Actuarial Society, but the data is quite old. The 1959 through 1963 Proceedings contain many such studies.

Interestingly, a study from a different source concludes that the number of total accidents, both at-fault and not at-fault, is a better predictor of subsequent accidents than simply using at-fault accidents.[2] I am not aware that insurers rate for this, which would be even more unpopular than the current practice.

It is not a simple task to analyze data by points. The difficulty is that there are several rating variables simultaneously affecting accident exposure, depending on which variables are permitted by each state and used by each insurer. Many states use one or more of territory, age, gender, marital status, vehicle use, single/multi-car, etc. as rating variables. It is likely that, say, young males are over-represented in the data for having had prior points compared with the total insured population. The data needs to be adjusted for potential distortions of different mixes of insureds; the techniques for this adjustment are beyond the scope of this article. Nevertheless, after the adjustment, the conclusion still holds true: people with prior points are more likely to have an accident than people with no points.

Further, accident exposure increases with the number of points, but not indefinitely.[3] In other words, the group of people who have had two points is more likely to have an accident than the group of people with one point, but the group of people with five points is not necessarily more likely than the group with four points. Perhaps after some number of accidents or violations there are new deterrents that come into play, such as other family members restricting the driver's use of the car.

There are many criticisms of the traditional rating variables. Some say that number of miles driven is a better measure of accident exposure than gender, or that numbers of years licensed is a better measure than age. Territories may be constructed arbitrarily, and suburban drivers contribute to the urban claims experience by driving in the urban areas. Interestingly, driving record is the one rating variable that industry experts do not want to eliminate. Indeed, California's rating law, which is an outgrowth of Proposition 103 adopted in 1988, requires that driving record be applied first in the rating process and given the greatest weight.

After the actuary's answer to the original question "Why do auto insurers raise your rate after an accident?," the follow-up question is often "But that data is all averages—why do you think I personally have a greater chance of having another claim next year?" Actuaries have a tougher time answering that question.

Actuaries do not believe the rating classification system is perfect, and they do not believe that all insureds in the same rating class are alike. Within any rating class, there is a large amount of variation among individual drivers. One actuary hypothesized that among insureds having no accidents, some have a high accident propensity but were "lucky," while others have a low accident propensity and had their expectations realized.[4]

Traditional rating variables do not address claim-filing behavior such as the following: the honesty of the claimant (incurring additional medical bills to pass a tort threshold in a no-fault state or to increase the possibility of a pain and suffering award in a tort state); whether the claimant is represented by an attorney; a trend toward filing claims for minor injuries such as sprains and strains with no visible signs of impairment; the driver's tendency toward risky driving behavior.[5]

At least 40 years ago, actuaries wondered whether "some sort of psychiatric test might be devised ultimately which would provide a means of measuring the characteristics of individual operators which indicate a propensity toward accident-proneness."[6]

There are numerous studies that try to identify relationships between personality traits and accidents. According to one psychology professor, the evidence is weak, inconsistent, and even contradictory. For example, one study concludes that extroverts have a greater accident rate than introverts, while another study concludes exactly the opposite.[7] Contrary to popular belief, accident rate does not correlate well with socially undesirable traits such as Type-A personality.

Although as a group people who have had a point are more likely to have an accident than people who have not had a point, it is generally not possible to perfectly predict individual behavior on the basis of group data. This is so for such things as predictions of success in college, likelihood of divorce, or response to penicillin.[8] Similarly, we cannot predict which individuals will have an accident. The majority of accidents are due to a small minority of people; however, that minority is not the same each year. In two different studies of drivers who had accidents in two consecutive years, 87 percent of those drivers did not have an accident in the third year.[9]

It seems plausible that we can not do a good job predicting individual accident behavior. There are numerous theories for accidents: driver error or carelessness, environmental factors (the effects of roads, vehicles, other drivers or pedestrians, the weather), an otherwise competent driver having an "off day," or simply the bad luck of having another car in your path when you make an error. So-called accident-prone people may be so for short periods of time due to personal circumstances. People may learn from their own or others' past accidents and drive more cautiously. Or people who have not had an accident may become over-confident of their abilities and increasingly careless.

Psychologists are skeptical of efforts to reduce the accident rate unless the individual is personally motivated to reduce his level of risk. There are numerous studies of safety interventions that have unintended results when individuals are not motivated to reduce their risk levels. For example, consider two intersecting streets with no traffic signs, so that drivers in all directions naturally proceed with caution. A new yield sign on only one of the two intersecting streets may not reduce the number of accidents if the driver who no longer has to slow down will drive through the intersection less cautiously than previously. As another example, a new traffic light or speed limit may reduce the accident rate on that road, while encouraging drivers to simply choose an alternative route. Seat belts or anti-lock brake systems may also encourage riskier driving behavior.

Psychologists feel negative reinforcements do not improve accident rates. Fear of self-injury is not a deterrent to accidents. Traffic laws are poorly enforced by the police and the courts, and society does not look down on drivers receiving speeding tickets. Although losing your license would seem to be a serious punishment, to the large percent of drivers who drive with a revoked license, it is no punishment at all.

The public has not voiced a strong demand for greater automobile safety. Interestingly, in a traffic violation or accident the driver is not physically apprehended by the police but merely given a summons to appear in court, consistent with the view that the public does not consider the driver as a continuing threat to public safety.[10]

One psychologist feels a cash award for accident-free behavior (such as an insurance premium discount for being claims-free, or a cash bonus by your employer in commercial auto), rather than a premium surcharge for accidents, is one of the most promising measures to affect people's motivation toward safer driving.[11]

To summarize, we raise your rate after an accident not to recoup the amount of the claim, but because now we think on

Continued on page 4

Jerry Tuttle, FCAS, FCIA, CPCU, ARM, AIM, ARe, *is senior vice president and senior pricing actuary at St. Paul Reinsurance Company in New York City. Tuttle serves on the CPCU Society's Personal Lines Section Committee.*

Why Do Auto Insurers Raise Your Rate After an Accident?

Continued from page 3

average you are more likely to have a claim next year than we previously thought. We realize the reasons for having an accident are complex, and the insurance rating system does not do a very good job in predicting your individual behavior. Nevertheless, in trying to calculate a fair rate for drivers as a group, we raise your rate if you are part of the group that had an accident.

Endnotes

1. Hunstad, Lyn, *Sequential Analysis Guidelines,* California Department of Insurance, September 1996, p. 5.
2. Gebers, Michael A. and Raymond C. Peck, *An Inventory of California Driver Accident Risk Factors,* California Department of Motor Vehicles, August 1994, p. 23.
3. Harwayne, Frank, "Merit Rating in Private Passenger Automobile Liability Insurance and the California Driver Record Study," *Proceedings of the Casualty Actuarial Society,* XLVI, 1959, p. 194.
4. Dropkin, Lester B., "Some Considerations on Automobile Rating Systems Utilizing Individual Driving Records," *Proceedings of the Casualty Actuarial Society,* XLVI, 1959, pp. 165-176.
5. Conners, John B. and Feldblum, Sholom, "Personal Automobile: Cost Drivers, Pricing, and Public Policy," *Proceedings of the Casualty Actuarial Society,* LXXXV, 1998, pp. 370-403.
6. Barber, Harmon T., "The Theory of Private Passenger Automobile Merit Rating," *Proceedings of the Casualty Actuarial Society,* XLVII, 1960, p. 227.
7. Wilde, Gerald J. S., *Target Risk,* PDE Publications, 1994, chapter 10, p. 2. This reference is available at the web site <http://www.psyc.queensu.ca/target/> and the page references will refer to the web site version.
8. Klein, David and Julian A. Weller. *Causation, Culpability and Deterrence in Highway Crashes,* Department of Transportation, Washington, DC, July 1970, p. 91.
9. Wilde, chapter 10, p. 4.
10. Klein, p. 124.
11. Wilde, chapter 11, p. 15.

Favorite Web Sites

We will continue to publish favorite web sites in each issue of *Personally Speaking.*
In this issue we are spotlighting favorite "search engines."
Be sure to send in your favorite web site to share with other insurance professionals!
Let us hear from you.

www.profusion.com: ProFusion has more than 1,000 sources divided into more than 200 search groups. You can search hundreds of sites for targeted content such as jobs, downloads, and financial news.

www.searchengineguide.com: Search Engine Guide provides a directory of thousands of specialty search engines, and daily news about search engines and the search engine industry.

www.yahoo.com: General search engine for shopping, classifieds, travel, yellow pages, maps, financials, news, sports, weather, and lots more.

www.altavista.com: AltaVista has been a performance leader since it was pioneered as the first full-text search service in the world. AltaVista has been awarded the most search-related patents of any company. Their topical searches aggregate information into highly segmented indexes, helping users better refine their search and quickly access the most pertinent, useful information.

Privacy: Regulation, Compliance, and the Customer . . .

by Celeste Marx, CPCU

Celeste Marx, CPCU, is employed with Allstate Insurance Company and will be celebrating her 21st anniversary February 2002. Her career began in the Claims Department and, for the past 19 years, she has worked in risk management. Currently, she is an underwriting operations administrative manager for the Home Office Risk Management Center of Expertise. Marx works remotely from the Florida regional office.

Editor's note: *Celeste Marx, CPCU, who received her designation at the 2001 conferment, contributed this article on the "Mind Your Business: Balancing Customer Knowledge and Privacy" seminar. Thanks, Celeste, and we look forward to hearing more from you!*

Insurance companies and financial institutions, worldwide, gather customer information as part of their daily routine. Obviously, customer information, such as a social security number or a driver's license number, is vital to several departments in many organizations. From a customer standpoint, what expectations do they have in how organizations treat their personal information? From an organizational standpoint, what are the privacy-related business issues associated with customer privacy? From a regulatory standpoint, what regulation is currently in place to ensure the confidentiality and security of customer information? What exactly is security in a nutshell? The answers to these questions were answered in the seminar "Mind Your Business: Balancing Customer Knowledge and Privacy" that was held at the CPCU Society's 2001 Annual Meeting and Seminars in Seattle, Washington.

Highlights of the seminar began with an overview of privacy presented by **Patricia L. Saporito, CPCU,** director of insurance industry consulting for the Teradata Division of the NCR Corporation. Pat discussed the strategy of "customer relationship management" and how it intertwines with the privacy concept. CRM involves collecting customer information and enables organizations to provide a 360-degree view of the customer to the claims adjuster, agent, underwriter, marketer, call center rep, and to the customer. CRM allows organizations to understand their customers' behaviors and preferences. With this understanding, an organization is in a better position to "make the right offer to the right customer at the right time through the right channel." However, an issue evolves from this strategy and that is how organizations leverage all of the personal data obtained and the customers' needs. Customers, oftentimes, display passive-aggressive behavior regarding their personal information and privacy; they feel organizations should already know much of the needed information and want to control what information they divulge and who can access it. Customers also want to have control of how they are communicated to rather it be by phone, mail or e-mail. Hence, the need to gather customer data and balance it with the needs of the customer and their right to privacy can be a challenge.

To help tackle this challenge, it is important to know exactly what drives privacy. Essentially, the major privacy drivers are consumer awareness and sensitivity, technology advances in data collection, processing, analysis, and distribution as well as privacy advocates and industry analysts who continue to raise the privacy bar. NCR Corp. advocates utilizing a privacy roadmap in order to comply with customers' expectations as well as privacy regulation. The roadmap encompasses the following:

Privacy Discovery

- Scope strategic information management requirements and priorities.
- Create formalized business impact report of findings and recommendations.
- Develop privacy strategy and implementation plan.

Privacy Assessment

- Review privacy goals and objectives.
- Develop gap analysis.
- Create report of findings and indicate if resources are needed.

Privacy Implementation

- Install privacy software.
- Collect info/data warehouse in single location to minimize risk and to create concise audit trail.
- Educate users and administrators.

Privacy Review

- Assess infrastructure against overall privacy objectives.
- Analyze findings.

Continued on page 6

Privacy: Regulation, Compliance, and the Customer . . .

Continued from page 5

Prior to the implementation of a sound privacy strategy or plan, it is extremely important to understand the three fundamentals of privacy compliance: trust, privacy, and security. As Pat stated, "If you want your customers' trust you have to respect your customers' privacy." This concept is so very critical in the fact that additional products are more likely to be purchased when trust exists and trust equates to retention, and retention, ultimately, drives profitability. However, to obtain customer trust, privacy requires enterprise-wide involvement and commitment, which includes the high demands of enterprise-wide planning, cross-functional participation, capital, resources, processes, and innovative IT solutions. With company-wide commitment and strategies in place, it is also imperative that privacy requirements are clearly understood and adhered to. Privacy requirements include the following factors:

- Provide consumers with notice regarding data collection.
- Give consumers choice regarding use of their data.
- Provide consumer access to allow/comment on quality.
- Ensure data accurate and up-to-date; review and correct all data.
- Set collection and use limits; state purpose.
- Provide adequate security against improper use.
- Be accountable for legal conformance.

These requirements are key in order to fulfill customers' expectations and act in accordance to privacy regulation, hence, a balance is created between the needs of the customer and organization.

The second part of the seminar involved privacy regulation and compliance and was presented by **Michael G. Koziol, J.D., CPCU, FLMI,** senior director and counsel for National Association of Independent Insurers. Mike posed some very interesting questions . . . "How many people in the room have seen all of the inserts in our bank or insurance statements? Have we read them? Did we understand them?" He then went on to explain that these inserts originated from federal legislation: the Gramm-Leach-Bliley Act (GLB). Congress passed this act in 1999 to allow financial institutions, such as banks, security firms, and insurers, to merge under one corporate roof. This one-stop shopping approach also raised some concern with Congress regarding privacy and led to new rules that were established to give consumers more control over the disclosure of their personal financial information. Under GLB, financial institutions must send customers annual notice of their information-sharing policies along with the ability to "opt out" or direct their insurer or bank not to share their non-public personal information to third parties for marketing purposes. This notice must include the following:

Moderator Patricia L. Saporito, CPCU

- policies and practices
- categories to whom is disclosed
- categories of information disclosed
- categories of information collected
- internal procedures to ensure privacy
- FCRA disclosures, if any
- opt-out procedures, if any

Although sending notice annually may appear inhibiting, overall, GLB is not restrictive in nature. For example, it does not require specific items or entities to be named in the notice and information can be shared between affiliates. It is also permissible to share information between nonaffiliated third parties *if* agreement is made to keep confidential and per a joint marketing agreement. Additionally, there are situations that are deemed "exceptions" and it is permissible to share information for court orders, guarantee funds, fraud prevention, etc. with the caveat that customers receive notice. Lastly, organizations can tailor their privacy procedures according to their own needs.

GLB does, however, present a number of challenges. It is a cultural challenge to change consumers' mindset to know that banks and insurers can, in fact, be affiliates and, therefore, can share personal information between one another. Regulatory and legislative inconsistency create a challenge in that laws vary from state to state and a "hodge-podge" of laws exist that cause customer confusion and increased administrative costs for insurers. Inconsistency is also prevalent in how entities safeguard their information and how it is enforced. Aside from GLB, the Health Information Portability and Accessibility Act (HIPAA) and the Department of Health and Human Services (HSS) are also included in the challenge arena. HIPAA and HSS govern health information privacy rules; although property and casualty insurance companies are not in the business of obtaining and sharing personal health information, insurers do need access to settle some claims. These privacy rules for health plan and health providers may restrict how much and what information they can supply to insurers.

In summation, patchwork regulation and a need for uniformity are evident and federal intervention may be the answer. Additionally, there are global ramifications as well, as these issues are not just specific to companies or institutions in the United States. The NAII will continue to explore these issues and provide additional direction, clarification, and communication.

The last section of the seminar pertained to security and was presented by **Jack A. Jones, CISSP, CISA,** chief information security officer for Nationwide Insurance. Jack explained that it takes laws, contracts, agreements, *and* security to keep information private. In simple terms, security is the prevention of unauthorized access and ensures that information is confidential, available, and maintains integrity.

Because customer information is the "life-blood" of an insurer's business, without availability or integrity it is, virtually, valueless; without confidentiality, legal exposures and ramifications are prevalent. Bottom-line, security has been an issue with insurers and privacy regulations are requiring organizations to deal effectively with these issues they have not dealt effectively with in the past. Insurers continue to face a number of challenges that are associated with privacy and security such as technology complexity, pressures of speed to market, budgetary pressures, and increased public concerns and expectations. So, how do they conquer these challenges and obtain an acceptable level of security? In a nutshell, security is achieved through a security program that includes policies, processes, people, and technology. Policies must include protective measures according to the sensitivity of information and must align with industry standards as well as government regulations. Processes must support policies and be compliant. People must be held accountable for organizational security; education, awareness, and compliance must be emphasized in order for people to do the "right things." Technology must be utilized, where it makes sense, and must support the established policies. If security is an integral part of the overall privacy plan and a security program is maintained and monitored with favorable results, the availability, integrity, and confidentiality of customer information will be favorable as well.

As you can see, this seminar contained a wealth of information about the customer, privacy laws, privacy issues, security, and how security measures can minimize issues within the realm of privacy. By recognizing just how the customer, privacy, and security are all intertwined, you will have gained a tremendous amount of insight and understanding as to its importance in relation to an organization, to an employee, and, above all, to a customer. ■

Wanted—Educational Event Notification from Personal Lines Section Members!

by Daniel L. Blodgett, CPCU

Attention Personal Lines Section members: Did you know that our CPCU Society tracks "educational events" provided by section members?

What Is an Educational Event?

An educational event is any personal lines-related speaking engagement, presentation, or class in which you represent the CPCU Society.* This includes symposia, Annual Meeting seminars, and presentations to high schools, community groups, and other organizations such as NAIW, PIA, IIAA, etc.

***Note:** For audiences unfamiliar with the CPCU Society, you may find it necessary to give a brief background of our Society. The best source for this information is found at the CPCU Society's web site at www.cpcusociety.org/about.

What Should You Do?

If you have provided an educational event recently, please let me know. Send me the following information to ensure credit for our section and recognition for you in our quarterly newsletter:

- Your name, employer, employment location (city/state), and job title.
- The educational event.
- The date of your presentation.
- Where your event took place or for whom your event was given.
- A photo of yourself (optional) for of possible publication in *Personally Speaking*.
- Any other pertinent information concerning the event, such as how large your audience was, is this a regular event, did you use any good opening jokes that the rest of our section would like to read and use in our next presentation?

Feel free to contact me via e-mail, fax, phone call, or letter. My contact information follows below.

Why Do We Want to Do This?

Your Personal Lines Section Committee members want to recognize your effort to educate public groups, fellow CPCUs, and other peers in the industry while helping to promote the CPCU Society, and especially our Personal Lines Section.

In addition, this kind of education helps provide a needed service to our community. It also builds your reputation and gives our Personal Lines Section deserved exposure. ■

Daniel L. Blodgett, CPCU
Auto Business Analyst
State Farm Insurance
Phone: (309) 735-4855
Fax: (309) 763-4744
E-mail: Dan.Blodgett.cqsx@StateFarm.com

Identity Theft: They Wanna Be Me!

by Jerry Tuttle, FCAS, FCIA, CPCU, ARM, AIM, ARe

Editor's note: *Thanks to Jerry Tuttle, CPCU, a regular contributor to our newsletter, for his summary of a very thought-provoking seminar presented at the CPCU Society's 2001 Annual Meeting and Seminars: "They Wanna Be Me!"*

***Jerry Tuttle, FCAS, FCIA, CPCU, ARM, AIM, ARe,** is senior vice president and senior pricing actuary at St. Paul Reinsurance Company in New York City. Tuttle serves on the CPCU Society's Personal Lines Section Committee.*

An identity theft is when someone steals your checks, your social security number, or other personal identification, and then uses your information to obtain credit in your name or to commit a crime. The following is a summary of the panel presentation on identity theft at the CPCU Society's 2001 Annual Meeting and Seminars in Seattle.

Identity theft is one of the fastest growing crimes in the nation. The majority occur in the United States, but it is a worldwide problem. One speaker estimated that in the United States there is an average of one identity theft per minute! Although the moderator of this panel did not deliberately choose panelists who were victims, two of his three panelists and the moderator himself were victims of identity theft. I was almost a victim—fortunately my credit card company verified a change of address to my credit card that I did not authorize before implementing the change.

Joel S. Lisker, senior vice president security and risk manager at MasterCard International, explained that there are a number of ways that identity theft can occur. Theft of personal information from a wallet or purse, or from a mailbox, are the most common ways; less common are obtaining personal information from the Internet, from one's trash, or from unauthorized access by trusted employees. Once the information is obtained, the thief may file a change of address, request additional credit cards and a new PIN, open new accounts, max out the accounts, take out loans, and so on. To make it harder for identity thieves to victimize you, Joel suggested following up with your creditors on bills that you should have received, mailing your outgoing mail only at postal facilities, and keeping your personal information in a safe place.

Joel said businesses also need to implement stricter guidelines on controlling access to your personal information. Internal business controls should monitor and control the activities of a wide variety of employees, from customer service personnel to the mailroom. MasterCard's fraud detection activities include such things as verifying a change of address by mailing to the old address for confirmation. They are also working on a number of technological measures such as hiding a scan of your fingerprint on their credit cards.

Michael Calip, Washington regional coordinator for the Identity Theft Resource Center, a non-profit consumer advocacy group that assists identity theft victims and raises public awareness of the problem, gave a real-life example of a male and female couple who stole the identity of a husband and wife. The four people had been friends, with frequent access to the victims' home. The thieves committed more than 100 separate frauds of the same two victims over a two-year period, in several states across the country, with items ranging as small as a bounced check for a haircut to as large as taking out a car loan. The thieves committed traffic violations in the victims' names. The total amount of the thefts was more than $80,000. The victims had their auto insurance cancelled, their driver's licenses suspended, and their cars repossessed. They filed complaints with numerous regulatory agencies including the insurance department, social security, attorney general, and Federal Trade Commission, without success. They had numerous difficulties with collection agencies and with the businesses that had been defrauded, who were unsympathetic. The victims invested a massive amount of time and legal expense in helping clear their names.

Mellani R. Hughes, government affairs counsel for the Association of Washington Business, said Washington state now has the toughest identity theft law in the country to try to minimize some of these problems. Theft identity had not been a high priority with police or prosecutors, and there had been jurisdictional problems when the crime occurred in a different state than the victim's. The new Washington law solves the jurisdiction problem, increases the criminal sanctions, provides monetary incentives to investigate and prosecute, requires defrauded businesses to provide information to properly identified victims, and prevents hassles from bill collectors. Besides Joel Lisker's advice for making it harder for identity thieves to victimize you, Mellani adds that you should not give personal information to strangers, you should pay attention to when your bills are supposed to arrive, and you should shred charge receipts, credit offers, and other items before disposing of them.

Continued on page 10

Identity Theft: They Wanna Be Me!

Continued from page 9

The speakers cautioned the audience against giving out personal information that is not really necessary and not carrying your social security card. One audience member reminded us that your Social Security number shows up on various identification cards such as medical insurance and college IDs, so it is hard to get away from it.

At least three insurance companies offer coverage protecting you against the financial consequences of identity theft.

The Federal Trade Commission and attorney general are resources if you are a victim. ■

They Wanna Be Me! panelist Joel S. Lisker

Index of 2001 Articles

The CPCU Society presents the National Leadership Institute

CPCU SOCIETY
INSURING YOUR SUCCESS

It's been said that leaders are born, not made. Don't believe it.

If you analyze the qualities of leaders, you'll see they have a few things in common . . . the ability to:

- communicate effectively to customers, employees, investors, and others in a variety of ways;
- manage a team to get the job done, on time and on budget;
- make business decisions with an understanding of their impact on the bottom line, and
- successfully navigate the white water of today's business environment.

If you're ready to advance in your career and assume the mantle of leadership, you, too, can learn these skills. Plan to attend the **CPCU Society National Leadership Institute,** May 30 and 31, 2002, at the Alexis Park Resort & Spa, Las Vegas, Nevada.

The CPCU Society's National Leadership Certificate Program will be offered in conjunction with the CPCU Society Leadership Summit . . . a gathering of senior CPCU Society officers, members of the Board of Governors, and chapter and section leaders . . . offering you expanded networking opportunities.

What Makes the NLI Different?

Participants at the CPCU Society National Leadership Institute receive specialized leadership training for financial services professionals by financial services professionals. NLI trainers speak your language . . . they know your challenges . . . they understand your business. This unique training program is not offered anywhere else in the industry. It's a "must attend" program for aspiring leaders.

Lunch 'n Learn

During the Leadership Luncheon, you'll be inspired by a keynote speaker who is an industry leader. You'll also have the opportunity to engage in stimulating conversations with your property and casualty colleagues while you enjoy a sit-down luncheon. Visit the CPCU Society web site (www.cpcusociety.org) for the announcement of the keynote speaker.

A Short-Term Commitment Yielding Long-Term Results

Just four NLI seminars will earn you the NLI Certificate of Completion. The NLI is offered twice each year in different locations so you can plan to take certificate seminars when and where it is most convenient for you. This year, you can earn up to two credits now and then earn two more in October when the NLI is presented in conjunction with the CPCU Society's 58th Annual Meeting and Seminars.

Five courses are offered at each Institute giving you an in-depth exposure to important leadership concepts. You can take up to two courses right now, with no prerequisites. And each course is designed to give you practical skills you can take back and apply immediately.

The National Leadership Institute certificate is a sign that you've taken the steps to truly excel in your career.

Don't hesitate—course size is limited. Log on to the CPCU Society web site (www.cpcusociety.org) to review the seminar descriptions and download a registration form.

Questions?

Call the CPCU Society's Member Resource Center at (800) 932-2728, and select option 4.

Register now!

After all, it's your career . . .
only you can decide how far you want it to go.

How can you become a CPCU Society volunteer leader?
Call the CPCU Society's Member Resource Center at (800) 932-2728, and select option 4, for information and a service application. You can also get a service application by clicking **Leadership Opportunities** in the **Member** area of the Society's web site, www.cpcusociety.org.

Learn How to "Lead and Succeed" at the CPCU Society's 58th Annual Meeting and Seminars October 19-22, 2002 Orlando, Florida

Personally Speaking is published by and for the members of the CPCU Society's Personal Lines Section.

Editor
Diane G. Baker, CPCU, ARP
Allstate Insurance Company
2775 Sanders Road, E1N
Northbrook, IL 60062-6127
E-mail: dbak8@allstate.com
Phone: (847) 402-7998
Fax: (847) 326-7843

Section Chairman
Clint Gillespie, CPCU
E-mail: cgille6345@aol.com

Sections Manager
John Kelly, CPCU, ARM, AAI
CPCU Society

Managing Editor
Michele A. Leps, AIT
CPCU Society

Production Editor
Joan Satchell
CPCU Society

CPCU Society
Kahler Hall
720 Providence Road
PO Box 3009
Malvern, PA 19355-0709
(800) 932-2728
www.cpcusociety.org

Personally Speaking

CPCU SOCIETY
INSURING YOUR SUCCESS
720 Providence Road
PO Box 3009
Malvern, PA 19355-0709

Personal Lines Section Quarterly

Vol. 4 No. 1
February 2002