

COMMISSIONER OF SECURITIES & INSURANCE

MONICA J. LINDEEN
COMMISSIONER



OFFICE OF THE MONTANA
STATE AUDITOR

Advisory Memorandum

To: All Property and Casualty Insurance Rating/Rate-making Companies

From: MONICA J. LINDEEN - Commissioner of Securities and Insurance,
Montana State Auditor

Date: November 21, 2011

Use of FBI Crime Data in Determining Rates and/or Premiums

In addition to insurer company data, a new development in rate-making is an increased usage of FBI crime data. The accuracy of FBI crime data, however, has been questioned by the U.S. Attorney General's office and the United States Congress, specifically as it relates to FBI crime data from Indian Country.¹

The Actuarial Standards Board (ASB) has set forth actuarial requirements for utilizing data in Actuarial Standard of Practice (ASOP) No. 23 Data Quality. When an actuary issues communications under ASOP No. 23, the actuary must refer to ASOP No. 41.

The CSI considers the use of FBI crime data to fall within these actuarial standards, particularly with regard to the use of inaccurate data. Therefore, if the derivation of rates and/or premiums includes FBI crime data, the presenting actuary must act in accordance with the ASB's standards of practice and present the necessary justifications behind such usage. If no justifications are given or the justifications are insufficient, the CSI will prohibit the use of the rates and/or premiums.

¹ Wakeling, Stewart, *Policing on American Indian Reservations*, July 2001, National Institute of Justice Research Report;
Compendium of Tribal Crime Data, 2011, page 7;
Tribal Law and Order Act of 2010, §§ 202(a)(7) and 202(b)(6).