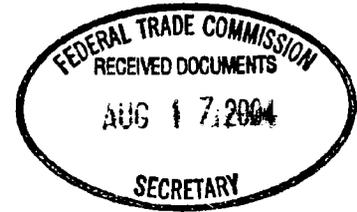


700 Quaker Lane, PO Box 350, Warwick, RI 02887

MetLife® Auto & Home

August 16, 2004



VIA ELECTRONIC MAIL AND REGULAR MAIL

Dr. Jesse Leary
Federal Trade Commission
Office of the Secretary
Room H-159 (Annex N)
600 Pennsylvania Ave., N.W.
Washington, DC 20580

Re: FACT Act Scores Study, Matter No. P044804

Dear Dr. Leary:

On behalf of MetLife Auto & Home, a national personal lines property and casualty insurance company, we respectfully submit this letter in response to the Federal Trade Commission's ("FTC") request for public comments on the prescribed methodology and research design of the FACT Act study of credit information in insurance, Matter No. P044804. We have two points that we would like you to consider.

First, we believe that the inclusion and detailed analysis of incurred losses are of critical importance to the soundness of this proposed study. Despite many claims to the contrary, it is this relationship between individual credit histories and projected losses that is the singular reason for the use of credit in personal automobile and homeowners insurance today. Industry research has shown credit information to be highly predictive of future losses. The rapid advancement of risk segmentation in recent years, through both new tools and technology (and including the use of credit), has contributed to a personal automobile and homeowners insurance market that is more competitive and equitable than ever before.

We are not clear as yet as to what statistical metrics will be utilized to evaluate this tool, but in our view the critical test involves measuring the effect of credit on future losses across the measures of policyholder characteristics that are the focus of this study, namely ethnicity and income. To date, there are virtually no characteristics among the myriad of insurance variables that have shown the ability to mitigate, distort or impact in any way this credit to loss relationship. It is this body of overwhelming evidence that leads us to believe that the loss impact of credit will remain sound regardless of the variable lens used.

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Second, the use of geography will be important in the FTC's credit study. Geographic (territorial) risk has long been recognized as one of the most important factors in predicting personal automobile and homeowners losses. Other factors being equal, it is more likely for a driver to be involved in an accident while driving in an area with high traffic congestion, than in an area with relatively less traffic. Correctly controlling for geographic risk will be crucial to the validity of the study.

Also, geography will be important as an intermediary for assigning ethnicity and income to individual policyholders. The theoretically optimal procedure for including these variables in a multivariate analysis would be to determine the actual ethnicity and income of each individual policyholder, and then append this information to each record in the database. Assigning approximations based on aggregate averages introduces error into the analysis. The larger the area over which the average is taken, the larger the potential for introducing bias. For this reason, if it is not possible to attach the actual ethnicity and income of each policyholder to the database, we recommend attaching the average over as small an area as possible, such as a Census Block.

One danger of using average values of a variable in a model, rather than the variable itself, is that it reduces the variance in the input variable. This tends to increase the error when model results are extrapolated to extreme values of the input. It is likely that some readers of the study will attempt to do precisely this: extend the results of the study beyond the range of the bulk of the input data used to build the model, in order to contrast model results for the highest and lowest income groups, and highest and lowest minority concentration groups.

Thank you for considering our comments. We hope that the FTC finds our comments helpful.

Sincerely,



David McMichael, FCAS
Fellow of the Casualty Actuarial Society
MetLife Auto & Home