

Pennsylvania Insurance Department
Property & Casualty Rate and/or Rule Product Filing
“Unknown Risk” Classification Filing Guidance

The following guidance applies to personal lines rate/rule filings made on or after February 4, 2026.

DEFINITIONS

“Risk classification” means a set of applicants, policyholders or insureds grouped together in a system by which insurers differentiate applicants, policyholders or insureds for the purpose of using different rating values in determining their insurance premiums.

“Risk characteristic” means any attribute that is used to assign an applicant, policyholder or insured to a risk classification.

“Known risk classification” means a risk classification to which applicants, policyholders or insureds are assigned based on one or more of their risk characteristics, including a no-hit or thin file association with a credit score. This term includes a nonexistent risk classification.

“Nonexistent risk classification” means a risk classification to which applicants, policyholders, or insureds are assigned because the data that would inform the risk does not exist as a matter of fact (e.g., no criminal violations where there are none, no credit history when there is none, and no accidents where none have occurred).

“Unavailable risk classification” means a risk classification to which applicants, policyholders or insureds are assigned because the data that would inform the risk is inaccessible or unavailable to both the insurer and the applicant, policyholder or insured due to the nature of the information, despite the insurer’s efforts to obtain the information. Evaluation of the validity of an unavailable risk classification will be made on a case-by-case basis.

“Unknown risk classification” means a risk classification to which applicants, policyholders or insureds are assigned when a known risk classification assignment cannot be made. This term includes an unavailable risk classification.

Unknown risk classifications can include risk classifications labeled as “unknown”, “missing”, “no hit”, “thin file”, “no score”, “not sure”, “invalid”, “system problem”, abbreviations and numerical codes to represent any of the foregoing, and any other label given to what is defined above to be an unknown risk classification.

PRODUCT FILING GUIDANCE

1. A rating variable should not be filed if 40% or more of the exposures written in Pennsylvania for the specific product that uses the rating variable would be assigned to an unknown risk classification. If the rating variable uses several different unknown risk classifications (e.g., unknown, missing, no hit, system problem, etc.), then the 40% threshold is calculated based on all the unknown risk classifications combined for the rating variable.
2. The Department will not object to the use of a rating variable's by-peril or coverage weighted -average relativity for any unknown risk classifications, except for the passive restraint device discounts required by 75 Pa. C.S. § 1799. Additionally, the insurer may request approval for actuarially justified deviations from the weighted-average relativity; such requests should include the full and complete actuarial analysis performed.
3. For statutorily-mandated discounts related to passive restraint devices, the insurer should provide the 30% dual airbag discount unless the insurer has information that suggests the vehicle does not have dual airbags. For other statutorily mandated discounts, the Department encourages the use of the "best rate" when there is no information suggesting the insured does not qualify for the discount, but will not object to the use of the weighted-average relativity.
4. PID will not raise objections to the use of an unknown risk classification for a particular rating variable when the unknown risk classification for that variable is used/expected to be used for 10% or fewer of the exposures written (or expected to be written) in the product in Pennsylvania to which the rating value applies. If the rating variable uses multiple unknown risk classifications (e.g., unknown, missing, no-hit system problem, etc.) then the 10% threshold is calculated based on all of its unknown risk classification combined.
5. Except with respect to those unknown risk classifications that are unavailable risk classifications, when more than 10% but less than 40% of risks will be assigned to an unknown risk classification for a particular rating variable, the filed rate table or associated rule should state that the insured will be either: (1) asked for the unknown information before being assigned to an unknown risk classification; or (2) clearly informed that they are being rated in an unknown risk classification due to missing information with respect to a particular variable. Insurers are encouraged to provide instructions on how to contact the insurer to provide the missing information. If the rating variable uses multiple unknown risk classifications (e.g., unknown, missing, no hit, system problem, etc.) then the 10% and 40% thresholds are calculated based on all of its unknown risk classifications combined.

6. Insurers are encouraged to file rate-capping rules to prevent large rate increases that result from placement in an unknown risk classification followed by placement in a known risk classification at a subsequent renewal.
7. Nothing in this filing guidance should be construed to prevent an insurer from binding a policy immediately and using an unknown risk classification for rating where the filing guidance is followed.
8. Exceptions to these recommendations will be evaluated on a case-by-case basis. Insurers should highlight any exception requests when submitting the filing.

REQUESTED INFORMATION

For each unknown risk classification in the filed rate/rule manual, please provide the following information. The company may use the Department's Unknown Risk Classification Template or, in the alternative, present the information requested below in an otherwise clear and concise manner.

1. Rating variable name.
2. Unknown risk classification name.
3. Whether the unknown risk classification is an unavailable risk classification.
4. Weighted average relativity for the rating variable by coverage or peril.
5. Percentage of risks expected to be assigned to the unknown risk classification identified in (2) above for this rating variable.
6. Percentage of risks assigned or expected to be assigned to all unknown risk classifications used for this rating variable.
7. Third-party vendor name that is used to collect or query the information.
8. A statement that indicates whether the insured, policyholder or applicant is either:
(a) asked for the unknown information at application or otherwise; or (2) clearly informed that they are being rated in an unknown risk classification.
9. If an exception to the recommendations in the filing guidance is being requested, an explanation and support for the exception request.

Questions regarding this filing guidance can be addressed to Michael McKenney, Director of Property and Casualty Rate and Policy Form Review, mmckenney@pa.gov, (717)705-0166.