

Regulators: No bias in auto rates

BY JOE DONOHUE
STAR-LEDGER STAFF

State insurance regulators have concluded Geico and other auto insurance companies are justified in charging higher premiums to drivers with limited education or blue-collar jobs, saying they pose a higher risk.

Opponents think this practice indirectly discriminates against minorities. A new 581-page report released by the Department of

Banking and Insurance found otherwise after reviewing rating and Census data. "The department found no evidence that such factors are used as a proxy for race or income," it said.

Department officials said occupation and education are valid, legal factors in predicting a driver's risk, and are used by auto insurers in at least 44 states. It would be illegal, however, if any insurers used jobs and education to deny coverage, they added.

Geico, the state's third biggest auto insurer, also is the largest company to use the two factors to set prices. It insures 650,000 vehicles in New Jersey.

A New Jersey Citizen Action study of 449 Geico drivers last year claimed those with better education and jobs received an average discount of 38 percent. The new study said the price gap is less than that because the Citizen Action did not account for another factor — credit records.

The state's analysis found no instance where less-educated, lower-income drivers paid more than an extra 19 percent. It found, for example, that a 51-year-old female Comedian resident with a good credit history would pay 8 percent more — \$524 versus \$486 — solely because of occupation and education.

"For actual consumers, Geico's use of occupation and education rating factors results neither in

dramatic rate differentials within Geico nor in rates that make the insurance marketplace as a whole less affordable," the report states. "On the contrary ... rates have generally fallen across the marketplace since the re-entry of Geico in 2004, and the increase in competitive pressures to which that re-entry contributed."

Eve Weissman, a Citizen Action representative, said despite the report's findings, "We do still have concerns regarding the use of education and occupation in auto-insurance rating and underwriting."

While defending the price-setting practice, department officials did not address the broader issue: whether it is socially just. The report says that issue would have to be resolved through legislation and that "...public policy concerns about resulting socioeconomic impacts may warrant a comprehensive analysis."

A bill is pending in the Legislature to ban occupation and education for insurance pricing. Sen. Nia Gill (D-Essex), the Senate sponsor, could not be reached for comment. The report notes a national class-action lawsuit that challenges the practice under federal civil rights law is pending in Minnesota.

Hank Nayden, a Geico spokesman, said the state report confirms its rating factors are "actuarially justified. They've helped create a more affordable and competitive market in New Jersey. There's no evidence they are used as a proxy for race," he said.

Eric Poe, chief operating officer of NJCURE, a Geico competitor that advertises it does not consider occupation and education, was dismayed by the report. "Auto insurers do not need to compete on these socioeconomic grounds, and if you permit one insurer, you permit the entire industry to use these factors. There should be a line drawn about what is fair," he said.

Joe Donohue may be reached at jdonohue@starledger.com or (609) 989-0208. The report is online at www.state.nj.us/dobi/division_insurance/ed_occ.html