

INSURANCE PREMIUMS

Allstate discounts called unfair

BY BECKY YERAK
CHICAGO TRIBUNE

It pays to be a mail carrier, a pilot or a paramedic, at least if you're buying insurance from **Allstate Corp.**

The insurer is providing discounts of up to 10 percent in five states outside Florida to consumers who work in several dozen occupations, including architects, biologists and economists. The nation's second largest car and home insurer has found that workers in those occupations

and dozens of others, including painters, photographers and plumbers, file fewer claims.

Other states soon might follow.

Consumer advocates, however, say a disproportionate number of such discounts are going to higher-end jobs, leaving many service-sector workers who most need a break out in the cold.

The issue of insurance companies looking for newer ways to assess risk was high-

lighted earlier this month, when legislation was introduced in New Jersey that would prohibit insurers from using education or occupation as underwriting factors. Under the proposed law, insurers couldn't force consumers to disclose their schooling or profession.

The legislation was prompted by an outcry from consumer advocates after it was reported that **Geico**, a

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BUSINESS

Rates based on jobs, education

ALLSTATE

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Unit of Berkshire Hathaway Inc., charged less educated customers with blue-collar jobs more than better educated, white-collar consumers.

There's no connection between how someone drives and whether they make a claim based on whether they're a doctor or a writer for a newspaper," said Neil Cohen, a New Jersey assemblyman sponsoring the bill.

For its part, Allstate, which so far is offering the occupational discount program in Hawaii, South Carolina, Alabama, Idaho and Alaska, said it doesn't use a person's job to charge more or to deny insurance, just to give discounts. "It's a great example of how Allstate provides consumers with competitively priced insurance based on an individual's risks," Allstate spokesman Mike Siemienas said.

Allstate declined to specify how many fewer claims a paramedic, for example, files compared with the average consumer. But "our figures show that people in these occupations do file fewer claims, and Allstate has identified them as safer drivers," he said.

Still, some consumer advocates frown on Allstate's program, saying it smacks of "redlining," a term used in the banking industry when financial institutions intentionally discriminate by making fewer loans in minority neighborhoods. "This type of discounting avoids covering lower-income workers, many of whom represent social and ethnic minority groups, in favor of the higher-wage-scale jobs," said Lynda DeLaforque, co-director for Citizen Action/Illinois Department and Child

offering 10 percent discounts to about 20 occupations, including editors, health technicians and judges, and 5 percent to another 30 occupations, including secretaries, teachers, locksmiths, carpenters, artists, mechanics and a variety of repairmen.

Last September, Allstate adopted the same program in Idaho. Alaska followed last

month. "There are additional states that are looking to use the occupation discounts, but until it's filed, we would not disclose those states," Allstate's Siemienas said. But "it looks as if we will be offering this in some additional states."

Allstate operations in Illinois, Wisconsin and Minnesota already offer discounts to police officers, firefighters and

paramedics. The insurer recently developed its fourth pricing structure. It has 384 pricing levels, compared with seven in only its second pricing structure.

"The more pricing tiers there are, the more you're getting a price based on you," an Allstate spokesman said.

REDUCED RATES

Allstate now offers discounts of up to 10 percent in five states for these professions:

- Editors
- Health technicians
- Judges
- Secretaries
- Teachers
- Pilots
- Carpenters
- Artists
- Paramedics

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Allstate counters that its occupational discounts include workers from a variety of occupations and don't favor one demographic over another.

The discounts highlight how the insurance industry and its actuaries are constantly looking for new and more sophisticated ways to slice and dice the data they gather to determine risk factors.

The last big thing in figuring out how to price insurance premiums was the use of credit history, which many insurers swear is accurate but which continues to come under attack from consumer advocates.

"The first thing our department of banking and insurance permitted was the use of credit scoring," said Phyllis Salowe-Kaye, executive director of New Jersey Citizen Action, which supports the proposed New Jersey legislation.

"This latest debacle is taking the same group of people who are going to be affected by the credit score and dump additional screening on them to get them to pay higher rates because of where they work or if they could afford to go to college," she said.

Waiters and waitresses, she points out, aren't among those getting a pricing break from Allstate.

But Allstate does see a correlation between occupation and the likelihood of filing claims, which account for about 75 percent of the cost of an insurance product.

Allstate collects more data than any other insurer, with the exception of State Farm, which does not use occupation or education as a rating variable.

"This is an arms race," Robert Block, Allstate's vice president of investor relations, said of pricing strategies last week at an investor conference in Florida.

"People ask: 'Is there a law of diminishing returns? How much more can you do?' But our actuaries believe there's still an unknown factor out there equal to the weight of credit," he said. "And credit was an extremely powerful factor."

Allstate began offering discounts in Hawaii in September 2004, although those price breaks are limited to about 10 occupations.

In November 2004, it began testing similar programs in South Carolina and Alabama,

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