

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 ciaims.

Other states soon might follow.

Consumer advocates, however, say a disproportionate number of such discounts are going to higherend 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

ALLSTATE CONTINUES ON 12E

ates based on jobs, education

M ALSINE

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temers with blue-collar jobs unit of Berkshire Hathaway fre., charged less educated cusmore than better educated, white-collar consumers.

There's no connection begër," said Neil Cohen, a New whether they make a claim based on whether they're a Jersey assemblyman sponsordóctor or a writer for a newspaing the bill

For its part, Allstate, which gonal discount program in Hadoesn't use a person's job to Allstate provides consumers so far is offering the occupawaii, South Carolina, Alabama, charge more or to deny insur-"It's a great example of how Idaho and Alaska, said it just to give discounts. ance,

with competitively priced insurance based on an individual's risks," Allstate spokesman Allstate declined to specify flow many fewer claims a parapared with the average consumer. But "our figures show medic, for example, files com-Mike Siemienas said

gions do file fewer claims, and

fiat people in these occupa-Allstate has identified them as

ilal institutions intentionally ynda DeLaforgue, co-director gram, saying it smacks of "redining," a term used in the Still, some consumer advoates frown on Allstate's prodiscriminate by making fewer oans in minority neighbornoods. "This type of discouning avoids covering lower-incority groups, in favor of the žanking industry when financome workers, many of whom igher-wage-scale jobs," said epresent social and ethnic misafer drivers," he said.

for Citizen Action/Illinois

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 reoairmen. 🖍

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

compared with seven in only its oped its fourth pricing structure. It has 384 pricing levels, second pricing structure. month. "There are additional states that are looking to use the occupation discounts, but state's Siemienas said. But "it looks as if we will be offering until it's filed, we would not disclose those states," All-

nois, Wisconsin and Minnesota already offer discounts to police officers, firefighters and Allstate operations in Illi-

this in some additional states."

REDUCED RATES

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

Health technicians Editors

The insurer recently devel

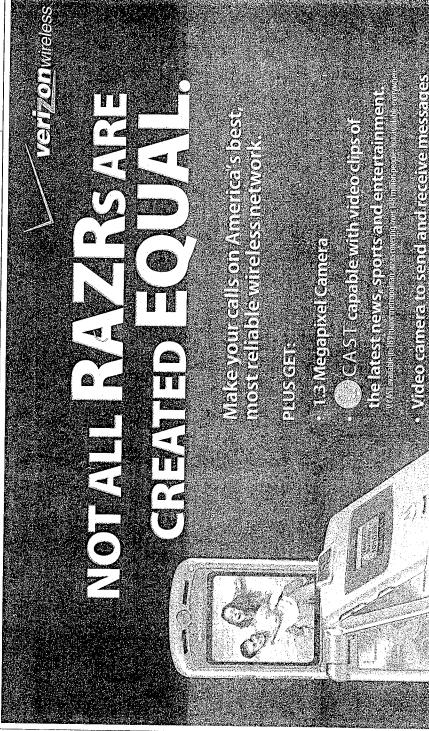
JudgesSecretaries

Carpenters Teachers Artists Pilots

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

spokesman said

Paramedics



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.

or "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 correfation 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 edlication 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 fac-

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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