



NEWS RELEASE

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Top NY Auto Insurers Charge Higher Rates to HS Grads and Blue Collar Workers

NYPIRG Requests that NY Regulator Review Insurer Rate-setting Practices

The New York Public Interest Research Group (NYPIRG) today released a new analysis showing that some of the state's largest auto insurers charge higher rates to drivers with less education and non-professional, non-managerial jobs. NYPIRG's research reveals that for the minimum liability coverage required by New York State, three of the top five auto insurers considered education when setting premiums, and two considered occupation.

Among the findings:

- Geico, the state's largest insurer, would charge 19% more annually for a bank teller with a high school degree than for a bank executive with a college degree (\$607 vs. \$511)—all other things being equal. And a high school graduate who worked in retail would pay a whopping 41% more annually than the same bank executive (\$722 vs. \$511).
- Progressive, the state's fifth largest insurer, would charge 19% more annually for a bank teller with a high school degree than for a bank executive with a college degree (\$2240 vs. \$1890). Progressive also would charge drivers who opted for monthly payments 21% more than drivers who paid their premiums in full.
- Liberty Mutual, the state's fourth largest insurer, did not appear to consider occupation in their pricing, but did consider education. It would charge a high school graduate 25% more annually than a college graduate (\$2169 vs. \$1730).
- To its credit, State Farm, the state's third leading writer of auto insurance, does not use education or occupation to price automobile insurance.

Based on an online review of major auto insurers' price quotes, a driver with a high school degree working as a bank teller paid 18% more annually than her college educated, executive counterpart (\$1469 vs. \$1247). (See "Average Rates" table below for a summary of the data gathered for this analysis, and "Regional" charts below for a break out by area of the state.)

"Auto insurance rates should be based on how you drive, not who you are," said Andy Morrison, NYPIRG Consumer Advocate. "Our analysis shows that insurers are using factors that discriminate against many low- and moderate-income New Yorkers—the very New Yorkers who can least afford such high rates. Geico ads should say having a high school degree and a non-professional job could mean paying an extra 15% or more on car insurance."

Average Rates:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO*	\$511	\$535	\$584	\$607	\$722
State Farm	\$858	\$858	\$858	\$858	\$858
Liberty Mutual	\$1730	\$1730	\$2169	\$2169	\$2169
Progressive**	\$1890	\$1987	\$2170	\$2240	\$2240
Average	\$1247	\$1278	\$1445	\$1469	\$1497

For each analysis, all factors except education and occupation were held constant. The driver profile used for the study was a 30-year old single women living in moderate income areas in Albany, Buffalo, Patchogue, Poughkeepsie, Queens, Staten Island, and Syracuse (c. \$30,000 - \$40,000 median income) driving a 2008 Honda Civic 7,500 miles annually, and who has been driving for 14 years.

*Based on telephone-based quotes and supplementary research, we believe the online quotes provided by Geico are not necessarily indicative of the final premium price that GEICO would offer to many consumers.

**Prices listed for Progressive are for rates paid monthly, not in full.

The NYPIRG analysis, conducted in January-April of 2014, examined the use of education and occupation by four of the five largest auto insurers in New York by market share – Geico, State Farm, Liberty Mutual, and Progressive – who together have over half the private auto insurance market in New York. Allstate, the second largest insurer in New York, did not allow the gathering of pricing information without authorizing a credit check. NYPIRG used the websites of these insurers to determine whether they consider education and occupation as factors in their pricing and, if so, the impact those factors have on rates. For each analysis, all factors except education and occupation were held constant. The driver profile was a 30-year old single women living in moderate income areas in Albany, Buffalo, Patchogue, Poughkeepsie, Queens, Staten Island, and Syracuse (c. \$30,000 - \$40,000 median income), driving a 2008 Honda Civic 7,500 miles annually, and who has been driving for 14 years.

In some cases, drivers with non-professional, non-managerial jobs and less education paid more despite having better driving records or driving fewer miles annually. For instance, based on the average rates of all areas studied, Geico charged a retail cashier with a high school degree and a flawless driving record 23% more than an executive with a college degree who caused a crash 3-5 years ago (\$722 vs. \$557) and 24% more than an executive with a college degree who got two speeding tickets 1-3 years ago (\$722 vs. \$584). And based on the average rates of all areas studied, Geico also charged a cashier with a high school degree 27% more than an executive with a college degree who spends twice as much time on the road (\$722 vs. \$568).

"I am convinced that the use of non-driving-related factors to raise rates for people with low-paying jobs and less education is unfair and should be tightly regulated, if allowed to be used at all," said J. Robert Hunter, Director of Insurance for Consumer Federation of America and former Texas Insurance Commissioner. "Auto insurance, which is required to be purchased by the state, should be rated on driving record, miles driven and other factors clearly related to the risk of driving."

Discriminatory Impacts

Research has shown that both education and occupation are highly correlated with race and ethnicity. According to the U.S. Department of Labor, the percentage of White employed persons in management, professional or related occupations is 38.7%, compared to 29.5% of Black or African American employed persons, and 20.6% of employed persons of Hispanic or Latino ethnicity.¹ Similarly, according to the US Census Bureau, the percentage of White Americans 25 years and over with a bachelor's degree or higher is 29.3% compared to 17.7% of Black or African Americans and 13% of people of Hispanic or Latino ethnicity.²

High Cost of Auto Insurance in New York

New York has the fourth highest auto insurance premiums in the nation, with an average annual expenditure of \$1,108.64—39% above the national average.³ So while the high cost of auto insurance is a burden shared by all New Yorkers, the load is even heavier for those who work non-professional, non-managerial jobs, and chose not to attend, or were unable to afford, college.

Public Rejects Use of Education and Income in Auto Insurance Rate-Making

A national survey, commissioned by the Consumer Federation of America (CFA), has revealed that, by large majorities, the public rejects the use of education and occupation by auto insurers in setting rates. In a June 2012 survey of a representative sample of 1,010 adult Americans, conducted by ORCI, 68% of respondents said it was unfair for auto insurers to use education, while 65% said it was unfair for insurers to use occupation, in setting rates. For those with moderate household incomes (\$25,000-\$50,000), the percentages were even higher – 74% for education and 69% for occupation.

Recommendation: *The NYS Department of Financial Services should undertake a thorough review of rate-making practices by auto insurers in New York.* Because New York's Insurance Law prohibits rates that are “unfairly discriminatory,” NYPIRG, in a letter to be delivered today, is urging the New York State Department of Financial Services to immediately undertake a thorough review of rate-setting practices by private passenger auto insurers in New York State.

Regional Charts

For each regional analysis, all factors except education and occupation were held constant. The driver profile was a 30-year old single women living in moderate income areas in Albany, Buffalo, Patchogue, Poughkeepsie, Queens, Staten Island, and Syracuse (c. \$30,000 - \$40,000 median income), who drives a 2008 Honda Civic 7,500 miles annually, and has been driving for 14 years.

Based on telephone-based quotes and supplementary research, we believe the online quotes provided by Geico are not necessarily indicative of the final premium price that GEICO would offer to many consumers.

Prices listed for Progressive are for rates paid monthly, not in full.

¹Labor Force Statistics from the Current Population Survey. Retrieved 2/26/14, from <http://www.bls.gov/cps/cpsaat10.htm>.

²The Population With a Bachelor's Degree or Higher by Race and Hispanic Origin: 2006–2010. Retrieved 2/26/14, from <https://www.census.gov/prod/2012pubs/acsbr10-19.pdf>.

³NAIC Auto Database Report 2011 and previous editions.

ALBANY:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$279	\$308	\$323	\$340	\$395
State Farm	\$384	\$384	\$384	\$384	\$384
Liberty Mutual	\$972	\$972	\$1176	\$1176	\$1176
Progressive	\$948	\$990	\$1048	\$1070	\$1070
Average	\$646	\$664	\$733	\$743	\$756

BUFFALO:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$405	\$426	\$471	\$495	\$575
State Farm	\$1022	\$1022	\$1022	\$1022	\$1022
Liberty Mutual	\$1704	\$1704	\$2136	\$2136	\$2136
Progressive	\$1510	\$1552	\$1672	\$1760	\$1760
Average	\$1160	\$1176	\$1325	\$1353	\$1373

PATCHOGUE:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$561	\$561	\$621	\$621	\$798
State Farm	\$795	\$795	\$795	\$795	\$795
Liberty Mutual	\$1680	\$1680	\$2124	\$2124	\$2124
Progressive	\$1954	\$2008	\$2244	\$2304	\$2304
Average	\$1248	\$1261	\$1446	\$1461	\$1505

POUGHKEEPSIE:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$388	\$409	\$409	\$451	\$523
State Farm	\$597	\$597	\$597	\$597	\$597
Liberty Mutual	\$1428	\$1428	\$1776	\$1776	\$1776
Progressive	\$1100	\$1154	\$1230	\$1264	\$1264
Average	\$878	\$897	\$1003	\$1022	\$1040

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QUEENS:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$980	\$1032	\$1201	\$1201	\$1398
State Farm	\$1634	\$1634	\$1634	\$1634	\$1634
Liberty Mutual	\$2904	\$2904	\$3672	\$3672	\$3672
Progressive	\$4105	\$4393	\$4855	\$5021	\$5021
Average	\$2406	\$2491	\$2841	\$2882	\$2931

STATEN ISLAND:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$663	\$663	\$734	\$771	\$943
State Farm	\$1087	\$1087	\$1087	\$1087	\$1087
Liberty Mutual	\$2292	\$2292	\$2892	\$2892	\$2892
Progressive	\$2541	\$2699	\$2953	\$3043	\$3043
Average	\$1646	\$1685	\$1917	\$1948	\$1991

SYRACUSE:

Insurer	College degree / Bank Executive	College degree / Bank Teller	HS degree / Bank Executive	HS degree / Bank Teller	HS degree / Retail Cashier
GEICO	\$300	\$332	\$348	\$367	\$425
State Farm	\$485	\$485	\$485	\$485	\$485
Liberty Mutual	\$1128	\$1128	\$1404	\$1404	\$1404
Progressive	\$1070	\$1116	\$1190	\$1218	\$1218
Average	\$746	\$765	\$857	\$869	\$883