

Geico accused of unfair auto insurance rates

By Jonathan Stempel, Reuters

NEW YORK, March 20 (Reuters) - A leading U.S. consumer group on Monday accused Geico Corp. of using consumers' education backgrounds and occupations as criteria in setting auto insurance rates, resulting in discrimination against minorities and lower-income people.

The Consumer Federation of America (CFA) charged that the No. 4 U.S. auto insurer, has adopted rating methods and underwriting guidelines in 44 states that directly tie rates to education and occupation.

Geico, a unit of Berkshire Hathaway Inc., the insurance and investment company controlled by billionaire Warren Buffett, rejected the charges. It called them "an offensive attempt to link fundamentally fair and actuarially sound industry practices with invidious discrimination."

The insurer provides auto insurance to more than 6 million policyholders, and insures more than 10 million vehicles.

Robert Hunter, the CFA's director of insurance and a former Texas insurance commissioner, called Geico's rate-setting policies an "underwriting

sleight-of-hand" that can shortchange thousands of drivers.

Under Geico's guidelines, he said, a New Orleans factory worker without a high school education would pay \$2,636 for insurance, 91 percent more the \$1,382 that a white-collar worker with a graduate degree would pay for the same vehicle and location.

"There is clearly a disparate impact on minorities and lower income people," Hunter said in an interview. "If it isn't violative of the law, it should be. It strikes me as very unfair."

In a March 14 letter to the National Association of Insurance Commissioners, the CFA said Geico's use of educational status alone to determine rates allows it to bypass prohibitions on using income as a guideline for setting rates, on the grounds that doing so is racially discriminatory.

"What is very troubling is that Geico appears to be using these guidelines as a de facto rating method," it said. "Geico's methodology is reprehensible because not everyone has the opportunity or can afford to pursue a four-year college degree."

The CFA asked the NAIC to intervene before the practice, which it said other auto insurers are beginning to use, becomes more widespread.

Geico, responding in a March 17 letter to the NAIC, said the CFA's opinions are wrong from a public policy and legal perspective, and constitute a "full frontal attack" on market competition and consumer choice.



This little lizard may have some tricks up his sleeve.

\$5.6 million verdict awarded after insurance company denies claim Associated Press

DECATUR, Ga. - A DeKalb County Superior Court jury has returned a \$5.6 million judgment against Atlanta Casualty Co. for bad-faith practices in a lawsuit involving an 86-year-old woman who had automobile insurance with them.

Dimple Thomas, now 86, collided with another vehicle when making a left turn in November 1992. An occupant of the other vehicle sued Atlanta Casualty and got a \$60,000 judgment, which the company refused to pay and then sued Thomas claiming that it didn't have to pay her claim because it had not been notified of the accident.

In court, it was shown that on March 18, 1996, the company signed a certified letter giving them notice of the accident.

"The company did not provide defense and did not pay judgment of

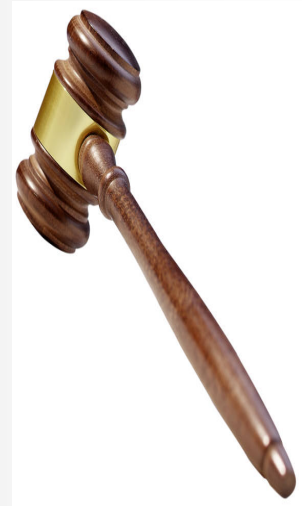
\$60,000," said Jay Sadd, one of two attorneys who handled the case for Thomas.

"It sort of says it all when an insurance company not only denies coverage to an elderly woman after she had paid her premiums to them for several years, and then goes on to rub salt in the wound by filing suit against her," Sadd said.

"Insurance companies should never be allowed the opportunity to deny coverage to those who need it most," said Rob Benfield, co-counsel with Sadd. "We think the treatment of Ms. Thomas exemplified everything that is wrong with corporations that place their profits over their duties to protect those that trust them."

Thomas worked as a housekeeper at a hotel for 27 years. She used her life savings to buy a house in Decatur, where she lived alone

until 1999 when her granddaughter began taking care of her.



LESSON TO BE LEARNED FROM THIS CASE:

If you don't want to get hammered, don't mess with Grandma!