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NCOIL TO INVESTIGATE CONTROVERSIAL EDUCATION/OCCUPATION UNDERWRITING

Duck Key, Florida, November 25, 2008—Legislators at the NCOIL Annual Meeting here committed on November 21 to investigate whether the use of education and occupation in insurance underwriting is fair—and to hold a special session on the issue at the 2009 NCOIL Spring Meeting.

Speaking of legislators' concerns with the emerging practice, incoming Property-Casualty Insurance Committee Chair Rep. Charles Curtiss (TN) said, "This is fundamentally a consumer protection issue. We will hear that the level of a person's schooling or the nature of his or her job has some worth. But we are called on, as elected officials, to determine whether insurers have the right to use these factors, whether strong restrictions are appropriate, or whether this form of underwriting simply goes against the public interest."

Insurers that use education and occupation treat more favorably a person with a higher degree and/or a white-collar job than they treat someone with a high school education and/or a blue-collar profession. Insurance companies, while at this time do not widely use the practice, say these underwriting considerations accurately predict the likelihood of filing a claim and so are justifiable tools.

Consumer groups and other critics argue that use of education and occupation is unfair because it serves as a proxy for income and ethnicity and because it ignores important variables regarding why a person chose to end his education or take a blue-collar job. Opponents say that lawmakers should prohibit such underwriting, as they have prohibited the use of race.

Representatives of the American Insurance Association (AIA) and Consumer Watchdog responded to legislative inquiries at the November 21 P-C Committee Meeting. A spokesman for the National Association of Insurance Commissioners (NAIC) acknowledged that states have taken little action on the issue and said that legislative guidance would be helpful.

Examination of education/occupation is consistent with NCOIL's ongoing interest in factors that contribute to underwriting and rating. Most notably, the organization in November 2002 adopted a model law that would provide guidance and consumer protections when insurers use consumer credit experience. Twenty-six states have based their legislation and/or regulation on the model.

The 2009 NCOIL Spring Meeting will be held February 27 through March 1 at the Hyatt Washington on Capitol Hill in Washington, DC. The November 19 through 23 Annual Meeting took place at the Hawk's Cay Resort in Duck Key, Florida.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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