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Allstate to change rate method

The insurer agrees to stop using credit reports to set premiums after a suit claims that is unfair to minorities.

By TOM ZUCCO, Times Staff Writer

Published June 3, 2006

Allstate Insurance Co. agreed to change the way it uses credit reports in setting auto and homeowners insurance policies as part of a nationwide settlement reached Friday.

The class-action suit, filed in 2001 in U.S. District Court in San Antonio, Texas, was brought by seven Allstate customers representing African-Americans and Hispanics. They alleged they were discriminated against by being charged higher premiums based on Allstate's use of credit scoring.

A spokesman for one of the law firms representing the plaintiffs said the case was the first of its kind.

The settlement, which was preliminarily approved by a federal judge in Texas, called for other administrative changes by Allstate such as adopting an appeals program, providing a credit education program to the plaintiffs and making the scoring system publicly available.

In addition, thousands of African-American or Hispanic Allstate customers could be eligible for a one-time payment from the insurance company. The exact number of eligible customers and the total award have yet to be determined.

"This is a very important settlement," said Christa Collins, a lawyer with Tampa-based James, Hoyer, Newcomer & Smiljanich, one of three law firms that represented the plaintiffs. "Credit information is used extensively throughout the insurance industry. Allstate has agreed to change the way it uses credit information to price insurance."

In the agreement, Allstate denied any wrongdoing or liability. The agreement, the settlement states, "constitutes the resolution of disputed claims."

The announcement came less than two weeks after Florida Insurance Commissioner Kevin McCarty issued new rules requiring insurers operating in Florida to document how their use of credit information does not discriminate on any basis.

Insurers say Florida's new rules will make it impossible for them to use credit scores, thus driving up everyone's rates.

Several insurance groups, including the Florida Insurance Council and the Property and Casualty Insurers of America, are challenging the rule in Leon County Circuit Court.

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