



State of New Jersey  
DEPARTMENT OF BANKING AND INSURANCE  
OFFICE OF THE COMMISSIONER  
PO Box 325  
TRENTON, NJ 08625-0325  
TEL (609) 292-7272

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

THOMAS B. CONSIDINE  
Commissioner

June 17, 2011

Honorable Louis D. Greenwald c/o  
David J. Rosen  
Legislative Budget and Finance Officer  
Office of Legislative Services  
State House Annex  
PO Box 068  
Trenton, NJ 08625-0068

Dear Chairman Greenwald,

Please accept the following in response to your May 13, 2011 letter requesting follow-up information with respect to questions raised by Assemblywoman Coleman. Specifically, Assemblywoman Coleman requested actuarial data provided to the Department by insurance providers which supports rate filings by certain providers correlating individual insurance rates to educational degree attained by the covered individual. Assemblywoman Coleman further inquired as to whether or not rate filings were differentiated for *each* level of educational degree and the correlation between each level.

Unfortunately, some of what the Assemblywoman has requested is protected as trade secrets and thus remains confidential. However, the Department reiterates its prior statements and testimony that insurers have demonstrated to the Department a strong correlation between education level and losses. In addition, because it was previously placed in the public domain, the Department is attaching documentation illustrating varying education levels with actual loss ratios relative to the average as experienced by a major insurer. This document clearly shows a relationship between education level and insurer losses. It is important to note that the special circumstance that allowed for the disclosure of this singular document does not in any way compromise the confidential nature of similar findings and documentation. This document was included in a report done by the Department in 2008 entitled "The Use of Occupation and Education Factors in Automobile Insurance". If interested, the full report can be found here: [http://www.state.nj.us/dobi/division\\_insurance/pdfs/ed\\_occ\\_april2008.pdf](http://www.state.nj.us/dobi/division_insurance/pdfs/ed_occ_april2008.pdf)

It is also important to reiterate that education level is one of a multitude of factors that may be weighed in an insurer rating system. As a result, a consumer with a relatively low level of educational attainment may well pay a smaller premium than a consumer with a high level of educational attainment at the same insurer. Likewise, consumers with low levels of educational attainment sometimes pay less at insurers that use such factors than at insurers that do not.

Fortunately, insurers continue to employ a wide variety of rating systems, allowing consumers of all kinds to find substantial savings through comparison shopping.

The Department has also provided specific company educational discount information for your perusal. This information is available to the public and may help to demonstrate how various insurance companies use education level in their rating systems.

I trust that the foregoing is responsive to your various inquiries. Please advise if you require any additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read "Tom Considine". The signature is written in a cursive style with a prominent horizontal stroke at the beginning.

Thomas B. Considine  
Commissioner

**Exhibit A****Government Employees Insurance Companies  
Historical Loss Experience by Occupational and Educational Group**

Occupation	Loss Experience Relative to Average
Group 1	0.849
Group 2	0.837
Group 3	0.967
Group 4	1.047
Group 5	1.257
Group 7	1.064
Group 8	1.040
Average Loss Experience For All Occupations Combined	1.000

Education	Loss Experience Relative to Average
High School or less	1.131
Assoc/Vocational	1.027
Bachelors	0.901
Masters	0.822
Unknown	1.060
Average Loss Experience For All Educational Levels Combined	1.000

Occupational and educational loss experience are only two of more than two dozen factors used to price insurance policies. Ratios > than 1.0 indicate higher than average loss experience.

**P26 – Education Discount**

There will be a discount offered to policyholders based upon the Education level of the primary named insured. Customers with an education level greater than or equal to high school graduate will receive a discount. Discount percentage varies based on ultimate level of education attained. The named insured may be requested to provide proof to verify eligibility for the discount.

LIBERTY MUTUAL FIRE INSURANCE COMPANY  
SIMPLIFIED AUTOMOBILE OWNERS POLICY  
NEW JERSEY EXCEPTION PAGE

The following is added to Rule 9:

M. Defensive Driving Course Discount

1. A Defensive Driving Course Discount factor found in the Automobile Rating Manual pages (Section R), may be applied to the base premium of Bodily Injury Liability and Property Damage, Personal Injury Protection and Collision Coverages.
2. Application of the Discount
  - a. If successful completion of the course occurs within 30 days of the policy effective date, the credit will be applied for a three year period beginning with the policy effective date, otherwise, the credit will be applied for a three year period beginning with the first policy renewal after successful completion of the course.
  - b. The defensive driving discount only applies to defensive driving courses approved by the New Jersey Division of Motor Vehicle Services pursuant to N.J.S.A. 17:33-45 and N.J.S.A. 13:21-24.
  - c. The discount shall be applied upon presentation of a certificate by the operator who has successfully completed the course.
  - d. The discount shall apply to the automobile that is principally operated by the person(s) who has successfully completed an approved course.
  - e. Only one discount may be applied per vehicle.
  - f. An operator is no longer eligible for the discount upon either of the following motor vehicle violations:
    1. License suspension
    2. Accumulation of four or more motor vehicle points subsequent to course completion.

N. College Educated Discount

This discount will apply when at least one adult, mature or senior classed insured has obtained a bachelor's degree or higher from a four year college or university. The insured must be a graduate of a four-year college or university in order to be eligible for this credit. The following classes are ineligible to receive the discount: 04, 05, 15, 30, 36, 37, 38, 39, 51, 52, 53, 55, 56, 57, 58, 59, 60, 65, 81, 82, 83, 85, 86, 87, 91, 92, 93, 95, 96, 97, 98, 99, 104, 105, 130 and 198. The discount factor can be found in the Automobile Rating Manual pages (Section R).

O. Group Savings Plus Program

For employees of qualifying participating employers or individuals of a qualifying participating group the rates otherwise applicable may be adjusted by a factor between 1.00 and .90.

1. Policies for alumni associations and professional associations will be adjusted by a factor of .90
2. Policies for the following employer groups: hi-tech, finance, education and Liberty Mutual will be adjusted by a factor of .90
3. Policies for AAA Central-West Jersey and Credit Unions will be adjusted by a factor of 1.00
4. All other policies will be adjusted by a factor of .95

This factor applies to all vehicles rated in accordance with the Automobile Rating Manual.

Note: This factor will apply only once, regardless of the number of participating employers or groups, which the insured is a member, or the number of insureds in a household belonging to a participating association or employer group.

## PERSONAL LINES AUTO MANUAL

- Loyalty Discount Applicable to all coverages:
1. A Loyalty Preferred discount is applicable to the indicated premium when the personal auto and homeowners (Special or Condo only) policies are written with IDS Property Casualty Insurance Company.
  2. A Loyalty Deluxe discount is applicable to the indicated premium when:
    - a. the personal auto, homeowners (Special or Condo only) and personal excess liability (Umbrella) policies are written with IDS Property Casualty Insurance Company; or
    - b. the personal auto and homeowners (Special or Condo only) policies are written with IDS Property Casualty Insurance Company and the named insured has an active relationship with an Ameriprise financial advisor.
  3. A Loyalty Premier discount is applicable to the indicated premium when the personal auto, homeowners (Special or Condo only), and personal excess liability (Umbrella) policies are written with IDS Property Casualty Insurance Company and the named insured has an active relationship with an Ameriprise financial advisor.
- H. An Education Level Discount
- An Education Level Discount is applicable to the indicated premium based on the highest level of education completed by each driver. (Applicable to BI, PD, PIP, COMP and COLL Coverages.)
- I. Insurance Score Rating Factor
- A discount based on the average insurance score of the named insureds is applicable to indicated premiums as defined in the Rate Manual. If a credit score cannot be obtained (a no-hit) or there is insufficient credit history, a default score of 650 will be used for rating purposes. (Applicable to BI, PD, PIP, COMP and COLL Coverages.)
- J. Extraordinary Life Events
- Reconsideration of an insurance score will be given because of the direct influence of an extraordinary life event on an insured's credit information.
- This may include, but is not limited to: catastrophic illness or injury, death of a spouse, child or parent; temporary loss of employment; divorce; or identity theft.
- An insured with an extraordinary life event will be provided an exception and placed in the next higher insurance score range.

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**LIBERTY MUTUAL MID-ATLANTIC INSURANCE COMPANY**  
**AUTOMOBILE RATING MANUAL**  
**MISCELLANEOUS SURCHARGES AND DISCOUNTS**

**35. College Education Discount**

The following classes 01, 02, 03, 07, 08, 09, 11, 12, 13, 20, 22, 24, 25, 26, 27, 28, 46, 47, 48, 49, 61, 62, 63, 67, 68, 69, 101, 103, 107, 108, 109, 111, 112, 113, 124, or 126 will be eligible to have their applicable rates reduced by the factor shown in the Automobile Rating Pages (Section R) for all motor vehicles, when at least one non-youthful classed insured has obtained a Bachelor's degree or higher. The insured must be a graduate of a four-year college or university in order to be eligible for this credit.

2. The discount applies for 36 months following course completion
  3. The discount will be removed if:
    - a. The rated driver's license is suspended, or
    - b. The rated driver accumulates four or more motor vehicle points.
- The discount applies to BI, PD, (or CSL) PIP and COLL coverages.

**2.23 Anti-theft Device Discount:**

An anti-theft device discount is available for any vehicle with an anti-theft device that complies with the guidelines set forth in New Jersey Insurance Department. Category 3 devices are expanded to include the additional device type: Electronic GPS Recovery System (e.g. Teletrac, On Star, etc.). If there are two or more qualifying devices attached to the same vehicle, the total discount will be the single highest applicable discount. If vehicle has both Category 3 + Category 4 (Lojack) devices, a 25% discount applies. An insured may be requested to submit a copy of the receipt documenting the anti-theft device purchase and/or installation to verify the vehicle is equipped with an eligible anti-theft device. The discount applies only to the rated vehicle's Other than Collision coverage as detailed in the rate pages.

**2.24 Education Discount:**

The percentage discount applicable is shown in the rate pages for each of the following levels:

- > If the rated operator received a degree from a two (2) year college program
- > If the rated operator received a degree from a four (4) year college program
- > If the rated operator received a graduate degree

Name, city and state of the school and the degree earned must be provided along with the requisite proof.

**2.25 Mass Transit Commuter Discount:**

A driver who provides the requisite proof of using mass transportation to commute to work is eligible for a mass transit commuter discount. Required proof is a current monthly pass plus a statement by the applicant combined with a work address that indicates accessibility to mass transit use. Proof of payment or payroll deduction may be accepted in lieu of a monthly pass.

**2.26 Fees & Assessments:**

All fees are due and payable when charged.

- > Installment Fees: A \$5.00 fee will be applied to each installment payment.
- > Non-Sufficient Funds Fee: A \$15.00 NSF fee will be assessed when any check offered in payment is not honored by the associated bank or financial institution.
- > Late Payment Fee: A \$10.00 fee will apply to the 2<sup>nd</sup> and subsequent late payment.
- > Acceptance of the policy renewal is conditioned upon receipt of the renewal premium on or before the expiration of the policy. If the appropriate payment is received in the mail within three business days after the due date, the payment is presumed to have been mailed prior to the due date and will be accepted.
- > A late fee of \$25 may be applied when the renewal premium is received after the due date but is accepted in accordance with this rule. The fee will be incorporated in the next subsequent billing statement following the renewal of the policy.

**2.27 Expense Constant:**

An expense constant is included in the policy premium to cover fixed expenses related to the policy.

**2.28 Pay Plan Discount:**

For new business a pay plan discount is available if the insured chooses the 1-pay or 2-pay bill plan at point of sale. For renewal business, a pay plan discount applies if the prior policy term premium was paid-in-full or paid in 2 installments.

**2.29 Reserved for Future**

**2.30 Mass Marketing Discount:**

For employees of qualifying participating employers or individuals of qualifying participating groups, a percentage discount shall be applied as shown in the rates pages for

- > Alumni Associations, Professional Organizations, Credit Unions
- > All Other Eligible Groups



Drive (Progressive)

10-1777 11/19/2010

**Rule: P41**

**Rule Title: Education Rating**

An education rating factor will be applied based on the highest level of education achieved by either the eligible to be rated primary named insured or the eligible to be rated spouse. The education level will be classified into one of the following eight categories:

- 0) Unknown
- 1) No high school diploma or GED
- 2) High School diploma or GED
- 3) Vocational or Trade School degree
- 4) Some college
- 5) Currently in college
- 6) College degree
- 7) Graduate work or graduate degree

The factor will be applied to all new business policies incepting on or after 11/19/2010. Policies that incepted prior to 11/19/2010 will be rated with a rate neutral factor under the education level of "0 Unknown" at renewal, unless the named insured contacts the Company with education information. Education will only be used for policies that incepted prior to this date if it results in a premium decrease.

Refer to the rates filing for corresponding factors and coverages to which they apply.

**Rule: P41**

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- 0) Unknown
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- 2) High School diploma or GED
- 3) Vocational or Trade School degree
- 4) Some college
- 5) Currently in college
- 6) College degree
- 7) Graduate work or graduate degree

The factor will be applied to all new business policies incepting on or after 09/26/2007. Policies that incepted prior to 09/26/2007 will be rated with a rate neutral factor under the education level of "0 Unknown" at renewal, unless the named insured contacts the Company with education information. Education will only be used for policies that incepted prior to this date if it results in a premium decrease.

Refer to the rates filing for corresponding factors and coverages to which they apply.

3. Model Characteristics / Score Calculation

The UQI is determined by the following:

- Prior Incidents,
- Credit Score,
- Driver/vehicle characteristics,
- Coverage characteristics, and
- Stability factors
- Education (College / No College)\*
- Occupation (Professional/ Non-Professional)\*

\* College educated means that the individual must have obtained either of the following:

- Associates or Other 2-Year Degree,
- Bachelors or Other 4-Year Degree

Categorization of occupations depends on two criteria. The first involves the Industry or Sector worked in, and the second relates to the job title or position.

Industry or Sector

- Agriculture & Natural Resources
- Computers or Technology
- Education
- Law Enforcement or Fire Fighting
- Manufacturing
- Medicine or Healthcare

- Military
- Professional Occupations
- Retail Occupation
- Trades and Contructions
- Other Workers

Job Title

Administrative, Managerial, Profession, Technical, Sales, Service, Clerical and other skilled workers are within the above industries or sectors are categorized as professional. Non-skilled workers are classified as non-professional.

In addition to the model variables above, each risk is first placed in a household composition profile. The three household compositions and their descriptions are as follows:

- Couple Composition – Any policy with 2 drivers with no driver age 21 or younger unless both drivers are under age 30
- Single Composition – Any policy with exactly 1 driver.
- Family Composition – Any policy not meeting the definition of Couple or Single.