



4 Great Reasons to Bring Your Family to Orlando This Columbus Day Weekend!

National News

Supreme Court Allows Discrimination Suit Over Allstate's Use of Credit Scoring

April 28, 2004

Allstate Insurance Co. has lost its bid to squash a class action discrimination suit against it for its use of credit scoring in setting insurance prices.

The U.S. Supreme Court this week denied the Northbrook, Ill.-based insurers' bid to end the suit by Texas and Florida policyholders who claim that the use of credit scoring unfairly discriminates against minorities by raising their rates and violates the U.S. Fair Housing Act.

In November, 2001, a class action was filed against Allstate in the U.S. District Court of the Western District of Texas. The suit, Jose C. DeHoyos, et al. v. Allstate Corporation, et al. alleged that Allstate raised plaintiffs' auto insurance premiums or assigned them to a higher-cost subsidiary based on race, due to Allstate's use of geographical redlining. The case alleges racial discrimination in violation of the U.S. Fair Housing Act.

Michael Trevino, an Allstate spokesman, denied any racial discrimination by the company and defended the company's use of credit scoring as a benefit to "minority and non-minority" consumers alike. He said Allstate's credit scoring tool does not know the customer's income or race. He also said credit scoring has allowed Allstate to not only write more auto and homeowners business than it might otherwise write but also has allowed it to more accurately price its policies

But the plaintiffs' suit argued that the use of credit scoring is intentional discrimination that results in a "disparate impact" against minority policyholders.

Allstate challenged the disparate impact claims in court, arguing that the federal housing act has limited effect because insurance is regulated by the states.

"We feel it is an issue more appropriately dealt with by the states," added Trevino.

In 2002 a federal trial judge allowed the suit to proceed. The court rejected Allstate's argument and determined that the states at issue (Texas and Florida) had not yet enacted regulations governing credit scoring so plaintiffs could look to federal law and courts. In addition, this court noted that federal courts have held that the McCarran-Ferguson Act does not preclude racial discrimination suits, even where states have enacted insurance and anti-discrimination statutes.

In September, 2003, the U.S. Court of Appeals for the Fifth Circuit in New Orleans affirmed the decision to deny Allstate's motion to dismiss.

With this latest Supreme Court affirmation, the case now proceeds to trial on its merits.

Find this article at:

<http://www.insurancejournal.com/news/national/2004/04/28/41541.htm>

© 2004 Wells Publishing, Inc. [Reprint Information](#) | [Home Search](#) | [Contact Us](#)