

ROBERT L. EHRLICH, JR.
Governor

MICHAEL S. STEELE
Lt. Governor



R. STEVEN ORR
Commissioner

JAMES V. MCMAHAN, III
Deputy Commissioner

525 St. Paul Place, Baltimore, Maryland 21202-2272
Direct Dial: 410-468-2004 Fax: 410-468-2005
Email: dfrank@mdinsurance.state.md.us
1-800-492-6116 TTY: 1-800-735-2258
www.mdinsurance.state.md.us

FOR IMMEDIATE RELEASE

**COMMISSIONER RESPONDS TO CONSUMER FEDERATION OF AMERICA
ALLEGATIONS AGAINST MARYLAND DOMESTIC INSURER GEICO**

"Allegations Are Without Factual Foundation" Orr Says

Baltimore, MD (March 24, 2006)...In a March 22, 2006 letter to the Consumer Federation of America (CFA) and to the New Jersey Citizens United Reciprocal Exchange (CURE), Maryland Insurance Commissioner R. Steven Orr responded to allegations that GEICO has engaged in unfair rating practices.

"As GEICO's domestic regulator, I begin my analysis based on the facts," Commissioner Orr explained. "My review of the facts show that the allegations made by CFA and CURE are without foundation. GEICO utilizes more than 20 rating factors in determining rates, not just education and occupation." Commissioner Orr's letter is in direct response to CFA's and CURE's call for a nationwide ban claiming that "GEICO prices its auto insurance policies based on the education levels and professions of potential customers."

Orr noted that, all other rating factors being absolutely identical, it is possible that a difference in education or in occupation could result in a different rate. "That, however," Orr explained "is true of any rating factor that you isolate from a complex and comprehensive rating scheme. For example, all other factors being identical, a young adult who is in college may pay less than a young adult who is not in school."

The Maryland Insurance Administration's last market conduct exam of GEICO was completed in April 2005. This exam revealed no evidence that GEICO had violated its rating plans by relying solely on education or occupation in setting premium. Neither did the exam reveal any evidence that GEICO is engaged in unfair discriminatory pricing. GEICO utilizes multiple factors in underwriting and rating an applicant/policyholder. While both education and occupation are among those factors considered by GEICO, they are by no means the only factors used to determine premium.

The Maryland Insurance Administration views GEICO favorably as a strong competitor in the auto market. "Competition drives down prices," Commissioner Orr added. "Competition is the best consumer protection possible."

In New Jersey, for example, GEICO has developed approximately 330,000 customers for 500,000 vehicles in the 19 months since it began writing business. Surveys indicate that customers saved more than \$650 annually as a result of switching to GEICO.