

Approved February 28, 1989  
Date

MINUTES OF THE House COMMITTEE ON Insurance

The meeting was called to order by Dale Sprague at  
Chairperson

~~3:30~~ ~~x~~ m./p.m. on February 22, ~~89~~ in room 311 of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Research Department  
Bill Edds, Revisor of Statutes  
Patti Krugel, Committee Secretary

Conferees appearing before the committee:

Others present: see attached list.

The Chairman called the meeting to order at 3:30 p.m. and began hearings on HB 2249.

HB 2249 -- An Act relating to insurance and pension or retirement plans; declaring discrimination of the basis of sex or marital status in the issuance or operation thereof to be an unlawful discriminatory practice.

Chris Courtwright, Legislative Research Department, gave a brief overview of HB 2249. He stated that this Bill is a reproduction of a Montana Statute making it an unlawful discriminatory practice for any Insurance company, financial institution or other person to discriminate solely on the basis of sex or marital status. The Bill has a grandfather clause which states this act would not take effect until January 1, 1990.

Representative Kathleen Sebelius, sponsor of HB 2249, explained her support of the Bill. Rep. Sebelius provided testimony (Attachment 1 and 2) stating that the bases for differing rates include age, gender, religion, and race, but religion and race are no longer grounds for discrimination and gender should be considered as religion and race have been. Insurance Companies explain that gender is cause for differing rates due to the fact that women live longer than men. Today's women are a diverse group and life expectancy is only a prediction. Rep. Sebelius suggested that HB 2249 may best be considered in an Interim study.

The AFL-CIO provided testimony in support of HB 2249 which expressed that unisex prices in insurance would force insurance companies to use factors which are casually connected in determination of insurance rates rather than stereotypes. (Attachment 3)

Jeannie Chavez-Martinez, Kansas National Organization for Women, appeared before the Committee in support of HB 2249 stating that Discrimination in Insurance denies equal protection of the law and that as a public policy matter, it should be clear that discrimination on the basis of sex is unsupportable. Ms. Martinez provided testimony (Attachment 4) which suggests that because this issue has such impact the Committee consider it for an Interim study.

Kay Coles, Kansas National Education Association, briefly appeared before the Committee to urge support for HB 2249.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Insurance

room 531-N, Statehouse, at 3:30 ~~xx~~ a.m./p.m. on \_\_\_\_\_, 1989

Brandon Myers, Council of Civil Rights, testified that the Council supports HB 2249.

There were no other conferees wishing to appear in support of HB 2249 and the Committee began hearing opponent testimony.

Walt Whalen, Pyramid Life Insurance Company, appeared in opposition to HB 2249 and explained that the purpose of insurance is to protect the insured against economic catastrophe and that the basis of discrimination is not solely based on gender but rather the consideration that women are more of a medical risk. (Attachment 5)

Next appearing before the Committee in opposition to HB 2249 was Ed Zimmerman, American Council of Life Insurance. Mr. Zimmerman provided testimony (Attachment 6) which outlines that mandated non-gender insurance creates a significant economic disadvantage to many women. Mandatory Unisex Insurance is often cast as a law benefiting women, but has been proven to be costly to the people it was intended to benefit.

John Atchley, American Home Life, provided testimony in opposition to HB 2249 explaining that if unisex legislation were to become a fact in Kansas it would lead to increasing the premiums we charge women and probably a small decrease the the premium we charge men. (Attachment 7)

Jim Hall, Security Benefit Life, testified in opposition to HB 2249. Mr. Hall explained that Insurance companies believe each person should be charged a rate which accurately reflects their risk status. Women now pay a lower rate based on the fact that the life expectancy is greater than that of men. Changing to unisex, may give the appearance of equality in theory, in practical effect the results are less fair to everyone. (Attachment 8)

Testifying in opposition to HB 2249 was Rick Wilborn, Farmers Alliance Insurance. Mr. Wilborn provided testimony (Attachment 9) which explains that in regard to automobile insurance, the effect of limiting gender in setting rates would be an increase in the cost of insurance for those who are perceived to be discriminated against.

Next appearing in opposition to HB 2249 was Debbie Wozniak, State Farm Insurance. Ms. Wozniak provided a survey from the Montana Insurance Department that determined the impact on none gender legislation (Attachment 10). Also provided (Attachment 11) was a graph developed by State Farm Insurance, outlining the changes in total annual package policy premiums.

Lori Callahan, American Insurance Association, testified in opposition to HB 2249 explaining that unisex legislation while not intending to do so would in fact further impoverish women. The bill would disallow the use of valid actuarial risk classifications and penalize an identifiable low risk group forcing them to subsidize an identifiable high risk group. Ms. Callahan provided several in depth testimonies for the Committees review (Attachments 12, 13, 14, 15, 16, and 17).

Others wishing to be recognized as opponents to HB 2249 for reasons discussed here today were: Bud Cornish, Kansas Association of Property and Casualty, Kansas Life Association and National Association of Independent Insurers; Lee Wright, Farmers Insurance Group; Jim Oliver, Professional Insurance Agents; Glenn Cogswell, Alliance of American Insurers; Dan Molden, Kansas Life Underwriters; and Bill Sneed, American Investors Life.

The meeting was adjourned at 5:10 p.m.



## STATE OF KANSAS

KATHLEEN SEBELIUS  
 REPRESENTATIVE, FIFTY-SIXTH DISTRICT  
 HOME ADDRESS: 224 GREENWOOD  
 TOPEKA, KANSAS 66606  
 (913) 233-6535  
 OFFICE: SUITE 501-S STATEHOUSE  
 TOPEKA, KANSAS 66612  
 (913) 296-7683



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 RANKING MINORITY MEMBER: FEDERAL AND  
 STATE AFFAIRS  
 MEMBER: JUDICIARY  
 ELECTIONS  
 CRIMINAL JUSTICE COORDINATING  
 COUNCIL

Rates should not go up because the same people will be insured.

There are other laws prohibiting discrimination:

1. education
2. employment
3. credit
4. housing

\* Historically the bases for differing rates include age, gender, religion and race, BUT religion and race are no longer grounds for discrimination. GENDER SHOULD BE CONSIDERED AS RACE AND RELIGION HAVE BEEN.

Why should this be passed: accuracy, fairness and feasibility

— Women are a diverse group, life expectancy is only a prediction

Norris v. Arizona Governing Committee [463 US 1073 (1983)]  
 -benefits must be equalized insofar as they are based on prospective contribution, prohibits sex discrimination in employer-operated pension plans, BUT companies with fewer than 15 employees may continue to use sex-based tables to charge more or pay them less

The insurance industry has an EXEMPTION TO ANTI-TRUST REGULATION.

— The industry has rejected racial and religious discrimination, (but blacks generally have shorter lives, while Mormons have longer lives).

GENDER IS NOT RISK RELATED

Over the average lifetime, women spend \$20,176 more than men on insurance premiums alone.

THIS BILL IS PRO-FAMILY!!

STATISTICS

1. 60% of all poor Americans are women
2. 71% of the elderly poor are women
3. 51% of the population of Kansas is made up of women (1.2 million)

4. 41% of the population employed in Kansas is made up of women (456,273)
5. 64,965 households are headed by women; in 1986 66% of women (18-64) worked.

### Types of Insurance

#### 1. Auto:

- a. current based on gender
- b. base should focus on:
  - i. miles driven (single best predictor)
  - ii. smoking habits (better than gender)
  - iii. driving record
  - iv. years of driving experience
  - v. age
  - vi. geographic location
  - vii. type of vehicle
  - viii. obedience to traffic laws
- c. if sex is a good predictor, it is because it predicts these factors(?)
- d. accident-free and claim-free drivers should get the auto insurance they need at standard rates from the companies they choose
- e. women drive fewer miles and have fewer accidents
- f. five states prohibit discrimination in auto insurance
  - i. Michigan
  - ii. Hawaii
  - iii. Massachusetts
  - iv. North Carolina
  - v. Montana
- g. men have 1.5 to 2.3 times more accidents than women
- h. men have a much higher annual average mileage rate and incidence of alcohol abuse
- i. will lower insurance costs for careful, sober, low mileage drivers (who are predominately women)

#### 2. Life:

- a. should base rates on . . .
  - i. substance abuse
  - ii. family medical history
  - iii. physical condition
  - iv. recreation and occupational activities

- b. families will benefit from sex-neutral life insurance
- c. gender-neutral life insurance will not significantly increase women's life insurance premiums, families will benefit
- d. currently while the documented lifespan difference is between six years and nine years, only a three year allowance have been given to women from insurance companies.

3. Health:

- a. unisex insurance is offered with regard to group health insurance from employers (Norris case)
- b. most insurance companies charge women more than men for individual insurance
- c. some group insurance costs are higher is over half of the group is female
- d. group insurance doesn't usually cover:
  - i. pre-natal
  - ii. post-partum
  - iii. family planning
  - iv. gynological disorders
- e. private insurance companies say pregnancy is voluntary condition, and exclude coverage for pregnancy and childbirth; while other voluntary sex-link disabilities are generally covered for men, (i.e. vasectomies, prostatectomies, hair transplants and sports related injuries).
- f. problem with divorced and widowed women getting coverage
- g. women pay up to twice as much as men for individual policies, and these policies exclude pregnancy claims, THIS LEADS TO UNINSURED WOMEN

4. Disability:

- a. generally this type of insurance is not available to
  - i. women working at home
  - ii. part-time workers (predominately women)
  - iii. excludes female disorders
- b. \$7,000 more over lifetime than men
- c. women do miss slightly more days of work than men, but this includes time off to stay with sick children and encompasses short and long absences

5. Pension/Annuity:

- a. 33% women, while 47% men similarly situated participate in pension plans
- b. based on sex and age
- c. why: because women live longer so they have to pay more or receive less
- d. HOWEVER, past the age 65, 86% of men and women have overlapping life spans. ALL WOMEN SHOULD NOT RECEIVE A SMALLER ANNUITY OR PENSION BECAUSE SOME WOMEN LIVE LONGER
- e. Norris: prohibits sex discrimination in employer-operated pension plans, BUT companies with fewer than 15 employees may continue to use sex-based tables to charge more or pay them less.

# WEAL Facts

Women's Equity Action League  
1250 I Street NW, Suite 305, Washington, DC 20005 (202) 898-1588

## THE QUESTION OF INSURANCE DISCRIMINATION

Why is the insurance industry spending millions of dollars to fight legislation and litigation to end sex and race from discrimination in insurance?

Because discrimination is profitable for the \$398 billion industry. Profits come from the pocketbooks of women and their families. The industry insists that women "benefit" from discrimination.

Why is the insurance industry opposed to a national Equal Rights Amendment?

The ERA would provide a constitutional basis for arguing that sex discrimination in insurance is illegal. The industry has spent tens of millions of dollars to prevent passage of the ERA.

How does the insurance industry discriminate?

Mainly by using sex and zip codes ("red-lining") to determine terms, conditions, rates, premiums, and benefits for their customers.

Why is "race" included in the proposed legislation to end insurance discrimination? Hasn't the industry stopped the practice of racial discrimination?

No. Racial discrimination in insurance still exists, especially in the areas of homeowner, business, property, and auto insurance. The industry continues to use red-lining--the practice of setting higher rates for zip codes with a high concentration of minority population.

Will the insurance industry go bankrupt if it has to switch to sex-neutral rates?

No. The Teachers Insurance and Annuity Association - College Retirement Equities Fund was ordered by the Supreme Court in Spirit v. TIAA-CREF to equalize pension benefits for women and men. TIAA-CREF was well able to equalize, and in fact raise, the pay-outs of all retirees since 1980.

Will poor women and single parents be hurt if rates are sex-neutral?

No, they will be helped. More women than ever will have access to affordable health insurance, especially widows and single parents who do not have group coverage through their spouse or job. Women who are good drivers, whether they can afford a car or not, will continue to enjoy low auto insurance rates.

Will sex-neutral insurance increase women's auto insurance premiums?

No. Women drive fewer miles than men and therefore have fewer accidents. New drivers will continue to pay a surcharge, but all good drivers will enjoy low rates. Only bad drivers of either sex will pay high premiums. Women over 25, the age at which their supposed "better driver" rates disappear, will benefit. If the industry truly believed women were better drivers, women's rates would be lower throughout their lives, not just before 25.

Should "miles driven" rather than sex be used to determine auto insurance rates?

Yes. Miles driven is the single best predictor of auto accident rates. If it were used to set rates, then women of all ages would benefit, since on average women drive about half as much as men and have fewer accidents.



Will sex-neutral insurance increase women's life insurance premiums?

Not significantly. Currently all life insurance is cheaper than it was 10 years ago. Women who keep physically fit and who don't abuse substances will continue to enjoy low rates, as will men who fit this category. The families of these men and women will benefit as well.

Don't women get a break in life insurance because they live longer?

This is a recent marketing gimmick to sell insurance to women. There is no "break" in purchasing small amounts of life insurance, which is all most women can afford (the median income of women is \$14,780). Higher disability waivers, lower dividends, and less accrual from investments wipe out the "break." Women as beneficiaries are hurt when their spouses have to pay higher rates based solely on their sex.

Don't women live longer than men?

Although some women do live longer than some men, sex is not an appropriate category for determining risk. Men in Hawaii live longer than women in Washington, D.C., on average. Lifestyle is a more suitable factor for assessing risk.

Don't women get sick more often and miss more work than men?

That premise was challenged in Pennsylvania under its state ERA and the insurance company was unable to substantiate its assertions. Women often visit the doctor more, but for childbearing or preventative reasons.

Will sex-neutral insurance force single men to buy maternity benefits?

88% of all single men already have pregnancy coverage under group employee benefit plans, as a result of the Pregnancy Disability Act of 1978. Women help pay for men's hair transplants, vasectomies, prostatectomies, and sports injuries. Sharing risks helps keep the costs minimal. Healthy pregnancies benefit all of society.

Shouldn't there be action on the state level to end discrimination in insurance?

Much progress has been made in several states. Montana has successfully upheld legislation enacting comprehensive non-discrimination in insurance (despite attempts to repeal the laws). The Massachusetts insurance commissioner has ordered sex-neutral rates for all types of insurance sold in that state, to become effective September 1, 1988. Five states (North Carolina, Massachusetts, Hawaii, Michigan, and Montana) have sex-neutral rates in auto insurance, which will be precedents for comprehensive legislation.

Order **WEAL's Insurance Discrimination Packet**, \$18 (members/\$15), for more in-depth information.

Updated by Georgia Zisimopoulos, November 1987. For more information contact Pat Reuss, Legislative Director, WEAL, 1250 I Street NW, Suite 305, Washington, D.C. 20005. (202) 898-1588.

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# WEAL Facts

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Women's Equity Action League  
1250 I Street NW, Suite 305, Washington, DC 20005 (202) 898-1588

## WOMEN AND INSURANCE: AN OVERVIEW

Sex discrimination in insurance is a common and profitable industry practice. Insurance companies discriminate against women through rates, extent of coverage, benefit levels, and availability of options. Women pay higher rates than similarly situated men for health, annuity, disability and auto insurance rates for women over 25.

Insurance companies treat women as temporary, reluctant, or "unproven" members of the workforce. Women, however, comprise a major segment of the labor force. During the past fifteen years, two-thirds of all people entering the labor force were women. In 1986, 66% of women ages 18 to 64 worked, and a total of 49.6 million women were members of the workforce. More than half of these women work out of necessity because they are widowed, divorced, or unmarried, or must supplement their husbands' low annual incomes. Working women are a growing market for the insurance product.

Over 10.5 million women are the sole support of their families. If these women work part-time, or in small businesses, or if they are widowed or divorced homemakers, they have little or no access to group health, life, or disability insurance. Recent legislation has given displaced homemakers a chance to continue being covered under their spouse's group plan for three years, but eventually they must go to the private market for insurance. With a median age of 41, and a median weekly income of \$290 (according to 1984 data) these single bread-winners need equitable and affordable insurance more than anyone.

A recent study conducted by the Nongender Insurance Project of Montana found that women who were able to carry all five of the standard, individual insurance policies -- auto, health, disability income, whole life insurance and annuities -- paid a lifetime cost of \$20,176 more than similarly situated men when sex-based premiums and benefits were used, in the form of higher premiums and lower returns.

## LIFE INSURANCE

Most insurance companies, claiming that women as a group live longer than men, offer life insurance to women for a premium that is similar to men who are 3 to 5 years younger. This 3-5 year advantage still falls short of the 7 years that differentiate men's and women's average life expectancy. The industry bases prices on sex while ignoring, or counting as secondary, more accurate criteria such as substance abuse, family medical history, physical condition, and recreational and occupational activities. The industry for the most part has rejected racial and religious discrimination as socially

unacceptable even though, for example, blacks as a group die younger and Mormons on average live longer.

Few women benefit from the minor advantages they are allowed in life insurance. First of all, women must pay a surcharge for the smaller amounts of coverage that women usually buy. Secondly, women must pay a larger "disability waiver premium" to ensure that their life insurance is continued during disability. Finally, women who pay a cheaper premium for life insurance than men (because of the "setback") often end up with an inferior product. Women who are beneficiaries of men's life insurance policies should be concerned that men automatically have to pay higher premiums. Families will benefit from sex-neutral life insurance.

### **RETIREMENT AND PENSION BENEFITS**

Insurance companies compute individual annuity premiums and benefits on the basis of sex and age. They claim that because women as a group live longer than men, they must charge women more or pay them lower monthly retirement benefits than men who have paid identical premiums. However, it has been statistically shown that after age 65, 86% of men and women have overlapping life spans. All women should not receive a smaller annuity or pension because SOME women live longer, just as all men should not pay higher insurance premiums because some men die at a younger age.

The Supreme Court in Arizona Governing Committee v. Norris (103 S.Ct.3492), July 6, 1983, prohibited sex discrimination in employer-operated pension plans covered under Title VII, an employment discrimination law. But companies selling individual annuities and employers with fewer than 15 employees may continue to use sex-based tables to charge women more or pay them less.

Another case, Teachers Insurance and Annuity Association v. Spirt (No.84-507), October 9, 1984, ordered equality of benefits for all pensioners retiring after May 1980. This precedent-setting Second Circuit Court decision, upheld by the Supreme Court, directed the nation's fourth largest retirement system to remedy its past discriminatory practices, as well as stop all future discrimination.

### **DISABILITY INSURANCE**

Individual disability income insurance is generally not available to women whose jobs are performed at home, yet it is available to men with identical job and risk factors. Group disability insurance, when offered, is rarely available to part-time workers, placing at a disadvantage the women who make up 70% of this category. When disability insurance is offered at the workplace, it often excludes coverage for periods of disability resulting from medical or surgical treatment of female disorders.

In recent years many companies have equalized disability premiums, lowering the rates of women to that of men, but this is mostly for professional and management level employees. Service,

clerical and technical workers -- 80% of these workers are women-- still are charged higher premiums or may not even have access to disability coverage.

Women often pay much higher premiums than men carrying identical or better coverage. A case study conducted in 1987 by the Nongender Insurance Project of Montana has shown that Montana women were paying an average of \$7,100 more than their male counterparts for thirty-four years of disability income insurance. Once Montana's comprehensive law prohibiting discrimination on the basis of gender and marital status took effect on October 1, 1985, Montana women began to save a lifetime average of \$5,000 to \$7,000 in disability income insurance.

### **HEALTH INSURANCE**

Premiums for individual health insurance in general are higher than those for group health insurance supposedly because there is no group to share the risk. Most insurance companies charge women MORE than men for this individual coverage which is already expensive. Also, some group insurance costs more if over half the group is female or the group members are not employed by the same company.

Group health insurance policies rarely cover prenatal care, postpartum care, family planning, and gynecological disorders. In addition, private insurance companies see pregnancy as a voluntary condition and often exclude it and its related complications from all types of coverage. Yet, other voluntary, sex-linked disabilities are generally covered for men, such as vasectomies, prostatectomies, hair transplants, and sports related injuries.

Divorced and widowed women who have lost coverage under their spouse's group plan find it almost impossible to obtain individual health insurance even if they can afford it. Age and pre-existing health conditions (even if cured) work against their chance of getting health insurance.

WEAL and the Older Women's League helped pass an important new law, the Consolidated Reconciliation Act of 1986, that will help some women. COBRA went into effect July 1, 1986. A woman divorced or widowed on or after this date can request to be covered under her husband's group plan but must pay both the employer and employee portions of the monthly premium, and can only continue coverage for three years.

### **AUTOMOBILE INSURANCE**

Women of all ages drive fewer miles and have fewer accidents than men. If "miles driven" instead of sex were used as a prime risk classification in auto insurance, most women under 25 would continue to enjoy "good driver" rates and women over 25 would pay 20 percent less than they now pay. All young and new drivers should expect to pay a surcharge, but young men (and their parents) would not pay exorbitant rates simply on the basis of sex. All good drivers would continue to enjoy lower rates.

Five states currently prohibit discrimination in automobile insurance: Michigan, Hawaii, Massachusetts, North Carolina, and Montana.

#### **SEX-NEUTRAL LEGISLATION**

Montana is the only state to pass a law prohibiting sex-based insurance discrimination across the board. The Massachusetts insurance commissioner recently issued regulations banning sex discrimination for all types of insurance sold in that state. The Massachusetts regulations go into effect September 1, 1988, and insurance companies plan to file a lawsuit.

Some companies offering sex-neutral insurance coverage for individuals are:

**Auto:** Commercial Union Insurance Company;

**Health:** Blue Cross/Blue Shield in some states, Consumers United Insurance Company, Co-op America;

**Life:** Consumers United Insurance Company, Co-op America, Home Life Insurance Company, The Paul Revere Companies; and

**Disability:** Selected Risks Insurance Company, The Equitable Life Assurance Company of the U.S., Provident Life and Accident Insurance Company, Home Life Insurance Company, The Paul Revere Companies.

John Hancock Mutual Life Insurance Company, while not selling sex-neutral insurance, has stated that it is not opposed to the concept and supports legislation to end discrimination.

For more in-depth information, order **WEAL's Insurance Discrimination Packet** (\$18, members/\$15), which includes fact sheets, WEAL testimony before Congress, advice for state action, and articles on non-discrimination in insurance legislation.

Updated by Georgia Zisimopoulos, November 1987.

For more information, contact Pat Reuss, Legislative Director, WEAL, 1250 I Street NW, Suite 305, Washington, D.C. 20005. (202) 898-1588.

## WORKING FOR SEX EQUITY IN INSURANCE STRATEGY SESSION

### Primary Sponsors

Montana Women's Lobbyist Fund Non-Gender Insurance Project  
American Civil Liberties Union Women's Rights Project  
National Center for Policy Alternatives  
Women's Equity Action League

### Co-Sponsors

(groups with asterisks helped fund the event as well)  
\*American Federation of State, County, and Municipal Employees  
\*American Association of Retired Persons  
\*American Association of University Women  
\*BPW/USA  
B'nai B'rith Women  
Church Women United  
Citizen Action  
Displaced Homemakers' Network  
Justice for Women Project, General Board of Church and Society,  
The United Methodist Church  
Leadership Conference on Civil Rights  
National Association of Commissions for Women  
National Council of Senior Citizens  
\*National Education Association  
National Insurance Consumer Organization  
National Organization for Women  
NOW Legal Defense and Education Fund  
National Women's Health Network  
National Women's Law Center  
National Women's Political Caucus  
Older Women's League  
Organization of Pan Asian American Women  
Pension Rights Center  
Public Citizen  
\*Rockefeller Family Fund  
Service Employees International Union  
United Church of Christ  
Women's Legal Defense Fund

### Additional Funders

Association of Trial Lawyers of America  
The Ford Foundation  
Windom Fund  
United Auto Workers

Other Groups on Record in Support of Sex Equity in Insurance

AFL-CIO  
ADA  
American Association of University Professors  
American Ethical Union  
American Jewish Congress  
American Nurses Association  
American Veterans Committee  
Coalition of Labor Union Women  
Congressional Caucus on Women's Issues  
Consumer Federation of America  
International Ladies Garment Workers Union  
League of Women Voters  
Mexican American Legal Defense and Education Fund  
NAACP  
National Catholic Conference for Interracial Justice  
National Council of Churches, Division of Church and Society  
National Council of Educational Opportunity Associations  
National Council of Negro Women  
Unitarian Universalists Association  
United Auto Workers  
United Methodist Church, Board of Global Ministries Women's Division  
Urban League  
YWCA

(These lists of national supporters are provided to give you ideas of groups in your state that could be approached for support of sex equity in insurance.)



# INSURANCE:

## EACH POLICY HAS TWO PRICES: WOMEN'S AND MEN'S

### —Four Typical Policies to Cover a Lifetime—

(DISCUSSION ON BACK)

#### AUTOMOBILE INSURANCE

**ONE POLICY** Liability and Physical Damage, rating factors from Insurance Services Office, *Personal Auto Manual*, 1980. Primary Classifications: Youthful Operator; Good Student; Unmarried; Owner or Principal Operator; Drive to Work or Business Use. \$200 base price assumed. Driver marries at age 25.

#### TWO PRICES

Age	Annual Payments			Difference	(Illegal in Hawaii, North Carolina, Massachusetts, Michigan, Montana 10/85, and Pennsylvania 1/86.)
	Women	Men			
17	\$320	\$550	\$230		
19	280	480	200		
21-24	250	450	200		
25	250	250	0		<b>Advantages Women</b>
64	250	250	0		(Not really, see over)

Total difference for 47 years, ages 17-64 **\$1,640.**

#### MEDICAL INSURANCE

**ONE POLICY** Hospital-Surgical Policy, State Farm Mutual (Form 97032);\* plan 2: \$100 Daily Room and Board; \$2,000 Surgical. Includes pregnancy complications. Excludes pregnancy, childbirth.

#### TWO PRICES

Age	Annual Payments			Difference	(Illegal in Montana 10/85.)
	Women	Men			
25	\$289	\$187	\$102		
40	546	284	262		
50	573	386	187		<b>Advantages Men</b>
64	599	561	38		

Total difference for 40 years, ages 25-64 **\$6,662.**

#### DISABILITY INSURANCE

**ONE POLICY** Disability Income Policy, Allstate Life (Form HU304);\* Class 2, \$700/month base benefit. Excludes pregnancy, childbirth, miscarriage, abortion. Includes complications and non-elective caesarean section.

#### TWO PRICES

Age	Annual Payments			Difference	(Illegal in Montana 10/85.)
	Women	Men			
25	\$182	\$128	\$ 54		
35	307	149	158		
45	370	197	173		<b>Advantages Men</b>
55	410	305	105		

Total difference for 40 years, ages 25-64 **\$4,854.**

#### LIFE INSURANCE AND PENSION

**ONE POLICY** Minnesota Mutual, Retirement Income at 65 Policy (RI65).\*\* Life Insurance before age 65, \$100,000. Monthly pension starting at age 65, \$1,000. Refunds ("dividends") estimated by company deducted.

#### TWO PRICES

Age	Annual Payments			Difference	(Illegal in Montana 10/85.)
	Women	Men			
35	\$4,471	\$4,124	\$347		
45	3,473	3,179	294		
54	2,401	2,185	216		<b>Advantages Men</b>

Total difference for 20 years, ages 35-54 **\$5,856.**

**Women's total price exceeds men's total price for these 4 policies by \$15,732.**

\* 1981 Time Saver for Health Insurance, National Underwriter Publication.

\*\* 1977 Minnesota Mutual Life Rate Book.





## DISCUSSION OF THE PRICE CHART ON THE OTHER SIDE

**EACH POLICY HAS TWO PRICES: WOMEN'S AND MEN'S** — This chart tests the validity of insurance company claims that women get "breaks" from sex discrimination. The test is not what insurers say, but what they sell. (Prices vary with age and are shown at several ages. Totals are for the whole age range.)

These policies are sold by major companies and the prices are from company price lists. Differences between prices charged to women and men for the same insurance are typical and would still show up if other policies were used. Insurance PRICES should not be confused with ACTUARIAL statistics, which do not dictate prices but are analytical tools that companies use to help predict claims costs (commonly 2/3 or less of what individuals pay for insurance) and design selling strategies.

**AUTO INSURANCE** — Insurers insist that sex-based prices are "cost-based." But current pricing schemes completely ignore men's consistently higher (1.5 to 2.3 times) annual accident rates, which result chiefly from much higher average annual mileage and incidence of alcohol abuse (a voluntary condition). Young women, whose accident rates are lower than adult men's, are charged more than their fathers. Furthermore by charging adult women the same as adult men, or even with the token 10% discount offered by some companies to single women, insurers are grossly violating the principle of cost-based pricing and overcharging women throughout their driving lifetime.

Unisex prices can be the real "break" for women. Outlawing sex-based prices can lead to utilization of factors that are causally connected, not merely correlated like sex, to risk of accident. Since men drive more and have more traffic violations, taking such factors into account will lower insurance costs for careful, sober, low mileage drivers, who are predominantly women. Realistic use of auto mileage alone would, on average, save women 30% on auto insurance prices for an annual total of more than \$2 billion nationwide. (See NOW fact sheet #74 on AUTO INSURANCE for further information.)

**MEDICAL & DISABILITY HEALTH INSURANCE** — About two-thirds of American women have unisex health insurance, thanks to hard-won civil rights laws prohibiting sex discrimination by employers in insurance and pension benefits. Ironically, insurers are now using this fact to oppose enactment of civil rights law to end sex discrimination in individual insurance because, they argue, "most women already have unisex health insurance." Consequently millions of women without access to employment-related insurance, or who have lost it through divorce or loss of a job, must pay up to twice as much as men for individual policies that exclude the medical costs of pregnancy. These punitive prices force many women to remain uninsured. (See NOW fact sheet #90 on DISABILITY INSURANCE.)

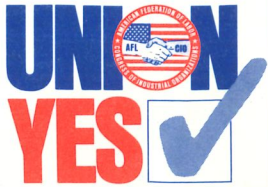
**LIFE INSURANCE AND PENSION** — Women's discount is often an illusion. For simplicity, the chart uses a major company's combination life insurance/pension policy (sold by most companies), but the difference in costs for women and men is about the same when the policies are examined separately and the results combined. For example, comparison of a Metropolitan Life Insurance sales printout for women with one for men (both produced for NOW in 1983) for a \$100,000 Whole Life policy paid from age 25 to 65, with accumulated savings (cash value) then converted into retirement income, shows these results:

Life insurance \$100,000, 40 years	Women	Men	Difference	Advantages
Total pay-ins (premiums)	\$ 32,440	\$ 35,960	\$ 3,520	Women
Total refunds (dividends)	38,119	42,185	4,066	Men
Cash value at age 65	50,600	54,500	3,900	Men
<b>Pension:</b> age 65 cash value converted to a monthly income for life	\$ 287	\$ 341	\$ 645/year	Men

NOTE that for the life insurance alone, men's net advantage is \$4446. (An official life insurance cost index, to take account of the time value of money in comparing policies between companies, shows a 2% higher cost to women over 20 years for this policy despite their lower cost to insure. The cost index values for other companies show both lower and higher costs to women relative to men.) With pension income, at age 75 men's total advantage increases to nearly \$11,000. As beneficiaries of the life insurance industry's highly touted "women's discount," women thus pay less; but may get much less. (Further information on higher cost life insurance and annuities for women is on NOW's LIFE INSURANCE fact sheets (#75 & #54).)

**KANSAS AFL-CIO**

110 W. 6th St. P. O. Box 1455 Topeka, KS 66601 (913) 347-0396



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**Dale Moore**

Executive Secretary  
Treasurer  
**Jim DeHoff**

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**Wayne Maichel**

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DATE: February 22, 1989  
TO: Dale Sprague, Chairperson  
House Insurance Committee

**House Bill 2249**

- The Kansas AFL-CIO supports passage of House Bill 2249, which declares discrimination relating to insurance and pension or retirement plans on the basis of sex or marital status to be an unlawful discriminatory practice.

The AFL-CIO has historically opposed all forms of sex discrimination. Thanks to collective bargaining agreements and civil rights laws, about two-thirds of American women have unisex health insurance through employee plans. However, millions of women without access to employment-related insurance must pay up to twice as much as men for individual policies which puts health insurance out of reach for most of these women and their children.

Unisex prices in insurance would force insurance companies to use factors which are causally connected in determination of insurance rates rather than stereotypes simply because they have been widely accepted.

We urge you to consider House Bill 2249 favorable for passage.

**Jim DeHoff**  
Executive Secretary-Treasurer  
Kansas AFL-CIO

**Wayne Maichel**  
Executive Vice-President  
Kansas AFL-CIO



Testimony to the House Committee on Insurance by Jeannie Chavez-Martinez

Thank you- Chairman Sprague

It is an honor to address the distinguished members of this committee.

I am here today to support HB2249. I represent the National Organization of Women... and...I speak on behalf of women, who like myself are single, head of household parents and are struggling to make a better life for themselves and their children...AGAINST ALL ODDS!

Before I go on; I would like to make two points:

First

\* The National Organization of Women had intended to schedule an eloquent, knowledgeable speaker on today's subject.. Sex Equity in Insurance. I AM NOT THAT SPEAKER, and I apologize, however, due to the change in the hearing date, our presenter was unable to attend. So...here I am!

The second point is:

\* One hearing is NOT enough time to make a decision on issues that impact so harshly on the most vulnerable people in our society today; single head of household mothers ,elderly women and children. I have always believed that a fundamental purpose of acknowledging any basic right is to prevent, or to eliminate, insofar as possible the degree of vulnerability that leaves people at the mercy of individuals or institutions that are in a position to deprive them of something deemed valuable by our Constitution, our laws or our society. Certainly this esteemed Committee would agree with me when I say that the health of our women and our children is of great value; socially and economically.

Insurance is one of the few areas where discrimination on the basis of sex continues to be legal. Discrimination in Insurance denies equal protection of the law and is no more fair than discrimination in education, in housing, in banking, in credit practices and in employment practices. As a public policy matter, it is clear that discrimination on the basis of sex is unsupportable. The only possible impediment to the implementation of a policy of non-discrimination on the basis of sex is that of practicality; what would the elimination of discrimination cost and is the benefit worth the cost? Most of the same arguments against the elimination of discrimination in insurance were made in the past in attempts to justify discrimination in education, in employment, in credit and in housing. The credit industry did not flounder when forced to give credit to women on a non-discriminatory basis; neither will the insurance industry.

Now, I am not a statistician, however, I do recognize that insurance companies apply the "PROBABILITY PRINCIPLE". That is

that in order to insure people, buildings, cats, white teeth, or whatever; they group according to risks. I propose that use of gender is an invidious proxy. Studies by the Womens Equity Action League and The National Insurance Consumer Organization, among others, have conclusively shown that alternative predictors are much more reliable than gender.

At the very least this committee should investigate the following issues in depth:

1. How discrimination in insurance impacts on the feminization of poverty;
2. The use of alternative predictors in the insurance industry;
3. The probability considerations; and
4. The legitimate effect on insurance rates, and of course, on the Industry.

Hopefully this committee will assess information from multiple sources and not solely from the perspective of the Insurance Industry,

\* As a representative of the National Organization of Women I support HB2249 and I encourage this committee to endorse the concept of non-gender based insurance.

As a single parent of four, I not only encourage the committee to endorse the concept, I implore you!

There is a crisis in this country and my children and I are victims, as are an ever increasing number of women and children, AND let me assure you that we are frightened. Yes, here in America, my home, I AM SCARED!

YOU!...have the power to make a difference. By eliminating discrimination in the Insurance Industry, you provide an economic advantage that would begin to lighten the burden!

I have available an abundance of materials that I would be happy to leave this afternoon for use by the committee.

Thanks for your time and your consideration. With the warmest wishes I remain; Jeannie Chavez-Martinez.

WORKING FOR SEX EQUITY IN INSURANCE STRATEGY SESSION

Primary Sponsors

Montana Women's Lobbyist Fund Non-Gender Insurance Project  
American Civil Liberties Union Women's Rights Project  
National Center for Policy Alternatives  
Women's Equity Action League - *Carol*

Co-Sponsors

(groups with asterisks helped fund the event as well)

- \*American Federation of State, County, and Municipal Employees
- \*American Association of Retired Persons
- \*American Association of University Women
- \*BPW/USA
- B'nai B'rith Women
- Church Women United
- Citizen Action
- Displaced Homemakers' Network
- Justice for Women Project, General Board of Church and Society,  
The United Methodist Church
- Leadership Conference on Civil Rights
- National Association of Commissions for Women
- National Council of Senior Citizens
- \*National Education Association
- National Insurance Consumer Organization
- National Organization for Women
- NOW Legal Defense and Education Fund
- National Women's Health Network
- National Women's Law Center
- National Women's Political Caucus
- Older Women's League
- Organization of Pan Asian American Women
- Pension Rights Center
- Public Citizen
- \*Rockefeller Family Fund
- Service Employees International Union
- United Church of Christ
- Women's Legal Defense Fund

Additional Funders

Association of Trial Lawyers of America  
The Ford Foundation  
Windom Fund  
United Auto Workers

*Handwritten notes:*  
Richard Mann  
1/2  
233-0332  
1/2

Other Groups on Record in Support of Sex Equity in Insurance

AFL-CIO  
ADA  
American Association of University Professors  
American Ethical Union  
American Jewish Congress  
American Nurses Association  
American Veterans Committee  
Coalition of Labor Union Women  
Congressional Caucus on Women's Issues  
Consumer Federation of America  
International Ladies Garment Workers Union  
League of Women Voters  
Mexican American Legal Defense and Education Fund  
NAACP  
National Catholic Conference for Interracial Justice  
National Council of Churches, Division of Church and Society  
National Council of Educational Opportunity Associations  
National Council of Negro Women  
Unitarian Universalists Association  
United Auto Workers  
United Methodist Church, Board of Global Ministries Women's Division  
Urban League  
YWCA -

(These lists of national supporters are provided to give you ideas of groups in your state that could be approached for support of sex equity in insurance.)

..AND THEN WOMEN WERE TREATED EQUAL..AND HIGH PREMIUMS BEFELL THEM LIKE A PLAGUE, PLUNGING THEM INTO POVERTY AND DESPAIR! WITH ONLY SWILL TO NOURISH THEIR WEAKENED BODIES...



BEST WISHES  
TO REP. MARY KANE GIBSON  
Sam Hotent

## TESTIMONY OF WALTER W. WHALEN BEFORE HOUSE INSURANCE COMMITTEE

FEBRUARY 22, 1989 ON HOUSE BILL 2249

Thank you Mr. Chairman. I am Walter William Whalen speaking in opposition to House Bill 2249 in representing The Pyramid Life Insurance Company of Kansas, a small domestic company writing life and health insurance business in the state of Kansas. The Home Office of Pyramid Life Insurance Company is in Mission, Kansas. I appreciate the opportunity of presenting my thoughts concerning House Bill 2249, commonly referred to as the Unisex Bill, to this Committee. I have edited my comments to eliminate statistics and duplication of information provided by the other opponents of this Bill.

I would like to begin by recounting a bit of legislative history concerning one of our neighboring states. As we all probably remember from our grade school days, the mathematical symbol pi represents the relationship between the radius of a circle and its circumference. When this mathematical symbol is reduced to numbers, it is not a whole number but rather comes out as 3.1429 plus. The plus goes on to infinity. In an effort to make life simpler for grade school students, a member of one of our southern states legislatures attached an amendment to a school financing bill which stated in effect that after passage, in that particular state, pi would by law be rounded off at 3. Obviously, this delighted the grade school students. However, mathematicians, teachers, engineers, architects, etc. prevailed upon the governor to veto this piece of legislation. The governor did so and in his veto message to the legislature pointed out that no statute, no matter how well intentioned, could alter a fact of nature. The same must be said about Proposed House Bill 2249. Facts of nature exist and will continue to exist regardless of all efforts made by individuals or groups to alter these facts.

One of the unalterable facts of nature is that there are numerous differences between males and females, many of these differences not readily apparent to the naked eye. Another unalterable fact of nature is that discrimination exists in nature and is an integral part of our every day existence. In fact, it was once considered quite proper to refer to an individual as a person of discrimination or as a discriminating person. In the recent past this was considered a compliment. Unfortunately, it is now considered an insult. We must admit however that discrimination is a part of our every day experience. Every time we make a choice we discriminate against that not chosen. Whether we are picking a spouse to be with for the rest of our lives or merely an entree to eat for lunch, we are exercising discrimination.



Nature is in itself discriminatory. We must therefore realize that not all discrimination is either unfair or unjust. Granted, some discrimination may be unfair, unjust, and some is even unwise. But discrimination exists.

The question then is whether or not the use of gender in risk classification or rate determination by life and health insurance companies, in fact by most insurance companies, is unjust or unfair.

The purpose of insurance is to protect the individual against economic loss by spreading the risk of that loss over a group of individuals equally susceptible to that loss. The equal susceptibility to that loss is based upon recognizable and measureable factors or traits held in common by people within that group. The important word in this phrase is that the factor or trait must be measurable. Over the years volumes upon volumes of statistics have been compiled which indicate that women live longer than men and that women, specifically those under age 50, utilize medical care and facilities more frequently than men of the same age. No one has seriously questioned these statistics. Since many of those testifying in opposition to House Bill 2249 have included these statistics in their presentations to the Committee, I will not repeat them at this time. However, I will repeat that these statistics have never seriously been challenged.

Since these facts of mortality and morbidity are readily accepted and not seriously challenged, it must be agreed that they are factors which must be considered in rate determination and rate classification. The use of measurable differences obviously is not unfair nor unjust. However it should be recognized that these are not the sole determining factors in either risk classification or rate determination. Insurance companies must consider other factors, such as prior health history, personal habits such as smoking, occupation, and in many instances location in determining an adequate and accurate rate. If gender were the sole determinate, it would be unjust. However, gender when coupled with the other underwriting factors used in determining risk classification and rate determination is not.

Insurance is one of the most highly competitive industries in the United States. I myself have been in the life and health insurance industry for over 35 years. When I became a part of this industry, health insurance rates, for example, were national in scope. This means that an individual in Kansas paid the same amount for equal protection as an individual in, for example, New York or California. As more and more statistics were developed and evaluated, it became obvious that the cost of medical attention in Kansas was less than that in many other states. As a result, the industry moved toward state rating for health insurance policies.

This process has been further refined to the point where today most insurance companies actually consider zip code in determining a rate. The same re-evaluation applies to health history and experience, personal habits, such as smoking, and many other aspects of life, all of which will effect the rate determination on any health product. If the insurance companies could honestly determine that gender does not effect either mortality or the utilization of health facilities, I can assure you that it would be discarded both in risk classification and in rate determination.

Unfortunately however, differences based on gender are facts of nature, they cannot be altered by statute nor by the desire of any group including the insurance companies in an effort to lower rates.

I repeat my opposition to House Bill 2249. I stress the fact that discrimination in rates and risk classification are not based solely on gender, but that using gender as one of the factors in risk classification and rate determination is not unfair nor unjust discrimination. I respectfully ask the Insurance Committee to reject House Bill 2249.

Thank you for your attention.

STATEMENT  
OF  
THE AMERICAN COUNCIL OF LIFE INSURANCE

BEFORE THE  
INSURANCE COMMITTEE  
OF THE  
KANSAS HOUSE OF REPRESENTATIVES  
FEBRUARY 22, 1989

Submitted by:

Edward J. Zimmerman  
Senior Associate General Counsel  
American Council of Life Insurance

This statement is presented on behalf of the American Council of Life Insurance, a national trade association comprised of over 630 life insurance companies in the United States and Canada which account for 93 percent of the life insurance in force in the United States. Of the Council's membership, over 430 are licensed to do business in Kansas and account for a comparable percentage of the life insurance in force in the state.

We thank you for this opportunity to testify in regard to gender as a risk classification factor in insurance policy coverages and premium rates. This issue is of much concern to the life insurance business. We are troubled over the potential costs to our policyholders that would be caused by the elimination or erosion of gender as a risk classification factor and have further concerns about its impact on the manner in which life insurance companies will be able to develop, price and market their products in the future.

Each year since 1983, about twelve states have considered mandatory, non-gender insurance legislation. Numerous articles have been written and voluminous testimony has been delivered throughout the country and before the United States Congress on this topic. Despite the substantial activity and focus given to this issue,

only one state - Montana - has enacted such legislation affecting all lines of insurance. The Montana statute was passed in 1983 and narrowly withstood a repeal effort in 1985 before it became effective on October 1 of that year. In 1987, after living with the non-gender insurance mandate for over a year, the Legislature repealed the statute it had enacted in 1983. Recognizing the financial burden placed on the female citizens of Montana, the Governor of the state nevertheless vetoed the repeal bill citing unique Montana constitutional provisions as his reason for doing so.

Why has no other state followed Montana's legislative lead?

(1) Mandated non-gender ("unisex") insurance creates a significant economic disadvantage to many women. Although often cast as a law benefiting women, mandatory unisex insurance has proven to be costly to the people it was intended to benefit. As stated by Governor Schwinden of Montana in his veto message: "The evidence is clear and conclusive - statutory implementation of non-gender insurance in 1985 has significantly increased the cost of insurance for many women." ("Attachment A") The evidence to which Governor Schwinden referred was comprised of numerous constituent complaints, testimony before the Legislature and a survey compiled by the office of the Montana State Auditor setting forth "the impact of the

non-gender legislation on Montana consumers." That survey ("Attachment B") included the following specific findings:

- Term Life insurance premiums for a 30-year old female have increased between 1% to 110%. The average rate increase for a 30-year old female was 10%.
  
- Term Life insurance premiums for a 30-year old male have increased between 0% to 47%. The average rate increase for a 30-year old male was 4%.
  
- Whole Life insurance premiums for a 30-year old female have increased between 4% to 34%. The average rate increase for a 30-year old female was 15%.
  
- Whole Life insurance premiums for a 30-year old male have decreased between 0% to 11%. The average rate decrease for a 30-year old male was 3%.
  
- The number of Life Insurance products available in Montana has decreased approximately 37% since the passage of the Non-gender Legislation.

The Montana Auditor's study was updated for Life Insurance on January 31, 1989. ("Attachment C") The results are virtually identical to the 1987 survey:

"When compared to sex distinct rates charged females in adjacent states, Montana females pay 10% to 32% more for term life insurance."

For whole life insurance - "Premiums for Montana females have increased significantly when compared to sex distinct rates charged females in adjacent states. Montana females pay 10% to 19% more for their insurance."

The proponents of non-gender insurance have suggested that women pay anywhere from \$15,000 to over \$20,000 more than a man during a lifetime for gender distinct insurance coverage. This allegation has been largely discredited due to its faulty assumption that all women and all men buy all types of insurance coverage. The plain truth of the matter is that the vast majority of health insurance, disability income insurance, and retirement and annuity benefits are obtained by individuals through employer groups. As required by Title VII of the 1964 Civil Rights Act (as interpreted by the United States Supreme Court), all of these employer coverages are provided on a gender-neutral basis regardless of any action taken by the Kansas Legislature. Please consider:

- 90% of all health insurance is obtained through the mechanism of gender-neutral group insurance sponsored by employers.
  
- More than 80% of all annuities and pensions are obtained through employer group insurance, and only 1/10% (.005) of life insurance policies pay benefits by means of a life annuity.
  
- Over 75% of all disability income coverage is provided by employer groups.
  
- Nearly three-fourths of life insurance protection purchased is acquired through individual, not employer group policies.
  
- Virtually all automobile insurance is purchased directly by individuals.

The only reasonable conclusion which can be drawn from the above is that, in the vast majority of cases, individuals buy life insurance and automobile insurance in the open, gender-distinct marketplace, and all other coverages are typically obtained in the employer, gender-neutral market. Therefore, in order to assess the financial impact of gender-neutral insurance legislation, one must consider the typical purchase made by individuals, either men or women. That typical purchase is life



insurance and automobile insurance - two forms of insurance in which women receive a distinct economic advantage due to the lower risk they present for those coverages.

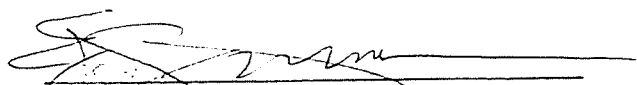
(2) The insurance market of a state which adopts mandatory, gender-neutral insurance pricing is significantly disrupted. The principal disruption which is likely to occur is the phenomenon of "border-hopping". For example, a female residing in a mandatory gender-neutral state would be well-advised to purchase her life insurance in an adjoining, non-unisex state. Since Kansas is bordered by four such states, such a phenomenon is quite likely, particularly in the sizeable communities of Topeka, Lawrence, Wichita and Johnson County. The prospect of saving 15% per year on a large whole life insurance policy would easily encourage this behavior. Moreover, the wider range of products available in a gender-specific state would further encourage travel to that jurisdiction. The result of border-hopping purchases is a diminished amount of regulation by the Kansas Insurance Commissioner and a distinct economic disadvantage to Kansas life insurance agents.

(3) The use of gender as a factor in determining prices for insurance, where not otherwise prohibited, is indeed a fair method of allocating the cost represented by specific risks. Since females live, on average, seven years longer than males, it is reasonable that males should

pay a higher premium for life insurance. As has been firmly established, the greater longevity of females is a factor unique to the gender of a person and cannot be attributable to other factors, such as lifestyle or occupation. When determining which price to charge to a group of people purchasing insurance, insurers must endeavor to precisely define the type of risk presented by the members of the group. This principle of homogeneity is further refined by the consideration of the person's gender. Removal of this factor lessens the precision of the pricing and ultimately leads to larger margins for error and lessening of competition.

For the reasons stated above, the American Council of Life Insurance and its member companies urge the Insurance Committee of the Kansas House of Representatives to recommend against consideration of unisex legislation by the Legislature.

Respectfully submitted,



Edward J. Zimmerman  
For: The American Council of  
Life Insurance



10: L. J. Zimmerman  
From: Tom Hopgood

State of Montana  
Office of the Governor  
Helena, Montana 59620  
406-444-3111

TED SCHWINDEN  
GOVERNOR

April 9, 1987

STATE OF MONTANA

FILED

APR 9 1987

JIM WALTERS  
SECRETARY OF STATE

*Michelle J. Campbell*  
Deputy

The Honorable Robert L. Marks  
Speaker of the House  
State Capitol  
Helena, MT 59620

The Honorable William J. Norman  
President of the Senate  
State Capitol  
Helena, MT 59620

Dear Representative Marks and Senator Norman:

In accordance with the power vested in me as Governor by the Constitution and laws of the State of Montana, I hereby veto House Bill No. 519, AN ACT REVISING THE LAWS RELATING TO DISCRIMINATION IN INSURANCE AND RETIREMENT PLANS; LIMITING THE PROHIBITION AGAINST DISCRIMINATION ON THE BASIS OF SEX OR MARITAL STATUS TO THE ISSUANCE OR AVAILABILITY OF INSURANCE; REPEALING SECTION 49-2-309, MCA; AND PROVIDING AN APPLICABILITY DATE AND AN IMMEDIATE EFFECTIVE DATE."

The evidence is clear and conclusive — statutory implementation of non-gender insurance in 1985 has significantly increased the cost of insurance for many women.

That is not the issue.

The legislature and the governor are bound, not by our perception of what is 'good' or 'bad' economically for women, but by the unequivocal language of Article II, Section 4 of the Montana Constitution:

No person shall be denied the equal protection of the laws. Neither the state nor any person, firm, corporation, or institution shall discriminate against any person in the exercise of his civil or political rights on account of race, color, sex, culture, social origin or condition, or political or religious ideas.

Pursuant to my constitutional obligation, I hereby veto House Bill 519.

Sincerely,  
*Ted Schwinden*

TED SCHWINDEN  
Governor

## NON-GENDER SURVEY

The Montana Insurance Department recently conducted a survey to determine the impact of the Non-gender legislation on Montana consumers. In order to obtain an accurate computation, a questionnaire was sent to the Life, Health and Auto insurance companies that write the majority of business in our state. These companies were asked to provide us with information about the rates they charged and the number of products they offered in Montana before and after the Non-gender law went into effect. The following are the results of this survey.

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NON-GENDER - LIFE INSURANCE

Term Life insurance premiums for a 30-year old female have increased between 1% to 110%. The average rate increase for a 30-year old female was 10%.

Term Life insurance premiums for a 30-year old male have increased between 0% to 47%. The average rate increase for a 30-year old male was 4%.

Whole Life insurance premiums for a 30-year old female have increased between 4% to 34%. The average rate increase for a 30-year old female was 15%.

Whole Life insurance premiums for a 30-year old male have decreased between 0% to 11%. The average rate decrease for a 30-year old male was 3%.

The number of Life Insurance products available in Montana has decreased approximately 37% since the passage of the Non-gender Legislation.

Information on Cash Value Proceeds and Benefit payments was not included in the survey. The main concern expressed by most Montana consumers was the increase in policy premiums. Our survey, therefore, was designed to address this issue.

LIFE INSURANCE RATES: As reported by the various companies.

Bankers Life Company	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	77.00	105.00	630.00	690.50
Man age 30	90.00	105.00	699.00	690.50
Woman age 50	289.00	386.50	1413.00	1576.00
Man age 50	356.50	386.50	1600.50	1576.00

Offered 6 Life products in Montana before the Non-gender Legislation.  
Offered 6 Life products in Montana after the Non-gender Legislation.

Lincoln National Life Renewable Term	\$50,000 Annual		\$50,000 Whole	
	Life Policy		Before Non-gender	After Non-gender
	Before Non-gender	After Non-gender		
Woman age 30	82.50	92.50	48.00	78.00
Man age 30	92.50	92.50	78.00	78.00
Woman age 50	199.50	320.00	180.00	234.00
Man age 50	320.00	320.00	234.00	234.00

Offered 20 Life products in Montana before the Non-gender Legislation.  
Offered 7 Life products in Montana after the Non-gender Legislation.

Northwestern National Life	\$50,000 Annual		\$50,000 Whole	
	Renewable Term		Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	105.50	00.00	325.00	369.00
Man age 30	108.00	00.00	398.00	369.00
Woman age 50	207.50	00.00	733.00	938.00
Man age 50	278.50	00.00	1006.00	938.00

Offered 14 Life products in Montana before the Non-gender Legislation.  
Offered 4 Life products in Montana after the Non-gender Legislation.

United of Omaha	50,000 Annual		\$50,000 Whole	
	Renewable Term		Life Policy	
	Before Nor-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	122.50	152.50	480.00	553.50
Man age 30	130.50	152.50	533.50	533.50
Woman age 50	298.00	495.00	1175.50	1392.00
Man age 50	387.50	495.00	1392.00	1392.00

Offered 10 Life products in Montana before the Non-gender Legislation.  
Offered 8 Life products in Montana after the Non-gender Legislation.

Mutual of New York (MONY)	50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	99.50	101.00	448.50	468.50
Man age 30	101.00	101.00	456.00	468.50
Woman age 50	136.00	149.50	1026.50	1158.50
Man age 50	149.50	149.50	1146.00	1158.50

Offered 18 Life products in Montana before the Non-gender Legislation.  
Offered 13 Life products in Montana after the Non-gender Legislation.

Northwestern Mutual Life	50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Women age 30	80.00	86.50	668.50	628.00
Men age 30	87.00	86.50	706.00	628.00
Women age 50	232.00	275.50	1499.50	1419.00
Men age 50	278.00	275.50	1632.00	1419.00

Offered 16 Life products in Montana before the Non-gender Legislation.  
Offered 19 Life products in Montana after the Non-gender Legislation.

Western Life	50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	95.50	95.50	182.00	192.00
Man age 30	95.50	95.50	182.00	192.00
Woman age 50	146.00	187.00	649.00	649.00
Man age 50	187.00	187.00	685.00	649.00

Offered 3 Life products in Montana before the Non-gender Legislation.  
Offered 4 Life products in Montana after the Non-gender Legislation.

Western States Life	50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	40.00	41.00		
Man age 30	41.00	41.00		
Woman age 50	78.50	103.50		
Man age 50	106.00	103.50		

Offered 5 Life products in Montana before the Non-gender Legislation.  
Offered 8 Life products in Montana after the Non-gender Legislation.

Mutual Benefit Life	50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	85.00	88.00	545.00	571.00
Man age 30	88.00	88.00	571.00	571.00
Woman age 50	193.50	215.00	1313.50	1443.50
Man age 50	215.00	215.00	1443.50	1443.50

Offered 13 Life products before the Non-gender Legislation.  
Offered 13 Life products after the Non-gender Legislation.

Massachusetts Mutual Life	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	121.00	123.50	628.00	653.00
Man age 30	123.50	123.50	653.00	653.00
Woman age 50	342.50	375.00	1341.50	1463.00
Man age 50	375.00	375.00	1463.00	1463.00

Offered 12 Life products in Montana before the Non-gender Legislation.  
Offered 11 Life products in Montana after the Non-gender Legislation.



Washington National	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before	After	Before	After
	Non-gender	Non-gender	Non-gender	Non-gender
Woman age 30	140.00	00.00	599.00	657.25
Man age 30	145.00	00.00	681.00	657.25
Woman age 50	313.75	00.00	1233.25	1422.75
Man age 50	417.75	00.00	1503.75	1422.75

Offered 47 Life products in Montana before the Non-gender Legislation.  
Offered 5 Life products in Montana after the Non-gender Legislation.

Equitable Life Assurance Society	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before	After	Before	After
	Non-gender	Non-gender	Non-gender	Non-gender
Woman age 30	102.00	214.00	497.00	619.00
Man age 30	145.00	214.00	631.00	619.00
Woman age 50	249.00	440.00	991.00	1276.00
Man age 50	404.00	440.00	1311.00	1276.00

Offered 22 Life products in Montana before Non-gender Legislation.  
Offered 22 Life products in Montana after Non-gender Legislation.

Equitable Variable Life	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before	After	Before	After
	Non-gender	Non-gender	Non-gender	Non-gender
Woman age 30	80.85	106.50	489.00	652.00
Man age 30	106.50	106.50	621.50	652.00
Woman age 50	205.50	299.55	1174.50	1608.00
Man age 50	299.55	299.55	1578.00	1608.00

Offered 9 Life products in Montana before the Non-gender Legislation.  
Offered 10 Life products in Montana after the Non-gender Legislation.

State Farm Life	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	118.50	123.50	630.00	505.50
Man age 30	129.00	123.50	659.00	505.50
Woman age 50	373.50	323.00	1598.50	1454.00
Man age 50	426.00	323.00	1718.00	1454.00

Offered 23 Life products in Montana before the Non-gender Legislation.  
Offered 13 Life products in Montana after the Non-gender Legislation.

NOTE: The renewable term and whole life policy premiums contained in this survey are not for identical products. Each companies policy contains a variety of possible options and this accounts in large for the difference in the premiums quoted in the survey.

NON-GENDER HEALTH INSURANCE - MAJOR MEDICAL

Individual Major Medical health insurance premiums for a 25-year old male have increased between 5% to 38%. The average rate increase for a 25-year old male was 22%.

Individual Major Medical health insurance premiums for a 25-year old female have decreased between 8% to 28%. The average rate decrease for a 25-year old female was 16%.

Individual Major Medical health insurance premiums for a 40-year old male have increased between 18% to 45%. The average rate increase for a 40-year old male was 28%.

Individual Major Medical health insurance premiums for a 40-year old female have decreased between 11% to 19%. The average rate decrease for a 40-year old female was 13%.

The above figures were compiled from six companies that write individual Health insurance business in Montana. The top 25 health writers were surveyed but either they do not write individual Major Medical policies in Montana or they are phasing individual Major Medical products out of their book of business.

HEALTH INSURANCE RATES: As reported by the various companies.

Mutual of Omaha	Major Medical \$500 deductible	
	Before Non-gender	After Non-gender
Single Man 25	378.00	524.00
Single Woman 25	575.00	524.00
Single Man 40	492.00	715.00
Single Woman 40	809.00	715.00
	Hospital	
	Before Non-gender	After Non-gender
Single Man 25	237.00	332.00
Single Woman 25	414.00	332.00
Single Man 40	376.00	495.00
Single Woman 40	613.00	495.00

Aetna Life Insurance Co.

All sales discontinued on October 1, 1985. Sales continue in 49 other states on sex-distinct basis.

	Major Medical \$500 deductible	
Federal Home Life	Before Non-gender	After Non-gender
Single Man 25	418.00	517.00
Single Woman 25	585.00	517.00
Single Man 40	671.00	817.00
Single Woman 40	931.00	817.00

	Major Medical \$500 deductible	
Bankers Life and Casualty	Before Non-gender	After Non-gender
Single Man 25	504.00	529.00
Single Woman 25	742.00	529.00
Single Man 40	738.00	874.00
Single Woman 40	1,031.00	874.00

	Major Medical \$500 deductible	
State Farm Mutual	Before Non-gender	After Non-gender
Single Man 25	279.00	336.00
Single Woman 25	393.00	336.00
Single Man 40	391.00	491.00
Single Woman 40	592.00	491.00

Major Medical  
\$500 deductible

Blue Cross of Montana	Before Non-gender	After Non-gender
Single Man 25	31.92	39.48
Single Woman 25	42.63	39.48
Single Man 40	46.20	56.07
Single Woman 40	56.91	56.07

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Major Medical  
\$500 deductible

Blue Shield of Montana	Before Non-gender	After Non-gender
Single Man 25	37.12	37.12
Single Woman 25	37.12	37.12
Single Man 40	51.12	51.12
Single Woman 40	51.12	51.12

NON-GENDER - AUTO INSURANCE

Individual Auto insurance premiums for a 20-year old male have decreased as much as 47% and increased as much as 20%. The average rate for a 20-year old male decreased 16%.

Individual Auto insurance premiums for a 20-year old female have increased between 4% to 91%. The average rate for a 20-year old female increased 49%.

Auto insurance premiums for a married couple with 16-year old male driver decreased as much as 31% and increased as much as 30%. The average rate for a married couple with a 16-year old male driver decreased 8%.

Auto insurance premiums for a married couple with a 16-year old female driver have decreased as much as 2% and increased as much as 107%. The average rate for a married couple with a 16-year old female driver increased 33%.

Economic factors other than the Non-gender Legislation have caused Auto premiums to decrease as much as 12% and increase as much as 38%. The average rate for Auto insurance has increased 12% due to factors other than Non-gender Legislation.

The people most affected by the Non-gender law were young women, young married couples, and married couples with young female drivers. These people were affected most because Non-gender did away with the standard discount for married couples and because young women overall experienced a substantial increase in their premium rates.

AUTO INSURANCE RATES: As reported by the various companies.

Policy Holder	1984 Ford Tempo - Helena, MT GL Four Door Sedan Standard Liability Limit (25/05/5) \$5000 Medical payment Comprehensive - \$100.00 Deductible Collision - \$100.00 Deductible
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All Nation Insurance Co.	Before Non-gender	After Non-gender
Man age 20	128.00	154.00
Woman age 20	90.00	154.00
Man age 40	80.00	97.00
Woman age 40	80.00	97.00

Man age 65	78.00	97.00
Woman age 65	78.00	97.00
M/F Couple - Boy age 16	135.00	166.00
M/F couple - Girl age 16	80.00	166.00

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Guaranty National Insurance Co.	Before Non-gender	After Non-gender
Man age 20	2,124.00	2,460.00
Woman age 20	1,544.00	2,460.00
Man age 40	875.00	994.00
Woman age 40	875.00	994.00
Man age 65	875.00	983.00
Woman age 65	875.00	983.00
M/F Couple - Boy age 16	2,220.00	2,290.00
M/F Couple - Girl age 16	1,620.00	2,290.00

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Mountain West Farm Bureau	Before Non-gender	After Non-gender
Man age 20	579.00	637.00
Woman age 20	371.00	637.00
Man age 40	199.00	226.00
Woman age 40	199.00	226.00
Man age 65	199.00	226.00
Woman age 65	199.00	226.00
M/F Couple - Boy age 16	488.00	586.00
M/F Couple - Girl age 16	307.00	586.00

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National Farmers Union	Before Non-gender	After Non-gender
Man age 20	753.00	527.00
Woman age 20	401.00	527.00

Man age 40	220.00	221.00
Woman age 40	220.00	221.00
Man age 65	200.00	211.00
Woman age 65	200.00	211.00
M/F Couple - Boy age 16	411.00	327.00
M/F Couple - Girl age 16	291.00	327.00

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Aetna Casualty	Before Non-gender	After Non-gender
Man age 20	528.00	519.00
Woman age 20	277.00	519.00
Man age 40	173.00	212.00
Woman age 40	156.00	212.00
Man age 65	138.00	169.00
Woman age 65	138.00	169.00
M/F Couple - Boy age 16	398.00	403.00
M/F Couple - Girl age 16	285.00	403.00

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Auto Ins. Co. of Hartford CT	Before Non-gender	After Non-gender
Man age 20	656.00	654.00
Woman age 20	343.00	654.00
Man age 40	215.00	267.00
Woman age 40	194.00	267.00
Man age 65	172.00	213.00
Woman age 65	172.00	213.00
M/F Couple - Boy age 16	495.00	508.00
M/F Couple - Girl age 16	354.00	508.00



State Farm Mutual	Before Non-gender	After Non-gender
Man age 20	614.00	480.00
Woman age 20	331.00	480.00
Man age 40	173.00	188.00
Woman age 40	173.00	188.00
Man age 65	165.00	179.00
Woman age 65	165.00	179.00
M/F Couple - Boy age 16	378.00	351.00
M/F Couple - Girl age 16	259.00	351.00

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State Farm Fire & Casualty	Before Non-gender	After Non-gender
Man age 20	805.00	677.00
Woman age 20	488.00	677.00
Man age 40	268.00	292.00
Woman age 40	268.00	292.00
Man age 65	256.00	278.00
Woman age 65	256.00	278.00
M/F Couple - Boy age 16	536.00	517.00
M/F Couple - Girl age 16	402.00	517.00

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Mid-Century Insurance Co.	Before Non-gender	After Non-gender
Man age 20	1,014.00	829.00
Woman age 20	591.00	829.00
Man age 40	462.00	502.00
Woman age 40	462.00	502.00
Man age 65	451.00	489.00
Woman age 65	451.00	489.00
M/F Couple - Boy age 16	859.00	758.00

M/F Couple -		
Girl age 16	617.00	758.00

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Safeco Insurance Co. of America	Before Non-gender	After Non-gender
Man age 20	792.00	800.00
Woman age 20	616.00	800.00
Man age 40	352.00	400.00
Woman age 40	352.00	400.00
Man age 65	334.00	380.00
Woman age 65	334.00	380.00
M/F Couple -		
Boy age 16	792.00	800.00
M/F Couple -		
Girl age 16	616.00	800.00

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United Services Auto Assc.	Before Non-gender	After Non-gender
Man age 20	844.00	621.00
Woman age 20	514.00	621.00
Man age 40	337.00	328.00
Woman age 40	323.00	238.00
Man age 65	296.00	288.00
Woman age 65	296.00	288.00
M/F Couple -		
Boy age 16	666.00	568.00
M/F Couple -		
Girl age 16	501.00	568.00

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Farmers Insurance Exchange	Before Non-gender	After Non-gender
Man age 20	657.00	475.00
Woman age 20	324.00	475.00
Man age 40	233.00	281.00
Woman age 40	233.00	281.00

Man age 65	212.00	252.00
Woman age 65	212.00	252.00
M/F Couple - Boy age 16	489.00	487.00
M/F Couple - Girl age 16	354.00	487.00
Northwestern Natl. Casualty	Before Non-gender	After Non-gender
Man age 20	437.00	230.00
Woman age 20	221.00	230.00
Man age 40	168.00	139.00
Woman age 40	152.00	139.00
Man age 65	142.00	111.00
Woman age 65	142.00	111.00
M/F Couple - Boy age 16	446.00	306.00
M/F Couple - Girl age 16	312.00	306.00

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Dairyland Ins. Company	Before Non-gender	After Non-gender
Man age 20	224.00	191.00
Woman age 20	126.00	191.00
Man age 40	101.00	95.00
Woman age 40	101.00	95.00
Man age 65	74.00	81.00
Woman age 65	74.00	81.00
M/F Couple - Boy age 16	224.00	191.00
M/F Couple - Girl age 16	126.00	191.00

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Transamerica Ins. Company	Before Non-gender	After Non-gender
Man age 20	501.00	477.00
Woman age 20	290.00	477.00
Man age 40	156.00	169.00

Woman age 40	156.00	169.00
Man age 65	135.00	146.00
Woman age 65	135.00	146.00
M/F Couple - Boy age 16	318.00	323.00
M/F Couple - Girl age 16	262.00	323.00

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St. Paul Guardian Insurance Co.	Before Non-gender	After Non-gender
Man age 20	709.00	719.00
Woman age 20	544.00	719.00
Man age 40	330.00	369.00
Woman age 40	330.00	369.00
Man age 65	264.00	295.00
Woman age 65	264.00	295.00
M/F Couple - Boy age 16	561.00	608.00
M/F Couple - Girl age 16	496.00	608.00

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Allstate Insurance Co.	Before Non-gender	After Non-gender
Man age 20	1464.00	1232.00
Woman age 20	840.00	1232.00
Man age 40	478.00	486.00
Woman age 40	444.00	486.00
Man age 65	444.00	486.00
Woman age 65	444.00	486.00
M/F Couple - Boy age 16	922.00	858.00
M/F Couple - Girl age 16	614.00	858.00

United Pacific Insurance Co.	Before Non-gender	After Non-gender
Man age 20	471.00	512.00
Woman age 20	309.00	512.00
Man age 40	223.00	222.00
Woman age 40	223.00	222.00
Man age 65	212.00	211.00
Woman age 65	212.00	211.00
M/F Couple - Boy age 16	493.00	437.00
M/F Couple - Girl age 16	385.00	437.00

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The Home Insurance Co.	Before Non-gender	After Non-gender
Man age 20	911.00	839.00
Woman age 20	400.00	839.00
Man age 40	320.00	390.00
Woman age 40	288.00	390.00
Man age 65	288.00	312.00
Woman age 65	288.00	312.00
M/F Couple - Boy age 16	863.00	858.00
M/F Couple - Girl age 16	559.00	858.00

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Horace Mann Insurance Co.	Before Non-gender	After Non-gender
Man age 20	548.00	473.00
Woman age 20	270.00	473.00
Man age 40	147.00	157.00
Woman age 40	147.00	157.00
Man age 65	147.00	157.00
Woman age 65	147.00	157.00
M/F Couple - Boy age 16	376.00	367.00

M/F Couple -		
Girl age 16	229.00	367.00

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Western Ag Insurance Co.	Before Non-gender	After Non-gender
Man age 20	1,207.00	1,587.00
Woman age 20	693.00	1,587.00
Man age 40	514.00	759.00
Woman age 40	514.00	759.00
Man age 65	402.00	627.00
Woman age 65	402.00	627.00
M/F Couple -		
Boy age 16	1,207.00	1,587.00
M/F Couple -		
Girl age 16	693.00	1,587.00

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American Economy Insurance Co.	Before Non-gender	After Non-gender
Man age 20	521.00	407.00
Woman age 20	272.00	407.00
Man age 40	182.00	192.00
Woman age 40	182.00	192.00
Man age 65	156.00	154.00
Woman age 65	156.00	154.00
M/F Couple -		
Boy age 16	521.00	416.00
M/F Couple -		
Girl age 16	443.00	416.00

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Farmers Alliance Mutual Ins. Co.	Before Non-gender	After Non-gender
Man age 20	704.00	563.00
Woman age 20	472.00	563.00
Man age 40	298.00	344.00
Woman age 40	269.00	344.00
Man age 65	204.00	277.00
Woman age 65	204.00	277.00

M/F Couple -  
Boy age 16                    515.00                    579.00

M/F Couple -  
Girl age 16                    414.00                    579.00

NOTE: The Auto Rates provided by the various companies were for Preferred Risks, Standard Risks, and Sub-Standard Risks. This accounts for the large difference in the premiums quoted in this survey. Also, the average Non-gender Auto Insurance premium decrease or increase was obtained from a weighted average with due consideration given to the companies writing the majority of business in Montana.

NON-GENDER LIFE INSURANCE

1985 - 1988

Survey prepared by the Montana Insurance Department  
January 31, 1989

LIFE INSURANCE RATES for a resident of Helena, Montana. The premium information requested was for a \$50,000 annual renewable term and a \$50,000 whole life product. Cash values were requested for the tenth year of the whole life product.

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LIFE INSURANCE RATES: As reported by the named companies.

\$50,000 Annual Renewable Term Policy

MASSACHUSETTS MUTUAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$121	\$121	\$121
Female, 25 yrs.	\$118	\$121	\$118
Male, 45 yrs.	\$240	\$240	\$240
Female, 45 yrs.	\$223	\$240	\$223
Male, 65 yrs.	\$1457	\$1457	\$1457
Female, 65 yrs.	\$1299	\$1457	\$1329



\$50,000 Annual Renewable Term Policy

PRINCIPAL MUTUAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$87	\$87	\$87
Female, 25 yrs.	\$74	\$87	\$74
Male, 45 yrs.	\$178	\$178	\$178
Female, 45 yrs.	\$138	\$178	\$138
Male, 65 yrs.	\$1052	\$1052	\$1052
Female, 65 yrs.	\$757	\$1052	\$757

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NEW YORK LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$112	\$174	\$174
Female, 25 yrs.	\$112	\$174	\$174
Male, 45 yrs.	\$172	\$271	\$276
Female, 45 yrs.	\$172	\$271	\$221
Male, 65 yrs.	\$782	\$1235	\$1278
Female, 65 yrs.	\$782	\$1235	\$852

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NORTHWESTERN  
NATIONAL LIFE

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$104	NA	\$104
Female, 25 yrs.	\$103	NA	\$103
Male, 45 yrs.	\$193	NA	\$193
Female, 45 yrs.	\$148	NA	\$148
Male, 65 yrs.	\$1022	NA	\$1022
Female, 65 yrs.	\$707	NA	\$707

\$50,000 Annual Renewable Term Policy

METROPOLITAN LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$85	\$103	\$105
Female, 25 yrs.	\$85	\$103	\$93
Male, 45 yrs.	\$161	\$159	\$162
Female, 45 yrs.	\$129	\$159	\$144
Male, 65 yrs.	\$1356	\$712	\$765
Female, 65 yrs.	\$1008	\$712	\$501

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NORTHWESTERN MUTUAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$87	\$110	\$111
Female, 25 yrs.	\$80	\$110	\$102
Male, 45 yrs.	\$167	\$150	\$152
Female, 45 yrs.	\$143	\$150	\$134
Male, 65 yrs.	\$1170	\$904	\$925
Female, 65 yrs.	\$943	\$904	\$750

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STATE FARM LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$123	\$114	\$117
Female, 25 yrs.	\$109	\$114	\$107
Male, 45 yrs.	\$275	\$217	\$224
Female, 45 yrs.	\$242	\$217	\$196
Male, 65 yrs.	NA	NA	NA
Female, 65 yrs.	NA	NA	NA

\$50,000 Annual Renewable Term Policy

MUTUAL BENEFIT LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$85	\$107	\$113
Female, 25 yrs.	\$82	\$107	\$83
Male, 45 yrs.	\$153	\$186	\$192
Female, 45 yrs.	\$139	\$186	\$163
Male, 65 yrs.	\$817	\$789	\$877
Female, 65 yrs.	\$618	\$789	\$438

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KENTUCKY CENTRAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	NA	NA	NA
Female, 25 yrs.	NA	NA	NA
Male, 45 yrs.	NA	NA	NA
Female, 45 yrs.	NA	NA	NA
Male, 65 yrs.	NA	NA	NA
Female, 65 yrs.	NA	NA	NA

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UNITED OF OMAHA

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$119	\$114	\$114
Female, 25 yrs.	\$114	\$114	\$109
Male, 45 yrs.	\$243	\$209	\$209
Female, 45 yrs.	\$196	\$209	\$164
Male, 65 yrs.	\$1496	\$1234	\$1234
Female, 65 yrs.	\$1154	\$1234	\$954

\$50,000 Annual Renewable Term Policy

EQUITABLE LIFE  
ASSURANCE SOCIETY

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$106	NA	NA
Female, 25 yrs.	\$80	NA	NA
Male, 45 yrs	\$206	NA	NA
Female 45 yrs.	\$144	NA	NA
Male, 65 yrs.	\$1065	NA	NA
Female, 65 yrs.	\$837	NA	NA

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FEDERAL KEMPER  
LIFE ASSURANCE

	1985 MT-ID	1988 Montata	1988 Idaho
Male, 25 yrs.	NA	NA	NA
Female, 25 yrs.	NA	NA	NA
Male, 45 yrs.	NA	NA	NA
Female, 45 yrs.	NA	NA	NA
Male, 65 yrs.	NA	NA	NA
Female, 65 yrs.	NA	NA	NA

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MINNESOTA MUTUAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$121	\$121	NA
Female, 25 yrs.	\$112	\$121	NA
Male, 45 yrs.	\$162	\$162	NA
Female, 45 yrs.	\$133	\$162	NA
Male, 65 yrs.	\$582	\$582	NA
Female, 65 yrs.	\$444	\$582	NA

\$50,000 Annual Renewable Term Policy

WESTERN LIFE

	1985 MT-ID	1988 Montana	1988 Idaho
Male, 25 yrs.	\$95	\$89	NA
Female, 25 yrs.	\$90	\$89	NA
Male, 45 yrs.	\$146	\$190	NA
Female, 45 yrs.	\$114	\$190	NA
Male, 65 yrs.	\$630	\$741	NA
Female, 65 yrs.	\$408	\$741	NA

LIFE INSURANCE RATES: As reported by the named companies.

\$50,000 Whole Life Insurance Policy

MASSACHUSETTS MUTUAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$558	\$370	\$3222	\$370	\$3222
Female, 25 yrs.	\$539	\$370	\$3222	\$305	\$2630
Male, 45 yrs.	\$1167	\$970	\$7621	\$970	\$7621
Female, 45 yrs.	\$1076	\$970	\$7621	\$790	\$5996
Male, 65 yrs.	\$3026	\$2690	\$15163	\$2690	\$15163
Female, 65 yrs.	\$2747	\$2690	\$15163	\$2330	\$14394

PRINCIPAL MUTUAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$587	\$491	\$2650	\$497	NA
Female, 25 yrs.	\$530	\$491	\$2650	\$451	NA
Male, 45 yrs.	\$1290	\$1042	\$6900	\$1060	NA
Female, 45 yrs.	\$1147	\$1042	\$6900	\$919	NA
Male, 65 yrs.	\$3352	\$2889	\$14400	\$2961	NA
Female, 65 yrs.	\$2936	\$2889	\$14400	\$2407	NA

NEW YORK LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$558	\$736	\$1750	\$762	\$2000
Female, 25 yrs.	\$558	\$736	\$1750	\$698	\$1450
Male, 45 yrs.	\$1231	\$1382	\$5250	\$1472	\$5900
Female, 45 yrs.	\$1231	\$1382	\$5250	\$1248	\$4400
Male, 65 yrs.	\$3384	\$3434	\$12250	\$3659	\$12950
Female, 65 yrs.	\$3384	\$3434	\$12250	\$3095	\$12100

\$50,000 Whole Life Insurance Policy

**NORTHWESTERN  
NATIONAL LIFE**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$334	\$286	\$2336	\$294	\$2399
Female, 25 yrs.	\$284	\$286	\$2336	\$257	\$2076
Male, 45 yrs.	\$771	\$668	\$6101	\$697	\$6421
Female, 45 yrs.	\$571	\$668	\$6101	\$556	\$4835
Male, 65 yrs.	\$2072	\$1841	\$13980	\$1928	\$14301
Female, 65 yrs.	\$1579	\$1841	\$13980	\$1495	\$12844

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**METROPOLITAN LIFE  
INSURANCE CO.**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$462	\$442	\$3300	\$471	\$3550
Female, 25 yrs.	\$418	\$442	\$3300	\$400	\$2900
Male, 45 yrs.	\$1131	\$994	\$7050	\$1088	\$7700
Female, 45 yrs.	\$972	\$994	\$7050	\$861	\$6200
Male, 65 yrs.	\$3393	\$2818	\$13850	\$3198	\$14500
Female, 65 yrs.	\$2840	\$2818	\$13850	\$2377	\$13750

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**NORTHWESTERN MUTUAL  
LIFE INSURANCE CO.**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$592	\$532	\$3714	\$544	\$3816
Female, 25 yrs.	\$562	\$532	\$3714	\$466	\$3207
Male, 45 yrs.	\$1302	\$1139	\$7812	\$1180	\$8094
Female, 45 yrs.	\$1207	\$1139	\$7812	\$957	\$6592
Male, 65 yrs.	\$3499	\$3149	\$15185	\$3330	\$15400
Female, 65 yrs.	\$3497	\$3149	\$15185	\$2503	\$14833

\$50,000 Whole Life Insurance Policy

STATE FARM LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$539	\$417	\$2377	\$435	\$2484
Female, 25 yrs.	\$516	\$417	\$2377	\$381	\$1960
Male, 45 yrs.	\$1327	\$1077	\$6273	\$1090	\$6619
Female, 45 yrs.	\$1246	\$1077	\$6273	\$893	\$5034
Male, 65 yrs.	\$3669	\$3373	\$13595	\$3386	\$14025
Female, 65 yrs.	\$3318	\$3373	\$13595	\$2504	\$13113

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MUTUAL BENEFIT LIFE  
INSURANCE CO.

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$470	\$366	\$2718	\$381	\$2835
Female, 25 yrs.	\$455	\$366	\$2718	\$307	\$2262
Male, 45 yrs.	\$1125	\$920	\$6971	\$967	\$7335
Female, 45 yrs.	\$1025	\$920	\$6971	\$745	\$5656
Male, 65 yrs.	\$3191	\$2586	\$14559	\$2762	\$14987
Female, 65 yrs.	\$2913	\$2586	\$14559	\$2029	\$14170

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KENTUCKY CENTRAL  
LIFE INSURANCE CO.

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$362	\$362	\$2200	\$362	\$2200
Female, 25 yrs.	\$280	\$362	\$2200	\$280	\$1300
Male, 45 yrs.	\$1034	\$1034	\$6800	\$1034	\$6800
Female, 45 yrs.	\$757	\$1034	\$6800	\$757	\$5200
Male, 65 yrs.	\$2794	\$2794	\$13050	\$2794	\$13050
Female, 65 yrs.	\$2067	\$2794	\$13050	\$2067	\$11200



\$50,000 Whole Life Insurance Policy

**UNITED OF OMAHA**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$445	\$445	\$2300	\$445	\$2300
Female, 25 yrs.	\$388	\$445	\$2300	\$388	\$2300
Male, 45 yrs.	\$1041	\$1041	\$6950	\$1041	\$6950
Female, 45 yrs.	\$886	\$1041	\$6950	\$886	\$6950
Male, 65 yrs.	\$2956	\$2956	\$13200	\$2956	\$13200
Female, 65 yrs.	\$2435	\$2956	\$13200	\$2435	\$13200

**EQUITABLE LIFE  
ASSURANCE SOCIETY**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$659	\$562	\$3950	\$563	\$4100
Female, 25 yrs.	\$630	\$562	\$3950	\$487	\$3450
Male, 45 yrs.	\$1334	\$1016	\$8350	\$1018	\$8700
Female 45 yrs.	\$1220	\$1016	\$8350	\$849	\$7050
Male, 65 yrs.	\$3333	\$2557	\$15800	\$2626	\$16150
Female, 65 yrs.	\$3064	\$2557	\$15800	\$2042	\$15550

**FEDERAL KEMPER  
LIFE ASSURANCE**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$462	\$462	\$4167	\$462	\$4167
Female, 25 yrs.	\$412	\$462	\$4167	\$412	\$3655
Male, 45 yrs.	\$1110	\$1110	\$8801	\$1110	\$8801
Female, 45 yrs.	\$963	\$1110	\$8801	\$963	\$7981
Male, 65 yrs.	\$3053	\$3053	\$14496	\$3053	\$14496
Female, 65 yrs.	\$2584	\$3053	\$14496	\$2584	\$13750

\$50,000 Whole Life Insurance Policy

**MINNESOTA MUTUAL  
LIFE INSURANCE CO.**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$644	\$568	\$3706	\$NA	NA
Female, 25 yrs.	\$580	\$568	\$3706	\$NA	NA
Male, 45 yrs.	\$1541	\$1276	\$7872	\$NA	NA
Female, 45 yrs.	\$1350	\$1276	\$7872	\$NA	NA
Male, 65 yrs.	\$3761	\$3162	\$14750	\$NA	NA
Female, 65 yrs.	\$3170	\$3162	\$14750	\$NA	NA

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**WESTERN LIFE**

	1985 MT-ID	1988 Montana	Cash Value	1988 Idaho	Cash Value
Male, 25 yrs.	\$146	\$177	\$1051	\$NA	NA
Female, 25 yrs.	\$133	\$177	\$1051	NA	NA
Male, 45 yrs.	\$490	\$532	\$4363	NA	NA
Female, 45 yrs.	\$330	\$532	\$4363	NA	NA
Male, 65 yrs.	\$2019	\$2033	\$14216	NA	NA
Female, 65 yrs.	\$1471	\$2033	\$14216	NA	NA

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Note: 1) The renewal term and whole life policy premiums in this survey are not for identical products. Each company's policy contains a variety of possible options. This accounts, in large part, for the premium differences among companies in the survey.

2) Idaho premiums are listed for comparison. The premiums in the other adjacent states, North Dakota, South Dakota and Wyoming are identical to Idaho's.

## NON-GENDER TERM LIFE INSURANCE

1985 - 1988

From 1985 to 1988 the average \$50,000 term life insurance premium for both a 25 year old Montana male and a 25 year old Idaho male increased 13%. The average premium for a 25 year old Montana female increased 21% and the average premium for a 25 year old Idaho female increased 11%.

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From 1985 to 1988 the average \$50,000 term life insurance premium for a 45 year old Montana male increased 4% and the average premium for a 45 year old Idaho male with the same coverage increased 6%. The average premium for a 45 year old Montana female increased 25% and the average premium for a 45 year old Idaho female increased 7%.

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From 1985 to 1988 the average \$50,000 term life insurance premium for a 65 year old Montana male decreased 1% and the average premium for a 65 year old Idaho male with the same coverage increased 1%. The average premium for a 65 year old Montana female increased 26% and the average premium for a 65 year old Idaho female decreased 6%.

**CONCLUSION:** Montana male term insurance rates have not significantly decreased when compared to sex distinct rates charged men in adjacent states--Montana males pay 2% less for their insurance. Premiums for Montana females have increased. When compared to sex distinct rates charged females in adjacent states, Montana females pay 10% to 32% more for term life insurance.

## NON-GENDER WHOLE LIFE INSURANCE

From 1985 to 1988 the average \$50,000 whole life insurance premium for a 25 year old Montana male decreased 6% and the average premium for a 25 year old Idaho male with the same coverage decreased 4%. The average premium for a 25 year old Montana female increased 3% and the average premium for a 25 year old Idaho female decreased 9%.

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From 1985 to 1988 the average \$50,000 whole life insurance premium for a 45 year old Montana male decreased 9% and the average premium for a 45 year old Idaho male with the same coverage decreased 6%. The average premium for a 45 year old Montana female increased 3% and the average premium for a 45 year old Idaho female decreased 13%.

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From 1985 to 1988 the average \$50,000 whole life insurance premium for a 65 year old Montana male decreased 9% and the average premium for a 65 year old Idaho male with the same coverage decreased 5%. The average premium for a 65 year old Montana female increased 4% and the average premium for a 65 year old Idaho female decreased 15%.

CONCLUSION: Montana male whole life insurance rates have not significantly decreased when compared to sex distinct rates charged men in our adjacent states. Montana males pay 2% to 4% less for their insurance. Premiums for Montana females have increased significantly when compared to sex distinct rates charged females in adjacent states. Montana females pay 10% to 19% more for their insurance. They also saw an increase in the cash values over the same time period.

## TESTIMONY REGARDING UNISEX

My name is John R. Atchley. I'm president of The American Home Life Insurance Company, a small Kansas mutual life insurance company headquartered in Topeka, Kansas. We operate in 14 states, have approximately 30,000 policyholders and assets slightly in excess of 41 million dollars. We've been in business since 1909.

I am testifying in opposition to House Bill 2249 which relates to risk classification on the basis of sex or marital status, often referred to as unisex legislation.

I've been in the life insurance business for over 27 years, the last 17 years with American Home Life here in Topeka. The unisex legislation affects all phases of the insurance industry, life, health and property/casualty. Since my 27 years experience has been primarily in the life insurance business I will limit my comments to the unisex legislation as it relates to life insurance and to the policyholders, both present and future, of American Home Life.

➤ Risk classification is the foundation of the life insurance business. Dealing with risk is the essence of insurance. In classifying risk life insurers take into account a person's age, sex, health, occupation and other factors. All of these are important factors in determining a fair premium for the product and a product which will allow the life insurance company to prosper and grow. Life insurance companies make

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commitments, promises if you will, to pay benefits which may not be due and payable until many years in the future. Our policyholders depend upon us to meet these commitments no matter how many years pass before payment is due. It is therefore necessary that life insurance companies be able to grow and prosper in order to be around to meet these future commitments. If there was ever any doubt that this would happen the system we use for life insurance would fail and fail rapidly and completely.

One of the factors taken into account when classifying risk is the sex of the applicant. It is a fact that women, as a group, live longer than men. Women in the United States live seven years longer, on average than men, and a man and a woman of the same age bring considerably different risks to a life insurance company. This is fact! You can pass legislation which removes this fact from the risk classification process but this will not change the facts. Instead it will cause life insurance premiums to be unfairly allocated among individuals. One group will be subsidizing premium payments for another group. This simply is not fair. Also it is not this simple.

If unisex legislation were to become a fact in Kansas then our actuaries would have to redo the products we offer. This would lead to increasing the premiums we charge women and probably a small decrease in the premium we charge men. On the surface this doesn't sound too

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bad. But remember these premium numbers will be based upon estimates of the number of women and the number of men we have insured. What if the estimates prove incorrect? We could find our company in the position of insuring greater risk for less premium. A small life insurance company can ill afford to be in this situation.

The life insurance business today is extremely competitive. Small companies in particular are feeling the pressure of competition, feeling the pressure of economies of scale and yes, feeling pressures from legislation at all levels which inhibit our ability to properly manage our business. Unisex legislation certainly will add to the problems faced by small life insurance companies. We've already seen the merger of two small Kansas companies into a company located in Georgia.

This is a very complex issue but maybe I can simplify it just a little bit with an example or two of some of the things I've had to think about when faced with this legislation. I earlier stated that we operate in 14 states. The state of Missouri is one of the 14. Before moving to Topeka I lived in Kansas City and happened to live on the Kansas side of the state line. I'm very familiar with the fact that people located in such an area can find advantages to purchasing a product simply by crossing a state line which is a few blocks away. What American Home Life will be faced with is that we will more than

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likely be charging a female living on the Kansas side a premium which is greater than a female on the Missouri side, just a few short blocks away, would have to pay for the same insurance protection. This simply is not fair. It would be ridiculous to say that a person would move from one side of the state line to another just to save money on their insurance premiums. At least I think it would probably be ridiculous to think that. However I'm not so sure that people would not make an effort to purchase life insurance products in another state, if the premiums were indeed lower and if they could figure out a way to do it. This could result in a loss of premium tax for one state along with a gain for another and is a situation which I think should be avoided if at all possible.

In conclusion I would also like to point out that the general opinion is that this legislation will probably affect future policyholders of American Home Life and other insurance companies involved. This is because the legislation is not to take effect until January 1, 1990. I would like you to know that this is simply not true. This legislation has already had some effect on the present policyholders of American Home Life, and should this legislation become law, it will have a much larger effect on the present policyholders of American Home Life. Since being made aware that this legislation might be introduced I have spent literally hours and hours researching and gathering facts about unisex legislation. This has taken my time away from other



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activities which could have been much more productive for the policyholders of our company. However this effect is minimal when you consider what will happen should the unisex legislation become law. If this legislation does become law it will cost our company literally tens of thousands of dollars to comply with the legislation. These are actually hard dollars we will have to spend and will not include the additional hours that employees of our company will have to spend preparing for implementation of unisex policies. This does affect the present policyholders of American Home Life because, as a mutual company, our policyholders do own our company. The money we have to spend to implement policies under this legislation is money we could have spent on improving our operations and strengthening our company for our policyholders. I believe this to be unfair to the present policyholders of American Home Life.

Thank you for hearing my testimony. I can only hope that I have given you some insight as to why unisex legislation is not in the best interests of the people of Kansas.



# Security Benefit Life Insurance Company

A Member of The Security Benefit Group of Companies

Date: February 22, 1989  
To: HOUSE COMMITTEE ON INSURANCE  
Re: HOUSE BILL 2249 - NEW LAW PROHIBITING THE USE OF A  
PERSON'S SEX IN THE UNDERWRITING AND OPERATION OF  
INSURANCE POLICIES.

STATEMENT BY  
JIM HALL  
ASSISTANT COUNSEL  
SECURITY BENEFIT GROUP OF COMPANIES

Members of the Committee, I would like to thank you for the opportunity to appear and testify on behalf of Security Benefit Life Insurance Company in opposition to House Bill 2249.

As you are aware, HB 2249 would mandate that insurance companies stop using sex as a factor in the operation of insurance policies. This will have a profound effect on the life insurance business.

## LIFE INSURANCE

Life insurance is a business based on the assumption of a calculated risk. The business is based on being able to accurately predict the number of years a potential customer is likely to live and then designing and pricing a policy which will be affordable protection for the consumer and a profitable product for the company. We are in the business of predicting how long people will live. There are, of course, many factors to consider in predicting a person's anticipated life expectancy. Diet, exercise, smoking and family medical history all have an effect on how long a person lives. One major factor, however, is the person's sex. The information we have from both medical science and our experience as an industry

shows that women, as a group, live longer than men. The average is about seven years. There are, of course, factors that affect the difference in individual cases and certainly some men out live women their same age. But as a whole, all other factors being relatively equal, women live longer. This is true not only for the United States but in the other developed countries of the world. The female advantage holds true across economic and racial lines. Only in areas where there are significant numbers of female deaths associated with childbirth complications does the female advantage fade.

Why do women live longer? Many theories have been proposed but no definitive answer has been found. At best, it can be said that a combination of factors appear to give females their advantage over males in life expectancy.

From a life insurance perspective, we are not concerned so much with why women live longer but simply the fact that they do. We are interested in pricing products in a manner that fairly reflects the risk involved. Women's advantage in longevity is to their advantage in purchasing life insurance. They have more years to pay, hence their payments can be lower for the same amount of insurance. This is simply a reflection of their lower risk.

\* We believe each person should be charged a rate which accurately reflects their risk status. Women as a group should not have to pay for the shorter life expectancy of men, especially when the price of individual life insurance is of growing importance to women.

Today, with changes in family structure and family income, women are playing an increasing role as a financial contributor and in many cases are the sole source of income. In many marriages women are earning salaries equal to or greater than their husbands. These changes have had an effect on the purchase of life insurance.

According to our underwriting department, twenty years ago most women purchased life insurance late in life, in small

amounts, as a burial policy. Today they are purchasing life insurance at younger ages and in increasing face amounts. Even on our policies where the husband is the primary insured we are seeing larger numbers of riders covering the wife and larger face amounts on those riders.

Forcing Life Insurance companies to stop using a person's sex as a basis for pricing a life insurance product will have several negative effects.

First, prices for individual policies for women will increase. Amounts of increase will vary depending on the woman's age and the face amount of the policy.

As you are aware, Montana is the sole state to pass legislation mandating unisex rates in life insurance. Security Benefit does business in Montana and their change to unisex rates has caused an increase in the price of individual life insurance for women. To get an idea of what would happen in Kansas I asked our Actuarial Department to take our most popular policy and using the average face amount purchased, calculate the differences between sex distinct rates and unisex rates. As you can see in the attached chart, the rates for men decrease somewhat while the rates for women increase. This is the reflection of women having to pay for the men's higher risk when rates are blended without regard to sex.

A second negative result will be fewer companies offering fewer products in Kansas. When faced with the expense of developing new policies to comply with Montana's unisex law, some companies reduced the variety of policies they offered rather than spend the money to develop new ones. Some companies ceased writing business in Montana. It simply wasn't worth it. Given our relatively small population, Kansas could expect similar results. Security Benefit isn't going anywhere, but some companies and products might. This reduces the number of policies available to Kansas consumers.

Finally there is the added delay in getting our products approved in other states. Generally the other states ask that

your product be approved in your home state prior to submitting it for approval in theirs. If Kansas companies can't get sex distinct products approved here, this will delay their approval elsewhere and place us at a competitive disadvantage in other states.

Other negative results on life insurance include increased adverse risk selection and border hopping by consumers to get less expensive insurance in another state (in this case northeast Kansas women will find less expensive coverage in Kansas City, Missouri.)

### ANNUITIES

Adopting unisex legislation will have little or no effect on the benefits women receive from their annuities. Men, however, will suffer a decrease in the amount they receive.

A man and woman the same age pay into an annuity equally until age 65. At that time each has accumulated the same amount in the annuity. Under present law the woman's benefit payments would be smaller than the man's. This is because the woman, by living longer, spreads the payments over a greater number of years. The man, on the other hand, hasn't as long to live. Therefore, in order to receive the same total as the woman the man must receive larger payments over a shorter period of time.

When unisex rates are applied, the rate of payout for men is lowered to that at or near the woman's rate. Although the two sexes are being treated equally in terms of the amount of their payments, the man is treated unfairly because if he follows the statistical average and dies seven years before the woman, he ultimately received less from his annuity.

Attached you will find a chart prepared by Security Benefit's Actuarial Department showing the monthly benefit per \$1000 of proceeds applied from SBL Flexible Premium Deferred

Annuities. The chart shows the difference in benefit per \$1000 between sex distinct payments and unisex payments for persons 60-70 years old. The chart shows the actual and percentage decrease in payments to men.

#### CONCLUSION

We ask that the Committee decline to recommend HB 2249 for passage. The issue is one of fairness. We believe each person should have the opportunity to purchase a life insurance product tailored to their particular risk. Those who enjoy the advantage of being low risk should not be made to pay for those who don't. The present law benefits Kansas consumers and Kansas Companies. Changing to unisex, while giving the appearance of equality in theory, in practical effect the results are less fair for everyone.

MINIMUM REQUIRED YEARLY PREMIUM  
SECURITY 25/10 LIFE INSURANCE POLICY  
FACE AMOUNT \$75,000

<u>AGE</u>	<u>MALE NON-SMOKER</u>	<u>MALE SMOKER</u>	<u>FEMALE NON-SMOKER</u>	<u>FEMALE SMOKER</u>	<u>UNISEX NON-SMOKER</u>	<u>UNISEX SMOKER</u>
25	\$ 375.00	\$ 420.00	\$ 307.50	\$ 367.50	\$ 361.50	\$ 409.50
35	562.50	648.75	498.75	581.25	549.75	635.25
45	1050.00	1275.00	915.00	1102.50	1023.00	1240.50
55	1987.50	2512.50	1638.75	1706.25	1917.75	2351.25
65	3487.50	4462.50	2752.50	3240.00	3340.50	4218.00

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DOLLAR AND PERCENTAGE CHANGE RESULTING FROM UNISEX

<u>AGE</u>	<u>MALE NON-SMOKER</u>	<u>MALE SMOKER</u>	<u>FEMALE NON-SMOKER</u>	<u>FEMALE SMOKER</u>
25	\$ -13.75 (-3.6%)	\$ -10.50 (-2.5%)	\$ +54.00 (+17.6%)	\$+42.00 (+11.4%)
35	-12.75 (-2.3%)	-13.50 (-2.1%)	+51.00 (+10.2%)	+54.00 (+9.3%)
45	-27.00 (-2.6%)	-34.50 (-2.7%)	+108.00 (+11.8%)	+138.00 (+12.5%)
55	-69.75 (-3.5%)	-161.25 (-6.4%)	+279.00 (+17.0%)	+645.00 (+37.8%)
65	-147.00 (-4.2%)	-244.50 (-5.5%)	+588.00 (+21.4%)	+978.00 (+30.2%)

SETTLEMENTS FROM SBL FLEXIBLE PREMIUM DEFERRED RETIREMENT ANNUITIES  
MONTHLY BENEFIT PER \$1000 OF PROCEEDS APPLIED

	<u>RATE</u>			<u>PERCENTAGE CHANGE IF UNISEX</u>		
	60	65	70	60	65	70
<u>GENERAL ACCOUNT</u>						
FEMALE	8.18	8.74	9.56	0.0	0.0	0.0
MALE	8.73	9.49	10.59	-6.3	-7.9	-9.7
UNISEX	8.18	8.74	9.56			
<u>SEPARATE ACCOUNT</u>						
FEMALE	5.00	5.64	6.53	0.0	0.0	0.0
MALE	5.57	6.38	7.52	-10.2	-11.6	-13.2
UNISEX	5.00	5.64	6.53			




**FARMERS ALLIANCE MUTUAL INSURANCE COMPANY**

1122 N. MAIN

P.O. BOX 1401

McPHERSON, KANSAS 67460

(316) 241-2200

**H.B. 2249**

I am Richard Wilborn, Vice-President of Government Affairs with the Alliance Insurance Companies, McPherson, Kansas. We insure approximately 45,000 automobiles in the state of Kansas. We are very much concerned about H.B. 2249, as it relates to the ability of an insurer to use viable, valid data, easily determined characteristics to differentiate one category from another.

For example, in the rating of automobile insurance, gender is a verifiable and easily determined characteristic and impacts driving records. There is a correlation between gender and driving record. This correlation does not exist in any other line of property and casualty insurance, being a man or woman does not affect homeowners insurance, or workers' compensation, for example.

Each year insurance companies put a price tag on literally millions of risk exposures. In order to minimize subjective judgment, classification systems have been developed whereby individuals sharing relatively similar risk exposures are grouped together for pricing purposes. The way a policyholder is classified has a direct bearing on the price he or she must pay for the insurance. Until fairly recently, attack on the insurance classification system has been generated by those who believe they are paying too much for insurance. It is only recently that those who have been paying less have sought to have their classification status altered. In regard to automobile insurance, the effect of limiting gender in setting rates would be an increase in the cost of insurance for those who are perceived to be discriminated against.

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ALLIANCE COMPANIES

Attachment 9

There are, of course, a great many characteristics which insurers could use for classification purposes. Insurance pricing, however, is based on the Law of Large Numbers. For practical reasons companies must limit the criteria used for classification purposes to those which can be readily identified. Those that are more objective in nature and those that are likely to have the greatest effect on risk exposure. For the purpose of the auto insurance, age and gender of the driver, make and model of the car, where the auto is generally garaged, and the use of the automobile, have been identified as both the most important criteria and the most effective objective around which the classification system has been structured.

As you know, insurance is a risk spreading mechanism through which those who seek to protect themselves against losses, pool small sums of money (premiums). If any other class of policyholders does not pay a fair share of anticipated losses, all other policyholders must increase their payments so as to insure adequate resources to pay all losses.

Artificial manipulation of the classification system leads directly to the subsidization of one class by another. As policy makers attempt to force insurance companies to stop using valid classification criteria in their rating plans, they are basically legislating against the use of empirical knowledge. They are forcing the insurance companies to charge policyholders inappropriate prices.

Insurance industry data shows very clearly that the number of claims per 100 insured cars is considerably higher for single male drivers under age 21,

than single female drivers under age 21. Further, the average loss per claim also shows significant differences between gender, the cost being considerably less for females than males.

Also it is important to note that there are important differences in the driving patterns between males and females. Men generally tend to obtain drivers' licenses at early ages; they drive more miles per year; and they do considerably more nighttime driving; they do most of the weekend driving and they are more likely to be impaired by alcohol while driving.

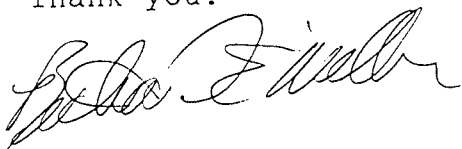
Montana has a unisex rating law. A law prohibiting the use of sex or marital status became effective in Montana in October, 1985. As resulting, 19-year-old single female principle driver premiums increased 38%, a 17-year-old female occasional driver increased 26% based on 12 companies writing 72% of the automobile premiums in Montana. Legislation to repeal the unisex law was passed in both houses in 1987, however it was vetoed. It was again evaluated and analyzed very carefully this year.

If you will note the attached premium comparison charts that I have assembled. These charts represent the Farmers Alliance Mutual Insurance Company's premiums. They do not reflect the industry but only our premiums. We have tried to select communities that are similar in size and also you will note in column four, the Montana premiums. They are equal for male and female.

The first column is Kansas. Our actuaries evaluated our current book of business and projected a rate in Kansas, if we had H.B. 2249 in effect. The projected premium would be approximately \$350, assuming no changes occurred in our book of business.

Reasons for this include males tend to stay with their parents' insurance policy longer, females tend to break away on their own earlier as it relates to insurance policies. A larger share of the uninsured motorists on the streets are the young, single males. Also, more single males are in the assigned risk plan. Therefore, there is not a 50/50 mix of male to female ratio in this age classification of the driver. In summation, I urge this committee to consider my remarks on the classification process. It is vital to the accurate pricing of auto insurance. It is not unfairly discriminatory. Do not impose greater costs on female drivers when their collective record allows them lower premiums.

Thank you.



RICHARD E. WILBORN

**PREMIUM COMPARISONS**  
 Vehicle: 1987 Chevrolet Celebrity 4D Sedan V6  
 Policy Limits: BI/PD 25/50/10 - Med. Pay \$5,000 - UM & UND 25/50 - Basic PIP  
 Comprehensive Deductible - \$100  
 Collision Deductible - \$500

AUTO PREMIUM

Class		(Saline Territory)									
		<u>KANSAS</u>		<u>BISMARCK, ND</u>		<u>BOISE, ID</u>		<u>HELENA, MT</u>		<u>PIERRE, SD</u>	
		<u>4/1/87</u>	<u>4/1/88</u>	<u>4/1/86</u>	<u>4/1/88</u>	<u>4/1/86</u>	<u>4/1/88</u>	<u>4/1/86</u>	<u>4/1/88</u>	<u>4/1/86</u>	<u>4/1/88</u>
1	Single Man Age 20	\$468.00 *320.00	\$512.00 *350.00	\$313.00	\$513.00	\$382.44	\$552.00	\$407.79	\$511.00	\$441.38	\$680.00
2	Single Woman Age 20	214.00 *320.00	234.00 *350.00	224.76	335.00	274.38	359.00	407.79	511.00	317.50	445.00
3	Single Man Age 40	167.00 *162.00	183.00 *178.00	137.00	157.00	166.28	167.00	195.03	239.00	205.10	209.00
4	Single Woman Age 40	147.00 *162.00	160.00 *178.00	123.50	142.00	149.65	151.00	195.03	239.00	184.89	188.00
5	M/F Couple Age 22	221.00 *247.00	241.00 *270.00	177.50	219.00	216.16	235.00	283.68	347.00	265.73	290.00
6	M/F Couple Age 45 16 Yr. Old Male Driver	329.00	360.00	312.50	390.00	382.44	418.00	416.66	554.00	467.83	517.00
7	M/F Couple Age 45 16 Yr. Old Female Driver	214.00 *251.00	234.00 *275.00	222.76	280.00	241.12	301.00	416.66	554.00	336.48	372.00

\* Premiums if House Bill #2249 is passed.

The same rates using Unisex rating:

	<u>4/1/87</u>	<u>4/1/88</u>
Single Age 20	\$320.00	\$350.00
Single Age 40	162.00	178.00
Male/Female Couple, age 22	221.00	241.00
Male/Female Couple, age 45 plus 16 yr. old. driver	251.00	275.00

The same rates using Unisex  
and without marriage status:

Age 20	304.00	333.00
Age 40	162.00	178.00
Age 22	247.00	270.00
Age 45 plus 16 year old driver	251.00	275.00

STATEMENT OF STATE FARM MUTUAL  
AUTOMOBILE INSURANCE COMPANY  
IN OPPOSITION TO KANSAS HOUSE BILL NO. 2249

I am Debra Wozniak, Assistant Counsel for State Farm Mutual Automobile Insurance Company. State Farm represents 500,000 auto insurance policyholders and approximately 53,000 ordinary life insurance policyholders in Kansas. State Farm opposes House Bill No. 2249. The bill will result in unjustified rate increases for a number of our insureds and it will reduce the amount of competition in the insurance market in Kansas. The adverse effects of the bill are not offset by any corresponding benefit. The proposal will not increase fairness and equity in insurance rating. In fact, fairness and equity will be reduced. Certainly the proposed bill will not be of financial benefit to women. In fact, many women will be required to pay more.

The major argument of the proponents of this bill is that the use of sex and marital status are "socially unacceptable" as rating criteria. We believe our rates are reasonable because they reflect the actual costs of the members of a group. The use of these rating classification is not based on stereotype and prejudice. It is based on historical costs.

It is ironic that the proposal to eliminate sex and marital status in automobile and life insurance rating, the major lines sold by State Farm in Kansas, will benefit men for the most part. If you ask the public whether sex and marital status should be used

as insurance rating criteria, the answer to that question would probably be "no." But ask the public whether older drivers, married drivers, female drivers or the elderly should help pay the costs of accidents caused by young single male drivers, and most people would also answer that question: "no."

Young unmarried men are much more accident prone than any other group. The effects of sex and marital status show up clearly in insurance claim figures. Young single men also tend to have more expensive accidents. State Farm figures show that the average property damage claim for cars driven by young single males was 19% more costly than the average adult claim. Our actuarial department tells me that figures also show men have more accidents per mile driven than do women.

I have distributed some exhibits prepared by State Farm's actuarial department that show the impact of elimination of sex and marital status on State Farm Mutual rates in Kansas.

There are two sets of figures, one assessing the annual change in policy premium if the sex of the driver is eliminated as a rating factor and the other assessing the annual change in the policy premium if the marital status of the driver is eliminated as a rating factor. The figures you are reading were determined on a revenue-neutral basis. To determine the impact of this bill, the actuarial department took the rating formula and eliminated the factor for sex and for marital status and determined what the rates



would need to be to achieve the same revenue. The graphs depict the "average" annual change for drivers under 24 years of age. As you can see, if sex is eliminated as a rating factor the average change will be a \$178 increase for young females and a \$169 decrease for young males in Kansas. Young females will be subsidizing the male drivers in their age group. The attached charts show the rate changes in 4 Kansas territories. Similar results occur if marital status is eliminated as a rating factor. On the average, young married males will pay \$266 more annually if marital status is eliminated as a rating factor, to subsidize the young single males, who will pay, on the average, \$68 less annually. In North Kansas City a married man under 21 would pay \$810 or 83% more every year while an unmarried man under 21 in the same territory would pay \$44 or 2% less. In Salina, the figures would be \$401 more and \$21 less. The other charts show the difference for young men 21-22 and 23-24 years of age in the same territories.

House Bill 2249 would unfairly require young women and young married men to subsidize the losses of young male drivers. We urge the committee to oppose this proposal.

Thank you very much for the opportunity to present our comments.

RECEIVED

NON-GENDER SURVEY

FEB 18 1987

J. G. M.

The Montana Insurance Department recently conducted a survey to determine the impact of the Non-gender legislation on Montana consumers. In order to obtain an accurate computation, a questionnaire was sent to the Life, Health and Auto insurance companies that write the majority of business in our state. These companies were asked to provide us with information about the rates they charged and the number of products they offered in Montana before and after the Non-gender law went into effect. The following are the results of this survey.

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NON-GENDER - LIFE INSURANCE

Term Life insurance premiums for a 30-year old female have increased between 1% to 110%. The average rate increase for a 30-year old female was 10%.

Term Life insurance premiums for a 30-year old male have increased between 0% to 47%. The average rate increase for a 30-year old male was 4%.

Whole Life insurance premiums for a 30-year old female have increased between 4% to 34%. The average rate increase for a 30-year old female was 15%.

Whole Life insurance premiums for a 30-year old male have decreased between 0% to 11%. The average rate decrease for a 30-year old male was 3%.

The number of Life Insurance products available in Montana has decreased approximately 37% since the passage of the Non-gender Legislation.

Information on Cash Value Proceeds and Benefit payments was not included in the survey. The main concern expressed by most Montana consumers was the increase in policy premiums. Our survey, therefore, was designed to address this issue.

LIFE INSURANCE RATES: As reported by the various companies.

Bankers Life Company	\$50,000 Annual Renewable Term		\$50,000 Whole Life Policy	
	Before Non-gender	After Non-gender	Before Non-gender	After Non-gender
Woman age 30	77.00	105.00	630.00	690.50
Man age 30	90.00	105.00	699.00	690.50
Woman age 50	289.00	386.50	1413.00	1576.00
Man age 50	356.50	386.50	1600.50	1576.00

Offered 6 Life products in Montana before the Non-gender Legislation.  
Offered 6 Life products in Montana after the Non-gender Legislation.

NON-GENDER HEALTH INSURANCE - MAJOR MEDICAL

Individual Major Medical health insurance premiums for a 25-year old male have increased between 5% to 38%. The average rate increase for a 25-year old male was 22%.

Individual Major Medical health insurance premiums for a 25-year old female have decreased between 8% to 28%. The average rate decrease for a 25-year old female was 16%.

Individual Major Medical health insurance premiums for a 40-year old male have increased between 18% to 45%. The average rate increase for a 40-year old male was 28%.

Individual Major Medical health insurance premiums for a 40-year old female have decreased between 11% to 19%. The average rate decrease for a 40-year old female was 13%.

The above figures were compiled from six companies that write individual Health insurance business in Montana. The top 25 health writers were surveyed but either they do not write individual Major Medical policies in Montana or they are phasing individual Major Medical products out of their book of business.

HEALTH INSURANCE RATES: As reported by the various companies.

	Major Medical \$500 deductible	
Mutual of Omaha	Before Non-gender	After Non-gender
Single Man 25	378.00	524.00
Single Woman 25	575.00	524.00
Single Man 40	492.00	715.00
Single Woman 40	809.00	715.00
	Hospital	
	Before Non-gender	After Non-gender
Single Man 25	237.00	332.00
Single Woman 25	414.00	332.00
Single Man 40	376.00	495.00
Single Woman 40	613.00	495.00

NON-GENDER - AUTO INSURANCE

Individual Auto insurance premiums for a 20-year old male have decreased as much as 47% and increased as much as 20%. The average rate for a 20-year old male decreased 16%.

Individual Auto insurance premiums for a 20-year old female have increased between 4% to 91%. The average rate for a 20-year old female increased 49%.

Auto insurance premiums for a married couple with 16-year old male driver decreased as much as 31% and increased as much as 30%. The average rate for a married couple with a 16-year old male driver decreased 8%.

Auto insurance premiums for a married couple with a 16-year old female driver have decreased as much as 2% and increased as much as 107%. The average rate for a married couple with a 16-year old female driver increased 33%.

Economic factors other than the Non-gender Legislation have caused Auto premiums to decrease as much as 12% and increase as much as 33%. The average rate for Auto insurance has increased 12% due to factors other than Non-gender Legislation.

The people most affected by the Non-gender law were young women, young married couples, and married couples with young female drivers. These people were affected most because Non-gender did away with the standard discount for married couples and because young women overall experienced a substantial increase in their premium rates.

AUTO INSURANCE RATES: As reported by the various companies.

Policy Holder	1984 Ford Tempo - Helena, MT GL Four Door Sedan Standard Liability Limit (25/05/5) \$5000 Medical payment Comprehensive - \$100.00 Deductible Collision - \$100.00 Deductible
------------------	--

All Nation Insurance Co.	Before Non-gender	After Non-gender
Man age 20	128.00	154.00
Woman age 20	90.00	154.00
Man age 40	80.00	97.00
Woman age 40	80.00	97.00

# **UNISEX AUTO INSURANCE RATING**

## **How Auto Insurance Premiums in Montana Changed After Elimination of Sex and Marital Status as Rating Factors**

**FOR ADDITIONAL COPIES/INFORMATION  
CONTACT THE CORPORATE RESEARCH DEPT.**

**All-Industry Research Advisory Council  
October, 1987**

This report, *Unisex Auto Insurance Rating*, is available from the All-Industry Research Advisory Council, 1200 Harger Road, Suite 310, Oak Brook, Illinois 60521. In the U.S. and Canada, a single copy is free and additional copies are \$4 each, postpaid. All copies to other countries are \$5 each postpaid. A listing of other AIRAC reports is provided in the Appendix.

## **ACKNOWLEDGEMENTS**

This report reflects the work of the AIRAC Unisex Rating Committee. Members were closely involved in design of the study, development of the survey, and review of the data and draft report. The survey form was drafted by Richard Jaeger of ISO and Dale Nelson of State Farm. Appendix I dealing with Unisex Rating in states other than Montana was written by Dale Nelson. David Unnewehr of the AIRAC staff analyzed survey responses and drafted the overall report. AIRAC wishes to thank the 12 auto insurers participating in the survey. The study would not have been possible without their help and cooperation.

Gary Bellinghausen  
Chairman, AIRAC Unisex Rating Committee

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### **AIRAC UNISEX RATING COMMITTEE**

Gary Bellinghausen, SAFECO (Chairman)  
Edward Chan, California State Auto  
Doug Eland, Allstate Insurance Company  
Diana Lee, National Association of Independent Insurers  
Robert Muleski, Liberty Mutual Insurance Company  
Dale Nelson, State Farm Insurance Company  
Brian Smith, Alliance of American Insurers  
Mavis A. Walters, Insurance Services Office  
Mark Whitman, Insurance Services Office  
David L. Unnewehr, AIRAC

---

### **SURVEY PARTICIPANTS**

Aetna Casualty and Surety Company  
Allstate Insurance Company  
CIGNA P&C Companies  
Farmers Insurance Group  
Mountain West Farm Bureau Mutual Insurance Company  
National Farmers Union Property and Casualty Company  
Royal Insurance Company  
SAFECO Insurance Company of America  
St. Paul Mercury Insurance Company  
State Farm Mutual Automobile Insurance Company  
United Services Automobile Association  
United States Fidelity and Guaranty Company

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# CHAPTER 1 HIGHLIGHTS

On October 1, 1985, Montana put into effect a law prohibiting insurance companies from using sex and marital status in determining auto insurance rates throughout the state. A survey of 12 leading auto insurance companies indicates that the law had a substantial effect on the insurance rates charged vehicle owners under age 25. Major findings of the survey are as follows:

1. All women drivers younger than age 25 had to pay substantially higher rates. Montana's law prohibiting use of sex and marital status increased average auto insurance rates in one territory by \$274 a year for some young women. Even the young women with the smallest increases, 23 year old principal operators, saw significant increases averaging \$91 to \$109 a year. The effect on young male drivers was mixed, depending on their marital status. Unmarried male principal operators received rate decreases of up to \$295 a year. On the other hand, young married male principal operators had to pay significantly higher auto insurance premiums. For example, 23 year old married male principal operators experienced rate increases averaging \$124 to \$147 a year. The following table summarizes the changes in premiums charged for representative rating classes in Montana following the change to the new rating system.
2. Both the increases and decreases resulted from the

law's requirement that auto insurers ignore the more favorable loss experience of women, and of married drivers of both sexes. Instead, insurers were required to charge the same rates to male and female, married and unmarried drivers. Premium increases and decreases also were influenced to a lesser extent by general rate increases, which many auto insurers put into effect simultaneously with the change to unisex rates. These general rate increases varied by insurer but averaged 6.7%.

3. About 11.8% of Montana's insured autos involved youthful drivers when the new rating system went into effect. About 6.7% of the insured autos received significant rate increases as a result of the law, while 5.1% saw significant decreases. Cars driven by young women and young married males, the groups experiencing increases, numbered approximately 37,000. An estimated 28,200 single males under the age of 25 saw their auto insurance premiums drop.
4. Adult drivers were virtually unaffected by the change to unisex rating. Adult drivers of both sexes, married and unmarried, paid auto insurance rates averaging 5% to 8% higher after the new rating system went into effect, not as a result of the change to unisex rates, but almost entirely as a result of the general rate increases put into effect at the same time.

## EFFECT OF UNISEX RATING ON AUTO INSURANCE PREMIUMS IN MONTANA

Rating Class	Average Premium Changes for Lowest and Highest Rated Territories Surveyed	
	Males	Females
17 year old single occasional operator	\$ - 72 to \$ - 85	\$ +138 to \$ +166
19 year old single principal operator	-261 to -295	+230 to +274
23 year old single principal operator	-218 to -246	+ 91 to +109
23 year old married principal operator	+124 to +147	+210 to +242
35 year old single principal operator	+ 19 to + 26	+ 23 to + 31
35 year old married couple	\$ +20 to +28	

NOTE: The dollar figures represent survey average increases or decreases in premiums for a standard package of auto insurance coverages. The ranges in the table show how these average premium increases and decreases varied among Montana's six rating territories. The dollar effect of the law varied somewhat from one part of the state to another.

## CHAPTER 2

# INTRODUCTION AND METHODOLOGY

The purpose of this study is to show how a Montana law enacted October 1, 1985 affected auto insurance premiums. The law prohibited the use of sex and marital status as factors in determining insurance rates. This report charts increases or decreases in auto insurance premiums experienced by youthful male, youthful female, married and unmarried drivers following implementation of the new Montana rating law.

The auto insurance industry historically has used sex as a consideration in determining rates for auto insurance. Sex is used in conjunction with other driver characteristics such as age and marital status, accident and traffic conviction records, place of residence, make and model of the car, annual mileage and manner in which the car is used.

Unlike the costs of other goods and services, the cost of providing insurance coverage depends greatly on the customer. Measuring the variations in cost and reflecting them in the price are important parts of the insurance process. Risk classification is a way of grouping similar insurance customers to determine average cost before applying those average costs to individuals.<sup>1</sup>

Insurers have found that sex is a significant variable for evaluating risk posed by youthful drivers. While insurers predict rates on specific insurance data regarding claim costs and claim frequencies, data external to the insurance industry confirm some of their findings. Statistics gathered over many years indicate women have better accident records than men, particularly in the case of drivers under the age of 25. The National Safety Council estimated that the nation had 158.2 million drivers in 1985, of which 52.1% were men. Even though just over half of all drivers were men, men were involved in nearly twice as many traffic accidents (21.4 million) as were women (11.6 million). Data for the same year showed that male drivers were involved in nearly four times as many fatal accidents as were females.<sup>2</sup> Men were involved in approximately 46,700 fatal accidents while women were involved in about 12,700 fatal accidents. Research by the California Department of Motor Vehicles demonstrates that the differences in accident

rates are not explained by differences in mileage driven by men and women: men have more frequent accidents within all categories of mileage driven.<sup>3</sup>

Despite this evidence, some groups have sought to eliminate the use of sex as an insurance rating factor, even though gender-based rates benefit women drivers. These groups tend to perceive any distinctions based on sex as unfairly discriminatory—as objectionable as distinctions in hiring practices, pay scales and other equal rights issues.

While gender-based auto insurance rates are prohibited in Hawaii, Michigan, North Carolina, Massachusetts and Montana, in each instance the legislature eliminated other factors as well, thereby complicating any attempt to measure the effect of unisex laws. Montana's law provided the best opportunity to isolate the effects of unisex rating, because only sex and marital status were eliminated as rating factors. In Hawaii, Michigan, North Carolina and Massachusetts, the prohibitions on use of sex were accompanied by other major changes such as a switch to no-fault insurance or restrictions on rating factors such as age and territorial classifications. When numerous changes are made at the same time, it is difficult to isolate the effect of any one factor on the rates charged. For a brief description of unisex rating in Hawaii, Michigan, Massachusetts and North Carolina, see Appendix 1.

During the mid to late 1970's and early 1980's a number of other states and the U.S. Congress considered instituting unisex rating of insurance, but decided against such action. In 1986, the Pennsylvania legislature passed a law overturning an earlier regulation issued by the Pennsylvania Insurance Department that would have required auto insurers to ignore differences in the loss experience of young men and women drivers. Lawsuits have been filed challenging this new law, and are currently in progress as this study went to press. Other proposals have been made elsewhere to eliminate or change the use of sex and other rating variables used in setting auto insurance rates. Concern about the effect of unisex rating on auto insurance premiums for youthful drivers continued in Montana after the new law became effective. A measure to repeal unisex rating passed both houses of the Montana legislature during the spring of 1987, but was vetoed by the Governor. The Montana House of Representatives fell six votes short of the 67 needed to override the veto.

<sup>1</sup> Walters, Michael A. *Principles of Insurance Classification*, Insurance Services Office, 1983. See Also *Risk Classification Statement of Principles* by the American Academy of Actuaries Committee on Risk Classification, 1980 and *The Role of Risk Classification in Property and Casualty Insurance: A Study of the Risk Assessment Process* by Barbara Casey et al, Stanford Research Institute, 1976.

<sup>2</sup> National Safety Council, *Accident Facts, 1986 Edition*.

<sup>3</sup> California Department of Motor Vehicles, *California Driver Fact Book*, 1981, page 17.

## Methodology

Twelve insurers representing 72% of 1985 auto insurance premiums written in Montana participated in a survey of auto insurance rates.<sup>4</sup> Because October 1, 1985 was the effective date for the Montana statute eliminating rating by sex and marital status, insurers were asked to provide rates for September 30, 1985 and October 2, 1985.

Each insurer provided before-and-after rates for 11 rating classes in each of six Montana territories. The 11 rating classes were as follows:

1. 17 year old single female, occasional operator
2. 17 year old single male, occasional operator
3. 19 year old single female, principal operator
4. 19 year old single male, principal operator
5. 23 year old single female, principal operator
6. 23 year old married female, principal operator (assume husband is 26)
7. 23 year old single male, principal operator
8. 23 year old married male (assume wife is 23)
9. 35 year old single female, no youthful operators
10. 35 year old single male, no youthful operators
11. 35 year old married couple, no youthful operators

The rating classes were intended to provide representative examples of how different youthful drivers would be affected by the elimination of sex and marital status as rating variables. Rate changes in the three rating classes with 35 year old drivers are compared to changes in the youthful rates. Adult rates were not expected to change much since sex and marital status are considered less significant rating variables for adult drivers.

In order to hold all other factors constant for the rate calculations, the rate example was as follows:

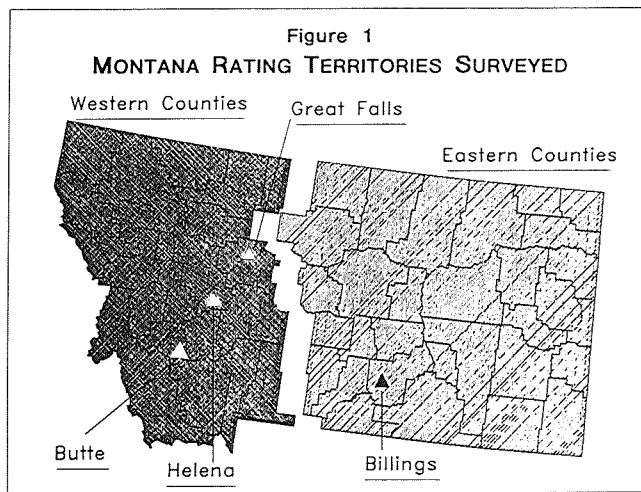
1. The car was defined as a 1983 Ford Escort 2 door
2. Policy coverage included:
  - a. Bodily Injury/Property Damage Liability \$50,000/100,000/25,000 or \$100,000 single limit
  - b. Medical Payments—\$2000
  - c. Uninsured Motorist—Basic Limits (\$25,000/\$50,000)

<sup>4</sup> Based on 1985 Share of Market data published by A.M. Best.

- d. Comprehensive—\$50 deductible
  - e. Collision—\$200 deductible
3. No safe-driver insurance plan (SDIP) points (i.e., no chargeable accidents or traffic violations)
  4. No discounts (multi-car, good students, driver training, etc.)
  5. Car is driven to and from work 9 miles one way, and driven 8,000 miles annually
  6. For each rating class, premiums were calculated for the following territories: Helena, Butte, Great Falls, Billings, the Western Counties and the Eastern Counties. For location of the rating territories in the state, see Figure 1.

With these definitions, insurers were asked to provide annualized premiums as of September 30, 1985 and October 2, 1985. To account for any other factors that might cause unequal comparisons, insurers were asked to report general rate level adjustments and off-balance adjustments required for base rates as a result of the elimination of rating by sex and marital status. They were also asked to describe any structural changes made in the way data were organized for rating.

AIRAC used the data submitted by the 12 insurers to calculate average rates before and after implementation of the law. Average premiums were weighted by the market shares of the 12 companies.



## CHAPTER 3 FINDINGS

AIRAC gathered information from 12 major auto insurers on changes in rates following implementation of Montana's unisex law. Measuring rates on September 30, 1985 and October 2, 1985 eliminated the possibility of comparisons being distorted by rate changes made some months before or after the new law took effect. Many insurers did include a general rate increase for auto insurance on October 1, 1985 when the unisex rating law went into effect. This increase averaged 6.7%, on a weighted basis, for the 12 companies participating in the AIRAC survey.

Insurers were asked to provide information for six major rating territories in Montana. For each territory, insurers provided rates for 11 rating classes including eight youthful classes directly affected by the elimination of sex and marital status as rating variables.

### Dollar and Percentage Changes in Premiums By Rating Class

Tables 1 and 2 summarize the overall effects of removing sex and marital status as rating variables for auto insurance in Montana. Tables 3-8 provide a detailed look at the effect in each of the state's six rating territories.

Tables 1 and 2 show the range of average dollar and percent increases or decreases for representative groups of drivers, for the lowest and highest rated territories in the state. The premium changes are not the same for all territories because rates vary by geographical area. The dollar change was greatest in the territories with the highest overall rates. Adjustments reflecting territorial loss experience also may have slightly affected the range of increases and decreases. Rates tended to be highest in Butte and lowest in the Western Counties. Increases or decreases shown in

Tables 1 and 2 also include the effect of the general rate increases.

Women drivers under age 25 had to pay substantially higher auto insurance rates as a result of Montana's new rating law. Among the classes included in the study, 19 year old single females experienced the largest dollar increases. Single women of that age who were owners or principal operators paid \$230 to \$274 more per year, depending on where they lived. This compares with increases of \$138 to \$166 for single 17 year old female occasional operators, and increases of \$91 to \$109 for single 23 year old female owners or principal operators.

Young married women experienced even larger cost increases than their unmarried counterparts. For 23 year old married females, the new law resulted in increases averaging \$210 to \$242, compared with increases of \$91 to \$109 for single women drivers of the same age and driver classification (owner or principal operator).

The law's effect on young male drivers depended on their marital status. Unmarried male drivers under age 25 enjoyed significant decreases in their auto insurance rates. The 19 year old single male principal operators received rate reductions of \$261 to \$295, varying by where they lived. This compares with decreases of \$218 to \$246 for single male owners or principal operators age 23, and decreases of \$72 to \$85 for single male occasional operators age 17.

Young married male drivers, by contrast, experienced significant increases in premiums as a result of the law's prohibition on the use of marital status. For 23 year old married males, the loss of the marital status factor more than offset the benefit they received from the loss of gender rating. This is illustrated in

**TABLE 1  
EFFECT OF UNISEX RATING ON AUTO INSURANCE PREMIUMS IN MONTANA**

Rating Class	Average Premium Changes for Lowest and Highest Rated Territories Surveyed	
	Males	Females
17 year old single occasional operator	\$ - 72 to \$ - 85	+ 138 to \$ + 166
19 year old single principal operator	- 261 to - 295	+ 230 to + 274
23 year old single principal operator	- 218 to - 246	+ 91 to + 109
23 year old married principal operator	+ 124 to + 147	+ 210 to + 242
35 year old single principal operator	+ 19 to + 26	+ 23 to + 31
35 year old married couple		\$ + 20 to + 28

**TABLE 2**  
**PERCENTAGE CHANGE IN AUTO INSURANCE PREMIUMS**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premium Changes for Lowest and Highest Rated Territories Surveyed	
	Males	Females
Age 17, single occasional operator	9% to 11% decrease	25% to 27% increase
Age 19, single principal operator	23% to 24% decrease	37% to 39% increase
Age 23, single principal operator	27% to 28% decrease	18% to 20% increase
Age 23, married principal operator	26% to 29% increase	56% to 59% increase
Age 35, single principal operator	5% to 6% increase	6% to 8% increase
Age 35, married couple	5% to 7% increase	

Table 1. Single 23 year old male principal operators saw their auto insurance premiums go down \$218 to \$246 a year, while the married 23 year old drivers saw their rates go up by \$124 to \$147, since the new law requires that both pay the same rates.

Finally, Table 1 indicates that adult drivers received premium increases averaging \$19 to \$31. The rating classes used in this study to represent the adult classes included 35 year old principal operators (male or female), and 35 year old married couples. Since gender and marital status were not significant rating factors for adults of this age under the old system, the increases shown in this study were due almost entirely to the general rate increases put into effect by most of the participating companies simultaneously with the change to the unisex rating.

Table 2 indicates that 23 year old married women were the group most affected on a percentage basis by the new law. This group received average premium increases ranging from 56% to 59%. (As shown earlier in Table 1, their dollar increases were slightly less than those received by 19 year old single women who were principal operators. Because the 19 year old females had higher initial rates, their percentage increases were not as dramatic as those of the 23 year old married women, but still ranged from 37% to 39%.) Married men aged 23 who were principal operators also were adversely affected by the new rating law. Loss of the marital status factor resulted in a 27% to 29% increase in premiums for married men aged 23. The 17 year old single men and women who were occasional operators experienced smaller changes in their rates. This is not surprising since rates charged occasional operators are lower than those for an owner or principal operator. Seventeen year old female drivers received premium increases in the range of 25% to 27%, while male drivers received decreases in the range of 9% to 11%.

### Effect of the General Increase in Rates

Dollar and percentage changes shown in Tables 1 and 2 reflect the impact of the general rate increases, averaging 6.7% as mentioned earlier. The 6.7% is an average weighted by company premium volume. Some companies had smaller increases or even decreases; others had increases of more than 6.7%. Increases attributable solely to the elimination of sex and marital status are somewhat less than the figures shown in Tables 1 and 2. Rate decreases would be somewhat greater in magnitude were it not for the effect of the general rate increase. The effect of the general rate increase shows up most clearly in the increases for the 35 year old drivers. Rates for male and female drivers over 30 tend to converge even in the majority of states where sex is a rating factor. Prior to the new rating law, average rates for 35 year old single women in Montana were slightly lower than those for 35 year old single men and for 35 year old married couples (See tables 3-8). Only minor adjustments by a few companies were required to comply with the new rating law for the 35 year old drivers. Nearly all of the increases shown for the 35 year old drivers are attributable to the general rate increase.

### Premium Changes By Rating Class and Territory

Tables 3-8 provide comparisons of premium changes by rating class in each of the territories surveyed. These are the underlying data which were previously summarized and highlighted in Tables 1 and 2. To avoid repetition, only Tables 3 and 4 are discussed in detail since the relationships among the various rating classes do not change significantly from one territory to another.

As expected under the new law, like age groups have the same rate. However, other rating factors used by several insurers participating in the survey caused rates to differ slightly for the 23 year old and 35 year

**TABLE 3**  
**BILLINGS**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 831	\$ 746	\$ - 85	- 10%
17 year old single female	592	746	+ 154	+ 26
19 year old single male	1,226	933	- 293	- 24
19 year old single female	674	933	+ 259	+ 38
23 year old single male	878	635	- 243	- 28
23 year old single female	536	635	+ 99	+ 18
23 year old married male	499	637	+ 138	+ 28
23 year old married female	401	630	+ 228	+ 57
35 year old single male	402	424	+ 22	+ 5
35 year old single female	397	424	+ 27	+ 7
35 year old married couple	402	425	+ 23	+ 5

old examples. Twenty-three year old married females had a slightly lower average rate than single drivers and married male drivers of the same age. For example, in Billings, the 23 year old married female rate is \$7 lower than the 23 year old married male rate and \$5 lower than rates for single male and female drivers. The married female received a lower rate in this instance because the study assumed the husband's age was 26. One insurer also considered the husband's age in rating this example even though the wife was assumed to be the principal operator. This resulted in a lower rate because a 26 year old male is considered a better risk than a 23 year old male. The 23 year old married male and the 35 year old married couple paid slightly higher rates than their single counterparts because of a rating guideline used by an insurer that assumes a car driven by two drivers will generate more miles each year than one driven by a single person. This accounts for the small difference of \$1-\$2 in rates for 35 year old married couples and 23 year old married males as compared to their single counterparts (Tables 3-8). The 23 year old married female also experienced the effect of this rating factor, but it was overshadowed by the husband's age.

Drivers in all examples listed in Tables 3-8 were principal operators of the vehicle, with the exception of the 17 year old single male and female drivers who were rated as occasional operators. This example was selected because most 16-18 year old drivers are occasional operators of a family car. Rates for the small number of 16-18 year old drivers who are principal operators would have been much higher than for occasional operators in the same age range. Increases or

decreases in rates for female and male drivers also would have been more dramatic.

Table 3 shows that young married females who were principal operators of a family car had the highest increases. For 23 year old married females living in Billings, average auto insurance rates increased from \$401 annually to \$630, a 57% increase.

The 23 year old single male saw his auto insurance rates drop an average of \$243, from \$878 to \$635 annually, a 28% decrease. However, a 23 year old married male (principal operator, with wife age 23) experienced a rate increase of 28%, with premiums rising from \$499 to \$637. Single male drivers aged 17, 19 and 23, in the examples shown in Tables 3-8, all experienced significant rate decreases.

For Billings, a 17 year old female driver experienced a premium increase from \$592 to \$746, a 26% increase. The 17 year old male driver experienced an average drop in auto insurance premiums from \$831 to \$746, a decrease of 10%. The rate swings were wider for the 19 year old male and female drivers, in large part because they were rated as principal operators in the study. As shown in Table 3, a 19 year single female living in Billings paid \$259 more annually for auto insurance. This represented a premium increase of 38%, from \$674 to \$933. A 19 year old male also paid an average of \$933 for auto insurance following enactment of the law. However, this new rate for the 19 year old single male represented a 24% decrease from the old annual premium of \$1,226.

The 35 year old single male, female, and married couple all received rate increases in the range of 5% to 7% due almost entirely to the overall rate increases

**TABLE 4**  
**BUTTE**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

<u>Rating Class</u>	<u>Average Premiums</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>Before</u>	<u>After</u>		
17 year old single male	\$ 856	\$ 776	\$ - 80	- 9%
17 year old single female	610	776	+ 166	+ 27
19 year old single male	1,265	970	- 295	- 23
19 year old single female	695	970	+ 274	+ 39
23 year old single male	908	662	- 246	- 27
23 year old single female	553	662	+ 109	+ 20
23 year old married male	516	663	+ 147	+ 28
23 year old married female	414	656	+ 242	+ 58
35 year old single male	415	441	+ 26	+ 6
35 year old single female	410	441	+ 31	+ 8
35 year old married couple	414	442	+ 28	+ 7

implemented by companies when the new law went into effect (Table 3). These increases were, for the most part, unrelated to the elimination of sex and marital status as rating variables. Under the old law, women received small discounts in rates from some insurers. A 35 year old single woman paid an average of \$397 before the law compared to \$402 for a single male age 35. After implementation both paid \$424 in average annual auto insurance premiums.

Changes in auto insurance premiums for the territory of Butte (Table 4) track very closely with changes

in Billings. As in Billings, rates for youthful single males decreased by 9% to 27%, while rates for all other groups increased. Increases were greatest for young single female drivers and for married female and married male drivers. As in Billings, married female principal operators experienced the most dramatic percentage increases of any group, since this class of drivers lost the benefit of both the married driver and gender rating factors. For example, rates for 23 year old female principal operators 23 climbed \$242, or 58%. Rates for married male principal opera-

**TABLE 5**  
**GREAT FALLS**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

<u>Rating Class</u>	<u>Average Premiums</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>Before</u>	<u>After</u>		
17 year old single male	\$ 783	\$ 705	\$ - 78	- 10%
17 year old single female	559	705	+ 146	+ 26
19 year old single male	1,142	881	- 261	- 23
19 year old single female	637	881	+ 244	+ 38
23 year old single male	821	603	- 218	- 27
23 year old single female	507	603	+ 96	+ 19
23 year old married male	472	604	+ 132	+ 28
23 year old married female	380	598	+ 218	+ 57
35 year old single male	380	402	+ 21	+ 6
35 year old single female	376	402	+ 23	+ 6
35 year old married couple	380	403	+ 23	+ 6

**TABLE 6**  
**HELENA**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

<u>Rating Class</u>	<u>Average Premiums</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>Before</u>	<u>After</u>		
17 year old single male	\$ 783	\$ 711	\$ - 72	- 9%
17 year old single female	558	711	+ 153	+ 27
19 year old single male	1,152	887	- 265	- 23
19 year old single female	636	887	+ 251	+ 39
23 year old single male	828	607	- 221	- 27
23 year old single female	506	607	+ 101	+ 20
23 year old married male	472	608	+ 136	+ 29
23 year old married female	379	602	+ 223	+ 59
35 year old single male	380	404	+ 24	+ 6
35 year old single female	375	404	+ 29	+ 8
35 year old married couple	379	406	+ 26	+ 7

tors age 23 increased \$147, or 28%. This indicates that the lower premium a 23 year old married male driver may have received without sex as a rating variable was not nearly enough to offset the loss of the marital status factor.

Rating classes were affected similarly in each of the other Montana territories. The percentage increases or decreases stemming from the elimination of sex and marital status varied only slightly by territory. The difference in overall premiums and dollar changes

seen in Tables 5-8 is primarily due to varied rate levels by territory.

**Other Structural Changes Made With Implementation of Unisex Rating**

Insurers participating in this survey were also asked if other changes were made in their rating plans at the same time. Examples of other structural changes would include introduction of annual mileage classes,

**TABLE 7**  
**EASTERN COUNTIES**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

<u>Rating Class</u>	<u>Average Premiums</u>		<u>Dollar Change</u>	<u>Percent Change</u>
	<u>Before</u>	<u>After</u>		
17 year old single male	\$ 800	\$ 720	\$ - 80	- 10%
17 year old single female	577	720	+ 143	+ 25
19 year old single male	1,167	896	- 271	- 23
19 year old single female	656	896	+ 240	+ 37
23 year old single male	847	621	- 226	- 27
23 year old single female	527	621	+ 94	+ 18
23 year old married male	493	622	+ 129	+ 26
23 year old married female	393	615	+ 222	+ 56
35 year old single male	396	415	+ 19	+ 5
35 year old single female	391	415	+ 24	+ 6
35 year old married couple	395	416	+ 21	+ 5



**TABLE 8**  
**WESTERN COUNTIES**  
**AVERAGE CHANGE IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 772	\$ 687	\$ - 85	- 11%
17 year old single female	549	687	+ 138	+ 25
19 year old single male	1,116	854	- 262	- 24
19 year old single female	624	854	+ 230	+ 37
23 year old single male	808	590	- 218	- 27
23 year old single female	499	590	+ 91	+ 18
23 year old married male	467	591	+ 124	+ 27
23 year old married female	375	585	+ 210	+ 56
35 year old single male	375	394	+ 19	+ 5
35 year old single female	370	394	+ 24	+ 6
35 year old married couple	375	395	+ 20	+ 5

expanded age classifications, or more refined vehicle use classes.

Three of the 12 responding insurers reported making significant structural class plan changes, while nine insurers indicated no changes were made. The changes were:

1. Company A extended rating by annual mileage to all driver classes.
2. Company B split its old rating class for 21-24 year old drivers into two: 21-22 year old drivers and 23-24 year old drivers, for both the occasional and principal operator classes. This insurer also added an inexperienced operator surcharge for principal operators under the age of 25 if licensed less than three years. In addition, a 25-29 year old single male class was deleted.
3. Company C created a separate class group for adults 25-29 years old.

**Percent of Insured Vehicles Affected By Change To Unisex Rating**

How many Montana households saw substantial changes in their auto insurance premiums following implementation of unisex rating? What percentage of the driving public was directly affected by the rating law? AIRAC attempted to answer these questions by gathering information from major auto insurers on the percentage of their insured cars involving youthful drivers. Several auto insurers, representing 36% of the Montana market, were able to provide this information. Percentages shown in Table 9 represent averages weighted by company market shares.

Table 9 indicates that 11.8% of Montana's insured cars were driven by youthful operators and were significantly affected by the elimination of sex and marital status as rating variables. The balance of the state's insured cars (88.2%) was unaffected or was affected only to a slight degree. Drivers aged 25-29 may have been affected to a limited extent. For this group of young adults, some companies had rates that varied by sex and marital status. In addition, prior to unisex, some companies offered lower rates for single females between the ages of 30 and 65. However, rate differences based on sex and marital status were much smaller for drivers age 25 to 29 than for those drivers under age 25.

**TABLE 9**  
**PERCENTAGE OF CARS INSURED AFFECTED**  
**BY THE UNISEX RATING LAW**

Group	Insured Cars Driven by Youthful Operators As a Percent of Total Insured Cars	
	Female	Male
Under 21	3.0%	3.3%
Occasional Operator	1.7	1.9
Principal Operator	1.3	1.4
Age 21-24	2.5%	3.0%
Single	1.5	1.8
Married	1.0	1.2
Total Under 25 (11.8%)	5.5%	6.3%
No Youthful Drivers (88.2%)		

When results from the survey of premiums before and after unisex are compared with Table 9, it is possible to estimate the percentages of insured cars that were rated at higher and lower premiums. As reported earlier, all cars involving youthful female drivers and all married male drivers received substantial rate increases. Youthful females were listed as drivers for 5.5% of the insured cars and married males aged 21-24 accounted for 1.2% of the insured cars. Therefore, 6.7% of the insured cars received significant rate increases after the change. Cars driven by single males aged 21-24 and males under the age of 21 received substantial premium decreases. These groups accounted for about 5.1% of the state's insured cars. Note that a small percentage of male drivers under 21 also were married, but have not been identified in Table 9. Some

of this group probably received rate increases, but their numbers would not significantly change the results just reported.

It is also possible to estimate the *numbers* of vehicles affected by the change, using figures on insured car years compiled by the Automobile Insurance Plans Service Office (AIPSO). A car year is the equivalent of one vehicle insured for a full year. In 1984, there were 552,277 insured car years written by insurers in Montana. Multiplying the proportion of cars involving youthful drivers receiving increases (6.7%) by the numbers of cars insured in the state, produces an estimate of about 37,000 cars that were charged higher auto insurance rates because of the elimination of sex and marital status as rating variables. About 28,200 cars received lower rates as a result of the law change.

# APPENDIX I

## UNISEX RATING IN HAWAII, MASSACHUSETTS, MICHIGAN AND NORTH CAROLINA

Four states besides Montana have also prohibited the use of sex as a rating variable for automobile insurance.\*

### Hawaii

As part of its no-fault insurance law, which became effective in September, 1974, Hawaii prohibited the use of sex along with age and marital status as rating variables.

Unlike the situation in Montana, where the rates for young females and married males generally increased, the rates for all youthful risks in Hawaii were reduced sharply because of the elimination of age as a rating factor. The legislation also specifically prohibited the use of length of driving experience as a rating variable, thus disallowing such alternative variables as years licensed. Eventually, this resulted in increased rates for adult risks, although that development was delayed by the general rate reduction also mandated by the no-fault law.

### Massachusetts

In his decision regarding 1978 rates, the Massachusetts Insurance Commissioner banned the use of age, marital status, and sex. (In Massachusetts, unlike most other states, the rates for private passenger automobile insurance are prescribed by the state authorities.) This ruling was subsequently affirmed by legislation in 1979. The ruling was also accompanied by a substantial lessening of variations in rates by territory. Although years licensed was allowed as a rating variable, in lieu of age, rates for youthful risks generally were reduced sharply, with higher rates for adult risks, particularly in the lower rated areas of the state.

### Michigan

Michigan's "Essential Insurance Act" became effective January 1, 1981. It prohibited the use of marital status and sex as rating variables, but not age. In addition, the law imposed constraints on territorial rating. A study by the Michigan Department of Licensing and Regulation found that the effect on rates was similar to what happened in Montana: i.e., higher

rates for young females and married males; lower rates for young unmarried males.<sup>5</sup>

### North Carolina

In 1975, the North Carolina legislature passed a law prohibiting the use of age and sex in automobile insurance rating. Marital status was not expressly prohibited, but the practical effect of the law was the same, since marital status typically is used only in conjunction with age. Inexperienced driver (years licensed) was permitted as a rating variable, however.

As in Massachusetts, insurance rates and classifications for private passenger automobiles are prescribed by the North Carolina authorities. Under the pre-1975 plan, young females were rated the same as adults. Consequently, the effect of the North Carolina legislation was increased rates for young females and adults (more so for inexperienced drivers in these groups), accompanied by sharp reductions for most young males.

In addition to these direct effects on rates, the elimination of these rating variables (especially age) has had some side effects on the automobile insurance markets in at least a couple of these states. More of the youthful business has been perceived by insurers as underpriced and is consequently written in the residual market or other "substandard" programs. In Massachusetts, for example, 54.9% of all 1986 auto policies were written in this state's Reinsurance Facility—including over 90% of the young males and 70% of the young females—reflecting the combined effects of the various rate constraints that have been imposed over the years.<sup>6</sup> In North Carolina, over 25% of all business is written in its Reinsurance Facility.<sup>7</sup> This contrasts with the 1 or 2%, or less, written in the residual market program in most states. In both of these states, insurers are required to write all applicants for automobile insurance, either voluntarily or as part of the residual market facility.

\* In Montana, the prohibition applies to all lines of insurance, including life and health. In the four additional states, the ban applies only to automobile insurance.

<sup>5</sup> Wallace, Francis K., "Unisex Automobile Rating: The Michigan Experience", *The Journal of Insurance Regulation*, December, 1984, Volume 3, No. 2.

<sup>6</sup> Massachusetts Automobile Rating Bureau (MARB).

<sup>7</sup> Automobile Insurance Plans Service Office (AIPSO).

**APPENDIX II  
MONTANA UNISEX LAW SURVEY  
AUTO INSURANCE PREMIUM EXAMPLES**

Company Name \_\_\_\_\_

Contact Person \_\_\_\_\_

Telephone No. (\_\_\_\_\_) \_\_\_\_\_

**INSTRUCTIONS**

Please fill out the attached forms for the 11 classes and 6 territories described. Mail to AIRAC, 1200 Harger Road, Suite 222, Oak Brook, Illinois 60521 by January 28, 1987.

The intention is to compare premiums before and after the elimination of rating by sex in Montana. This elimination was required by Montana statute effective 10/1/85, which also eliminated rating by marital status. If your company implemented the elimination of rating by sex and marital status on a date other than 10/1/85, use dates for the comparison that will show premiums before and after this elimination. Specify what alternative dates were used.

If you write business in Montana with more than one company (i.e., one for preferred business, one for standard business) use rates of the company accounting for the largest share of your Montana auto premium volume.

The car specified in the examples is a 1983 model. If your company rated the physical damage coverages by age of car (rather than by model year), use the same age for this vehicle in both the 9/30/85 and 10/2/85 examples even if you would normally have changed the age group rating between these two dates.

If your company made a rate level adjustment at the same time, indicate the overall statewide percent of change. Also, if an off-balance adjustment was necessary in your base rates as a result of the elimination of rating by sex and marital status, indicate the approximate percentage effect.

Rate Level Change \_\_\_\_\_ %

Off-Balance \_\_\_\_\_ %

If your company made other structural class plan changes at this time, describe these changes below. Examples might be: Introduced rating by mileage class (6,000 or Less, 6,001-10,000, Over 10,000). Expanded age classification (21-24 Yr. Old Group split into two groups: 21-22 and 23-24).

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**EXAMPLES**

For all examples, the car and coverage are as follows:

1. Car: 1983 Ford Escort 2 Door (ISO Symbol 6)
2. Coverage:

BI/PD	50/100/25 or 100,000 Single Limit
Med. Pay.	\$2,000
U.M.	Basic Limits (25/50)
Comp.	\$50 Deductible
Collision	\$200 Deductible

3. Classes:

For each of the classes described on the attached forms, assume:

No SDIP Points

No Discounts (Multi-car, Good Student, Driver Training, etc.)

Car is driven to and from work 9 miles one way, and driven 8,000 miles annually.

4. Territories:

1. Helena
2. Butte
3. Great Falls
4. Billings
5. Western Counties (ISO Terr. 05, or closest counterpart)
6. Eastern Counties (ISO Terr. 06, or closest counterpart)

Example #1

35 Yr. Old Married Couple

No Youthful Operators

Annualized Premium As Of

<u>Territory</u>	<u>9/30/85</u>	<u>10/2/85</u>
1. Helena	_____	_____
2. Butte	_____	_____
3. Great Falls	_____	_____
4. Billings	_____	_____
5. Western Cos.	_____	_____
6. Eastern Cos.	_____	_____

Example #2

35 Yr. Old Single Female

No Youthful Operators

Annualized Premium As Of

<u>Territory</u>	<u>9/30/85</u>	<u>10/2/85</u>
1. Helena	_____	_____
2. Butte	_____	_____
3. Great Falls	_____	_____
4. Billings	_____	_____
5. Western Cos.	_____	_____
6. Eastern Cos.	_____	_____

Example #3

35 Yr. Old Single Male

No Youthful Operators

Annualized Premium As Of

<u>Territory</u>	<u>9/30/85</u>	<u>10/2/85</u>
1. Helena	_____	_____
2. Butte	_____	_____
3. Great Falls	_____	_____
4. Billings	_____	_____
5. Western Cos.	_____	_____
6. Eastern Cos.	_____	_____

Example #4  
 17 Yr. Old Single Female  
 Occasional Operator  
 Annualized Premium As Of

Territory

- 1. Helena
- 2. Butte
- 3. Great Falls
- 4. Billings
- 5. Western Cos.
- 6. Eastern Cos.

	<u>9/30/85</u>	<u>10/2/85</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Example #5  
 17 Yr. Old Single Male  
 Occasional Operator  
 Annualized Premium As Of

	<u>9/30/85</u>	<u>10/2/85</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Example #6  
 19 Yr. Old Single Female  
 Principal Operator  
 Annualized Premium As Of

Territory

- 1. Helena
- 2. Butte
- 3. Great Falls
- 4. Billings
- 5. Western Cos.
- 6. Eastern Cos.

	<u>9/30/85</u>	<u>10/2/85</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Example #7  
 19 Yr. Old Single Male  
 Principal Operator  
 Annualized Premium As Of

	<u>9/30/85</u>	<u>10/2/85</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Example #8  
 23 Yr. Old Single Female  
 Principal Operator  
 Annualized Premium As Of

Territory

- 1. Helena
- 2. Butte
- 3. Great Falls
- 4. Billings
- 5. Western Cos.
- 6. Eastern Cos.

	<u>9/30/85</u>	<u>10/2/85</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Example #9  
 23 Yr. Old Married Female  
 Principal Operator  
 (Assume Husband is 26)  
 Annualized Premium As Of

	<u>9/30/85</u>	<u>10/2/85</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Example #10  
23 Yr. Old Single Male  
Principal Operator

Example #11  
23 Yr. Old Married Male  
Principal Operator  
(Assume Wife is 23)

<u>Territory</u>	Annualized Premium As Of		Annualized Premium As Of	
	<u>9/30/85</u>	<u>10/2/85</u>	<u>9/30/85</u>	<u>10/2/85</u>
1. Helena	_____	_____	_____	_____
2. Butte	_____	_____	_____	_____
3. Great Falls	_____	_____	_____	_____
4. Billings	_____	_____	_____	_____
5. Western Cos.	_____	_____	_____	_____
6. Eastern Cos.	_____	_____	_____	_____

## APPENDIX III LIST OF PUBLICATIONS

All publications listed here are available from the All-Industry Research Advisory Council, 1200 Harger Road, Suite 310, Oak Brook, Illinois 60521. Unless otherwise indicated, a single copy is free in the U.S. and Canada and additional copies are \$4 each, postpaid. All copies to other countries are \$5 each, postpaid. Please make checks payable to AIRAC.

### RECENT PUBLICATIONS

**Unisex Auto Insurance Rating.** October 1987, 28 pages.

Following passage of unisex insurance rating in Montana, AIRAC conducted a study of how auto insurance premiums changed when gender and marital status were eliminated as rating variables. The study measures the increases and decreases in auto insurance premiums experienced by youthful female and male drivers.

**Fire Following Earthquake: Estimates of the Conflagration Risk to Insured Properties in Greater Los Angeles and San Francisco.** March 1987.

The study indicates that major earthquakes in the Los Angeles Basin and the San Francisco Bay area would be likely to cause major conflagrations and generate insured fire damage of \$4 to \$17 billion, depending on quake location and on wind conditions. The report displays "burn rates" on a community-by-community basis.

**Public Attitude Monitor 1986.** November 1986.

Civil justice issues explored in this survey include public perceptions about the frequency and cost of personal injury lawsuits, the fairness of the lawsuit system, possible consequences of lawsuits on our society, and steps that might be taken to reduce their cost. The survey also asks about drinking and driving behavior, penalties for drunk driving, and the liability of hosts for intoxicated guests. Questions on uninsured vehicles and the cost of auto insurance are repeated for trend purposes.

**Catastrophic Losses: How The Insurance System Would Handle Two \$7 Billion Hurricanes.** November 1986.

This study started with two hypothetical hurricanes causing \$7 billion each in insured property losses, and tracked those losses through the insurance system to find out where they would fall. In addition, the study contains financial analyses of the impact two such catastrophic losses would have on primary companies and reinsurers, as a group, in the U.S. and abroad. As an adjunct to the study, AIRAC also collected information on actual hurricane losses for 1983 and 1985, resulting in a substantial upward revision of earlier loss estimates for those storms.

**Surveys on Liability Insurance for Government Entities.** November 1986.

Survey responses from 66 liability insurers and 679 government entities (municipalities, counties, school districts, etc.) provide the basis for this study, which explores problems in obtaining liability insurance, the reasons for those problems, and steps that might be taken to alleviate them. Specific questions were asked about cancellations and nonrenewals, premium increases, loss control measures, and favorable and unfavorable states.

**Pollution Liability: The Evolution of a Difficult Insurance Market.** September 1985.

Due to a number of complex and inter-related factors, insurers have had major difficulties in developing a broad market for pollution liability insurance. This study explores some of the forces that have hampered development of a market. These include trends in the civil justice system that make it difficult to assess risk, Superfund legislation and regulations, adverse selection and the lack of a broad base of demand for the product. The report also contains the results and an analysis of underwriting procedures and practices of property-casualty insurers writing pollution liability insurance during late 1984 and early 1985.



**Risk Assessment For Pollution Liability: A Survey of Insurers and Environmental Consultants.**

December 1985, 36 pages.

This report describes how insurance companies assess the physical hazards involved in handling substances that can pollute the environment and generate liability insurance claims. Findings are based on a survey of 14 insurance companies writing pollution liability coverage and nine environmental consultants active in providing risk assessments for insurance purposes. The survey explores guidelines and procedures used by insurers and consultants to conduct pollution liability risk assessments, the technical skills and backgrounds of staff risk assessors, and the types of information that are most critical for completing a risk assessment.

**Pollution Liability Claims Administration.** July 1986, 20 pages.

The report describes how insurers have organized their claims operations for handling pollution liability claims, based on responses from 13 companies. Contains information on the number and types of pollution claims filed in 1984.

**Patterns of Shopping Behavior in Auto Insurance.** January 1985, 60 pages.

This report contains the findings of three related surveys to determine how vehicle owners shop for auto insurance and the types of information available to them. The studies found that consumers engage in a large amount of comparison shopping, and report little difficulty in obtaining the information they need for buying auto insurance.

**EARLIER AIRAC PUBLICATIONS**

**PROPERTY INSURANCE**

**Crime Losses in Property-Casualty Insurance.** July 1984, 46 pages.

This study measures, for the first time, the overall impact of crime-related insurance claims on the various kinds of policies sold by property-casualty insurers. Results are stated in terms of crime losses as a percentage of all losses, countrywide and by state, for various personal and commercial lines of insurance and for various types of criminal activity. The report also estimates annual dollar costs per household and per employee.

**Arson Incidence Claim Study.** March 1982, 29 pages. Free.

A survey of 13,418 insurance company claim files was conducted to determine the incidence of suspected arson in fire claims for homes and businesses. The report also discusses probable motives for the suspected arson fires, to the extent that motives could be determined.

**Availability and Use of Business Insurance by Urban Small Businesses: A Survey.** May 1982, 67 pages.

This research involved a survey of 1,845 owners of small mercantile and service businesses in Atlanta, Boston, Brooklyn, Chicago, Cleveland, Detroit, Los Angeles and Philadelphia. It explores their perceptions regarding the availability and affordability of business insurance and reports on their experiences in purchasing insurance.

**The Availability of Homeowners Insurance in Six Major Cities: Consumer Experience and Attitudes.**

May 1981, 40 pages.

This survey measures the experience and attitudes of home owners regarding their purchase of residential insurance in Chicago, Cleveland, Atlanta, Philadelphia, Los Angeles and the borough of Brooklyn in New York City.

## **Attitudes of FAIR Plan Home Insurance Policyholders in 12 Major American Cities.**

October 1981, 52 pages.

A telephone survey was conducted of 1,994 home owners known to have obtained their residential insurance coverages through FAIR plans, to see how their experiences and attitudes compared with those of home owners generally. Cities included were Atlanta, Baltimore, Boston, Brooklyn, Chicago, Cincinnati, Cleveland, Detroit, Kansas City, Los Angeles, Philadelphia and Providence.

## **PUBLIC ATTITUDE MONITOR SERIES**

**Public Attitude Monitor 1985.** November 1985, 48 pages.

This sixth annual study of public attitudes toward the property and casualty insurance industry has a major focus on attitudes regarding trends in the civil justice system. Findings include the public's perception of fairness in lawsuits involving personal injuries and reasons why people are suing for personal injuries more frequently. PAM 85 also explores drinking and driving behavior and whether the national movement against drunken driving has had any effect on driving behavior. It also repeats for trend purposes questions on uninsured motorists, the cost of auto insurance, and attitudes regarding the elimination of gender-based rating for auto insurance.

**Public Attitude Monitor 1984.** January 1985, 44 pages.

This countrywide survey of U.S. households probes public attitudes toward the sale of insurance by various kinds of financial institutions, and toward measures that should be taken to help make sure that customers are protected when various kinds of financial institutions fail. It also includes some of the same questions used in the above survey on shopping for auto insurance.

**Public Attitude Monitor 1983.** October 1983, 40 pages.

In addition to covering many of the auto-related topics probed in the three previous PAM surveys, the 1983 study introduces a number of new topics including public perceptions of homeowner's insurance policy coverages, attitudes about seatbelts, smoke alarms, and the medical malpractice issue. Also examined for the first time are public attitudes toward changes that would result from a law prohibiting auto insurance rating based on gender. The section exploring strategies for combatting the drunk driving problem has been expanded.

**Public Attitude Monitor 1982.** January 1983, 48 pages.

This is the third in a series of reports on interviews with 1,300 families representative of U.S. households. Topics explored include the cost of owning and operating a car, perceptions about the cost of auto insurance, factors influencing the choice of new cars, attitudes toward auto insurance rating factors, degree of support for various possible countermeasures for drunk driving, extent of accident reporting and other topics related to auto insurance.

**Public Attitude Monitor 1981.** December 1981, 27 pages.

In addition to covering many of the auto-related topics listed for the 1982 survey, the 1981 study explores public attitudes toward claim fraud and provides information on consumer experience with and attitudes toward insurance for home owners and renters.

**Public Attitude Monitor 1980.** March 1981, 26 pages.

This initial survey focuses on ownership of vehicles and of auto insurance, attitudes toward the cost of auto-related expenses, any problems experienced in obtaining auto insurance, extent of consumer information about auto insurance coverages, attitudes toward auto insurance selection and rating factors, and attitudes toward government regulation and competition.

## **AUTOMOBILE INSURANCE**

### **Evaluation of Motor Vehicle Records.** April 1984, 96 pages.

The study evaluates state motor vehicle records as a source of information on individual driver accidents and convictions, in the 37 states that made available such information as of 1983. The study shows great variability among states in the amount of accident and conviction information found on publicly available state records, and provides explanations for these state differences.

### **Uninsured Motorist Facts & Figures.** January 1984, 56 pages.

This report pulls together available statistics on uninsured and hit and run motorists, by state and country-wide. It includes information on the historical development of the uninsured motorist coverage, characteristics of uninsured motorists, estimates of the size of the uninsured motorist problem by state, and on state laws pertaining to uninsured and underinsured motorists.

### **Geographical Differences in Automobile Insurance Costs.** October 1982, 55 pages.

The study describes how the number and cost of auto insurance claims vary from one area to another, leading to differences in insurance premiums by territory. Using data from Connecticut, Ohio and Florida, the study also correlates insurance rates by territory with data on population density, accidents reported to state motor vehicle departments and auto thefts reported to police.

### **The Cost of Auto Insurance: How Consumer Choices and Characteristics Affect the Premiums People Pay.** December 1980, 52 pages.

Research for this study was based on an examination of 3.8 million auto insurance policies insuring nearly 5.8 million vehicles. The study shows how average premiums vary according to such factors as the number of cars insured, the age and value of the car, urban vs. rural locations, age and sex of principal drivers and prior accident records.

### **Automobile Injuries and Their Compensation in the United States, Vol. I and II.** March 1979, 254 pages plus 409 pages of tables in Vol. II.

Three related studies examine the characteristics of injury-producing automobile crashes and the compensation received by crash victims. Includes a countrywide survey of 42,204 injury-producing crashes involving 53,164 paid auto insurance claims; a survey of 420 serious injury claims involving expected ultimate payments of \$100,000 or more each; and a consumer panel survey of auto injuries for 60,000 U.S. households. The study is priced at \$15 for the two-volume set. Magnetic tapes containing data from the insurer study of closed claims and the consumer panel survey may be purchased by contacting AIRAC at (312) 572-1177.

### **Insurer Study of PIP Serious Injury Claims—Follow-Up 1982.** December 1982, 44 pages.

This report monitors the progress of 420 seriously injured crash victims whose files were initially surveyed as part of **Automobile Injuries and Their Compensation in the United States**. This is the second follow-up survey of the survivors. In addition to tracking survival rates and updating expected costs, the study includes a new count of large-loss claims open as of year-end 1981 in the three surveyed states (Michigan, Pennsylvania, New Jersey).

### **Insurer Study of PIP Serious Injury Claims—1980 Follow-Up Survey.** December 1980, 22 pages.

This is the first follow-up on the 420 seriously injured crash victims included in the study described above. The survey, conducted in 1980, recorded changes in their condition since 1978 and updated statistics on current and future expected costs.

## GENERAL

### **Special Investigative Units: Surveys on Insurance Company Use of SIUs for Fraud Investigations.**

November 1984, 36 pages.

The concept of using special investigative units to combat insurance fraud has received increasing attention in the property-casualty insurance industry in recent years. This report summarizes findings from several AIRAC surveys on Special Investigative Units. Included is a study tracking the costs and savings from denial of fraudulent claims experienced by 19 companies with SIUs. In addition to the analysis of SIU cost-effectiveness, the study also contains information on types of insurance fraud investigated, organization of SIUs, training of personnel, legal implications, and information on how many insurers have SIUs or may establish them in the future.

### **Catalog of Indices.** March 1982, 60 pages. Free.

This is a compendium of information about frequently quoted indices relevant to property and casualty insurance, published by public and private sources. The report describes the characteristics of each index and tells where to order the data.

### **Structured Settlements: Use and Characteristics of Structured Settlements in the Property-Casualty Insurance Industry.** October 1983, 52 pages.

Insurance companies are making increasing use of annuities and other forms of "structured" settlements in lieu of lump-sum payments to disabled or seriously injured liability claimants. This report contains findings of a survey involving 54 major property-casualty insurers concerning their use of the technique, criteria used for making structured settlement offers, funding arrangements and other aspects.

## LIABILITY INSURANCE

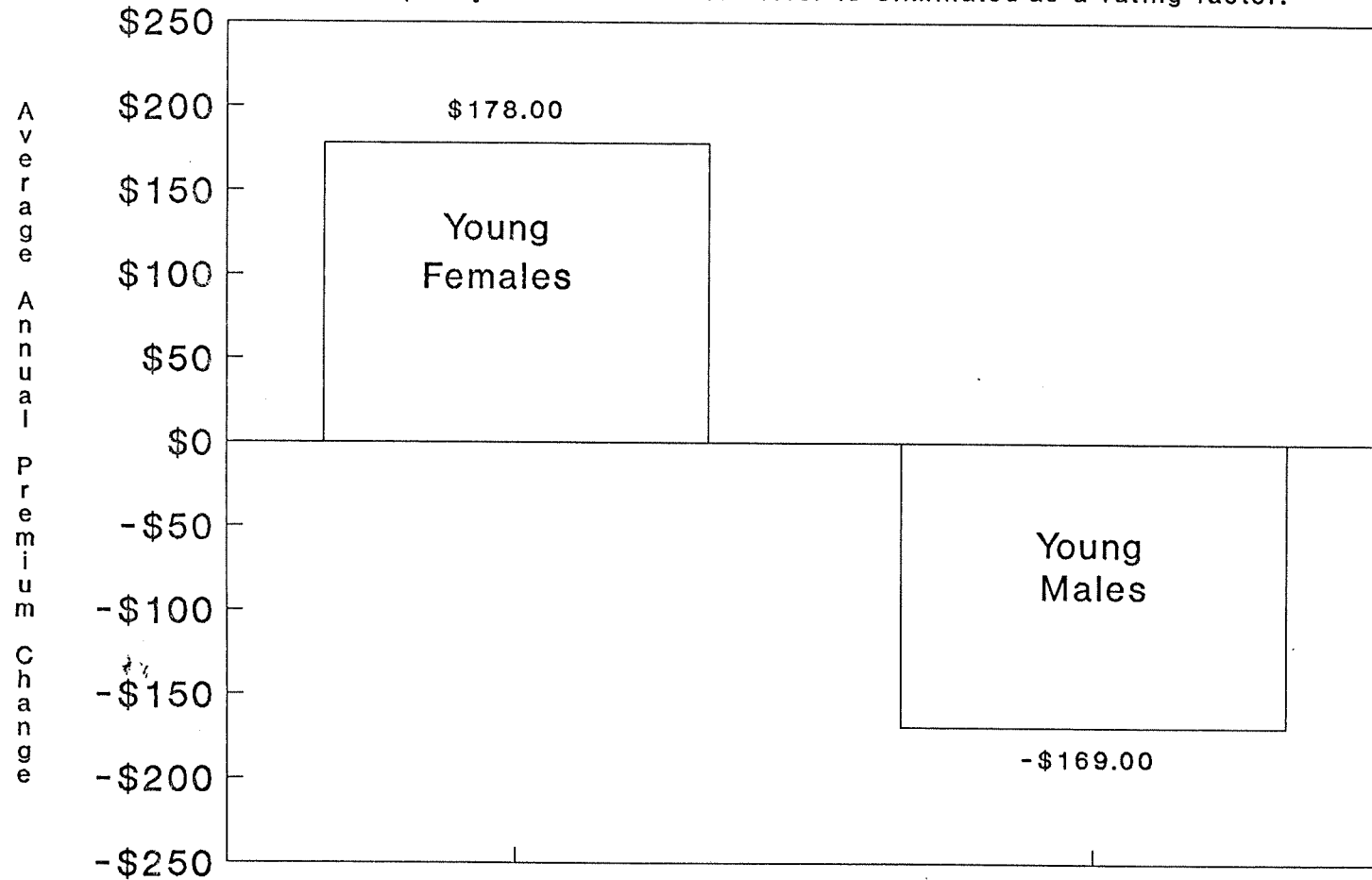
### **Municipal Liability Insurance: Survey of Municipalities and Insurance Companies.** May 1980, 71 pages plus 284 pages of tables in appendices.

### **Municipal Liability Insurance: Underwriting Results.** December 1980, 80 pages.

These two related studies of municipal liability involved a survey of selected municipalities and of insurers writing municipal liability coverages, plus the collection of premium and loss experience on the cities responding to the survey. The survey explores availability of coverage, cost of coverage, and actions needed to control rising liability losses. Responses were received from 83 insurance companies and 853 municipalities.

# KANSAS

Estimated average annual change in total package policy premium for State Farm Mutual policyholders if sex of driver is eliminated as a rating factor.



KANSAS

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, BLOOMINGTON, ILLINOIS

Examples of the Effect of Eliminating Sex of Driver as a Rating Factor

	Single Female Age 21-24 Principal Driver				Single Male Age 21-24 Principal Driver			
	<u>Current Annual Premium</u>	<u>Approximate Annual Change</u>	<u>Approximate Unisex Premium</u>	<u>% Change</u>	<u>Current Annual Premium</u>	<u>Approximate Annual Change</u>	<u>Approximate Unisex Premium</u>	<u>% Change</u>
Topeka	\$534	\$159	\$ 693	+30%	\$ 840	-\$147	\$ 693	-18%
Wichita	646	193	839	+30	1,017	- 178	839	-18
Salina	407	121	528	+30	639	- 111	528	-17
North Kansas City	\$833	\$250	\$1,083	+30%	\$1,315	-\$232	\$1,083	-1

These examples are for a 1988 Ford Escort, 4 door, with the following coverages:

- 25/50/25 BIPD Liability
- Basic Personal Injury Protection
- Full Comprehensive
- \$100 Deductible Collision
- 25/50 Uninsured/Underinsured Motor Vehicle Coverage

KANSAS

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, BLOOMINGTON, ILLINOIS

Examples of the Effect of Eliminating Sex of Driver as a Rating Factor

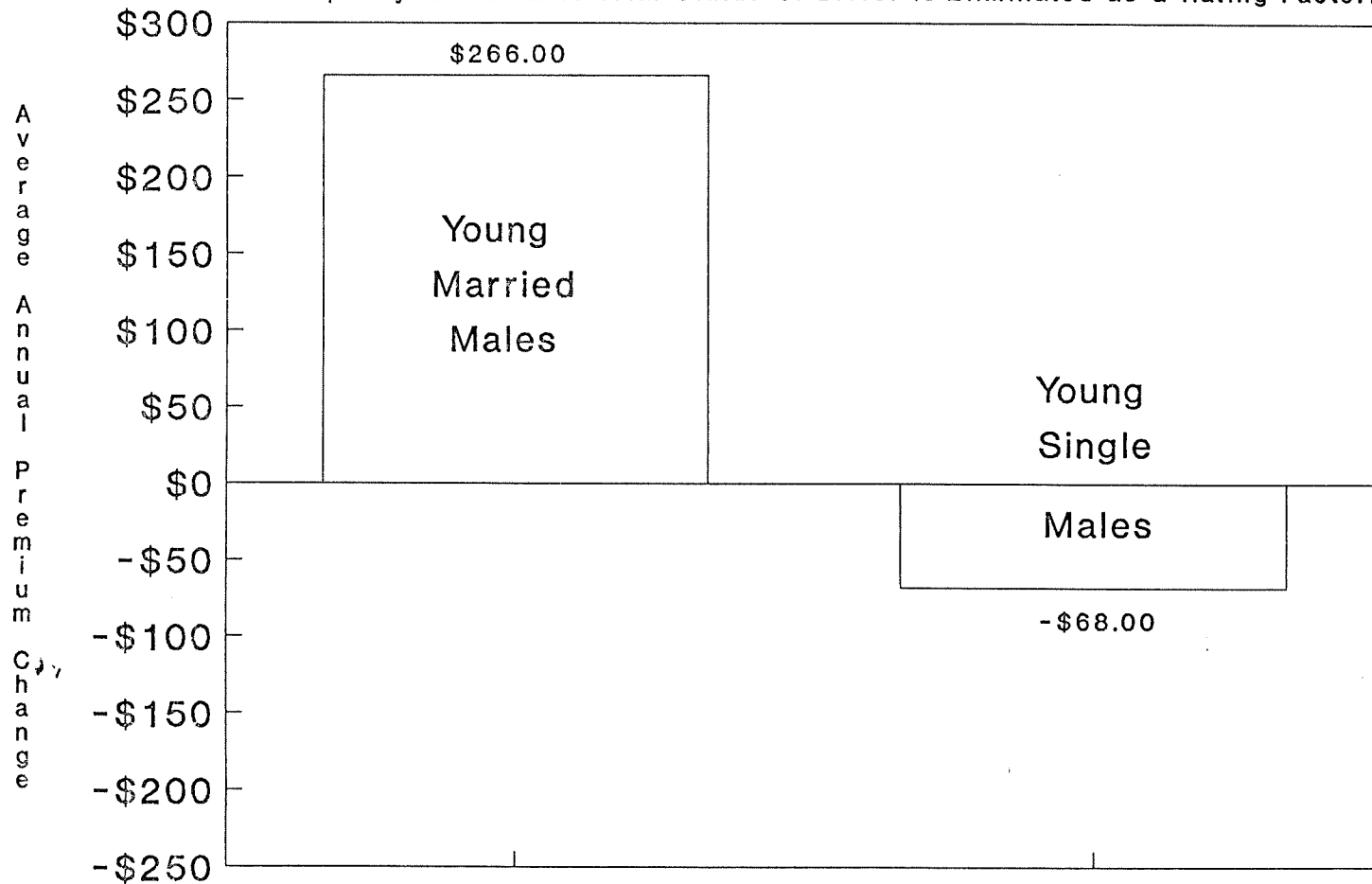
	Single Female Under 21 Principal Driver				Single Male Under 21 Principal Driver			
	<u>Current Annual Premium</u>	<u>Approximate Annual Change</u>	<u>Approximate Unisex Premium</u>	<u>% Change</u>	<u>Current Annual Premium</u>	<u>Approximate Annual Change</u>	<u>Approximate Unisex Premium</u>	<u>% Change</u>
Topeka	\$627	\$281	\$ 908	+45%	\$1,189	-\$281	\$ 908	-24%
Wichita	759	340	1,099	+45	1,440	- 341	1,099	-24
Salina	477	214	691	+45	904	- 213	691	-24
North Kansas City	\$974	\$434	\$1,408	+45%	\$1,848	-\$440	\$1,408	-2

These examples are for a 1988 Ford Escort, 4 door, with the following coverages:

- 25/50/25 BIPD Liability
- Basic Personal Injury Protection
- Full Comprehensive
- \$100 Deductible Collision
- 25/50 Uninsured/Underinsured Motor Vehicle Coverage

# KANSAS

Estimated average annual change in total package policy premium for State Farm Mutual policyholders if Marital Status of Driver is Eliminated as a Rating Factor.





KANSAS

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, BLOOMINGTON, ILLINOIS

Examples of the Effect of Eliminating Marital Status of Driver as a Rating Factor

	Married Male Under 21 Principal Driver				Single Male Under 21 Principal Driver			
	Current Annual Premium	Approximate Annual Change	Approximate Unisex Premium	% Change	Current Annual Premium	Approximate Annual Change	Approximate Unisex Premium	% Change
oka	\$633	\$528	\$1,161	+83%	\$1,189	-\$ 28	\$1,161	- 2%
hita	766	639	1,405	+83	1,440	- 35	1,405	- 2
ina	482	401	883	+83	904	- 21	883	- 2
h Kansas City	\$994	\$810	\$1,804	+81%	\$1,848	-\$ 44	\$1,804	-

These examples are for a 1988 Ford Escort, 4 door, with the following coverages:

- 25/50/25 BIPD Liability
- Basic Personal Injury Protection
- Full Comprehensive
- \$100 Deductible Collision
- 25/50 Uninsured/Underinsured Motor Vehicle Coverage

KANSAS

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, BLOOMINGTON, ILLINOIS

Examples of the Effect of Eliminating Marital Status of Driver as a Rating Factor

	Married Male Age 21-22 Principal Driver				Single Male Age 21-22 Principal Driver			
	Current Annual Premium	Approximate Annual Change	Approximate Unisex Premium	% Change	Current Annual Premium	Approximate Annual Change	Approximate Unisex Premium	% Change
Wpeka	\$523	\$183	\$ 706	+35%	\$ 840	-\$134	\$ 706	-16%
Wchita	632	222	854	+35	1,017	- 163	854	-16
Wolina	398	139	537	+35	639	- 102	537	-16
Worth Kansas City	\$821	\$286	\$1,107	+35%	\$1,315	-\$208	\$1,107	-16

These examples are for a 1988 Ford Escort, 4 door, with the following coverages:

- 25/50/25 BIPD Liability
- Basic Personal Injury Protection
- Full Comprehensive
- \$100 Deductible Collision
- 25/50 Uninsured/Underinsured Motor Vehicle Coverage

KANSAS

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, BLOOMINGTON, ILLINOIS

Examples of the Effect of Eliminating Marital Status of Driver as a Rating Factor

	Married Male Age 23-24 Principal Driver				Single Male Age 23-24 Principal Driver			
	Current Annual Premium	Approximate Annual Change	Approximate Unisex Premium	% Change	Current Annual Premium	Approximate Annual Change	Approximate Unisex Premium	% Change
Topeka	\$449	\$257	\$ 706	+57%	\$ 840	-\$134	\$ 706	-16%
Wichita	544	310	854	+57	1,017	- 163	854	-16
Salina	343	194	537	+57	639	- 102	537	-16
North Kansas City	\$708	\$399	\$1,107	+56%	\$1,315	-\$208	\$1,107	-1

These examples are for a 1988 Ford Escort, 4 door, with the following coverages:

- 25/50/25 BIPD Liability
- Basic Personal Injury Protection
- Full Comprehensive
- \$100 Deductible Collision
- 25/50 Uninsured/Underinsured Motor Vehicle Coverage

TESTIMONY OF AMERICAN INSURANCE ASSOCIATION  
BEFORE THE HOUSE INSURANCE COMMITTEE  
H.B. 2249  
February 22, 1989

I would like to thank you for the opportunity to testify at this hearing on H.B. 2249 on behalf of the American Insurance Association and its member companies. AIA is a national trade association representing more than 200 companies writing property and casualty insurance.

AIA opposes H.B. 2249 which disallows the use of sex or marital status in the development of insurance rates or premiums. AIA opposes 2249 because it disallows the use of valid actuarial risk classifications. The industry does not remain competitive by making baseless social judgments. Rather, the fact of the matter is that risk classification plans used to distinguish among different classes are based upon actual data collected by insurers and analyzed fully. The use of gender and marital status is well supported as a valid risk classification as shown in material provided with my testimony.

AIA also opposes H.B. 2249 because it penalizes an identifiable low risk group and forces them to subsidize an identifiable high risk group. Figures show in automobile and life insurance that the result of unisex rating is a dramatic increase in insurance premiums for women. Thus, the bottom line is that despite overwhelming data which has convinced the insurance industry that sex based classifications are valid, under a unisex law, women would be forced to pay higher premiums to subsidize men's losses. Again, this is verified in the information attached hereto.

This issue has been studied, considered and deliberated in many arenas. Attached is information which has been generated by these deliberations. Please consider these attachments as a part of our testimony. Finally, if there is any other data or information we can supply, or any questions you feel we can answer, please contact me. There is a substantial amount of information on this subject and I would be happy to provide any necessary information.

ATTACHMENTS TO TESTIMONY OF  
THE AMERICAN INSURANCE ASSOCIATION  
ON H.B. 2249

1. Testimony of Barbara J. Lautzenheiser, Fellow and Past President, Society of Actuaries, former President and CEO of three insurance companies, and practicing actuary for over 27 years. Testimony presented before the Iowa Study Committee, December 16, 1988.
2. Unisex Auto Insurance Rating - a discussion of how insurance premiums in Montana changed after elimination of sex and marital status as rating factors.
3. Brief of amicus curiae, the American Insurance Association, in Supreme Court of Pennsylvania in Bartholomew vs. The Commissioner of Insurance.
4. Insurance Information Institute, Inc., data base reports on gender based rating, January 19, 1989.
5. Statement of Mavis A. Walters, Senior Vice President, Insurance Services Office in Helena, Montana, September 6, 1984.

TESTIMONY OF  
BARBARA J. LAUTZENHEISER  
LAUTZENHEISER & ASSOCIATES

FELLOW AND PAST PRESIDENT, SOCIETY OF ACTUARIES  
(AN INTERNATIONAL PROFESSIONAL ACTUARIAL ORGANIZATION)  
MEMBER, AMERICAN ACADEMY OF ACTUARIES

FORMER PRESIDENT AND C.O.O.  
OF THREE INSURANCE COMPANIES  
PRACTICING ACTUARY FOR OVER 27 YEARS

ON BEHALF OF  
IOWA INSURANCE INSTITUTE  
AMERICAN INSURANCE ASSOCIATION  
ALLIANCE OF AMERICAN INSURERS  
NATIONAL ASSOCIATION OF INDEPENDENT INSURERS  
ON  
GENDER BASED RATING  
BEFORE THE IOWA STUDY COMMITTEE  
DECEMBER 16, 1988

Sometimes in our zeal for what we deem right we lose sight of the reality that comes from effecting that right. I firmly believe in equality of opportunity. Were it not for that, I wouldn't be here today. But, reality forces me to accept the fact that equality of opportunity does not always lead to equality of result. Equal education does not lead to equal intelligence, equal medical treatment does not lead to equal health, and equal insurance rates for men and women do not lead to equal financial security.

It's on these grounds that I'm opposed to gender-neutral legislation. Its intent is constructive and laudable, but its effect is destructive and implausible. Its solution is appealingly simple, but appallingly simplistic.

Clearly women need and want financial security. And a major element of that financial security is insurance.

I find it ironic that a practice established to benefit women, i.e., the practice of having separate prices for women, is being accused of being a detriment to women. As a former employer of mine once said, "No good deed goes unpunished."

The issue that we are discussing today, i.e., the use of gender as a rating variable in insurance pricing is one which frequently engenders a great deal of confusion, misunderstanding and faulty assumptions.

The fact is that young women have lower auto insurance costs than young men and are entitled to have those lower costs recognized with lower prices. If gender-neutral legislation is passed, auto insurers will be required to deliberately overcharge young women and at the same time reduce the prices that can be charged to young men - the highest risk drivers on the road.

Some of those who support gender-neutral insurance rates will tell you that insurance premiums are not cost based at all. They will tell you that insurance rates are based on social judgments or sexual stereotypes. Some may even tell you that gender is used as a surrogate for mileage. Such allegations are either naive or ignorant - or both.

The fact is that risk classification plans and the variables used to distinguish among different classes are based upon actual data collected by insurers and analyzed fully and carefully. Furthermore, from a solvency standpoint, it is advantageous to an insurer to make certain that each insured pays his or her fair share, thereby minimizing, if not completely eliminating any subsidies. A subsidy would occur when insureds with different expected losses are deliberately placed in the same class, or when groups of insureds are knowingly underpriced or overpriced.

The gender-neutral proponents would have you believe that insurers deliberately overcharge women. Not only does that defy common sense, it defies basic economic principles. The private passenger auto market is fiercely competitive. Each insurer competes with all the others. If one insurer attempted to overcharge a definable group of policyholders, competing insurers would soon identify that group of overcharge risks and offer them a more competitive price - more in line with their expected costs.

Competition automatically guarantees that prices will reflect costs. And a healthy competitive environment drives the competing insurers to more and more accurate pricing. This is in fact what has taken place in the evolution of class plans.

Age was one of the earliest factors identified, because significant differences exist in the driving and accident patterns for drivers of different age groups. Youthful drivers have an accident involvement rate substantially higher than do older drivers and the costs of those accidents are higher. On the other hand, senior citizens (drivers

over 65) have a better than average loss experience and they receive a discount in their premiums.

With the younger drivers being the highest risk drivers, economic incentives in the competitive market led insurers to try to identify a subset of that highest risk group, whose loss experience might be demonstrably different, i.e., to whom they might give a discount. That led to the identification of young women as a separate risk class from young men and they were subsequently charged lower prices.

For example, at age 18, a single woman in Iowa can save 40% off the comparable unmarried male rate. That's an average of

\$305 annually in Des Moines,  
\$324 annually in Mason City,  
\$320 annually in Fremont,

but only if equal numbers of young men and women both purchased insurance. This, however, seldom happens. When Travelers revised their rates to gender-neutral rates in Pennsylvania, average rates for male drivers 16 to 29 decreased 15% to 22%; however, premiums for females 16 to 29 increased from 32% to 62% because there were fewer females over which to spread the male decreases. With gender-neutral rates, the costs don't go away, they're just spread differently.

Furthermore, women between 30 and 64 who are the sole operators of their car can receive a 10% discount off the comparable standard car rate.

One might ask why insurance companies have larger discounts for female drivers below age 25. The answer is quite simple. The differences in accident frequency and claim costs are quite dramatic by age and so the differences between men and women are most significant at the younger driving ages. As drivers mature and gain experience their likelihood of having an accident diminishes and the differences in actual loss experience between male and female drivers likewise diminish.

Insurance companies are often accused of not basing rates on sex above age 25. Not true. As I've just indicated, women who are the sole drivers of a car do have a discount. What is forgotten is that an automobile insurance policy provides coverage for the insured automobile. So, if the car is driven by a woman only or a man only it reflects female or male loss experience, respectively. If however, it is driven by both a man and a woman, it reflects the loss experience of both sexes. We are accused of pricing 4 out of 5 cases on a gender-neutral basis. They're not gender-neutral, they're bi-gender. They're based on both male and female costs.

Some people claim that the reason that women's loss experience is more favorable than men's is that women drive fewer miles. Thus, they argue that if only insurers were to use miles driven rather than gender in determining auto insurance premiums, then women on the average would pay no more and might even pay less than they do today. That argument has become one of the largest myths surrounding this issue.

First and most importantly, mileage is not ignored as some claim. It is an integral and primary part of auto insurance classification plans and insurance pricing. Cars driven for business purposes (the highest mileage class) are charged the highest rates. Cars used to commute long distances to work require higher premiums than cars used to commute short distances. And cars in the pleasure use and farm-use class have even lower rates.

For example, a single female, over age 25, would pay more as the mileage and use of the car changes.



Pleasure use is almost 2 1/2 times more costly than strictly farm use.  
Driving to work less than 15 miles is 19% more costly than pleasure  
Driving to work more than 15 miles adds another 10%.  
Business use adds another 16% increase  
Result - Business use is 3.6 times farm use.

Thus not only does cost-based pricing involve mileage, it involves use of the car as well. By using these categories, both insured policyholders and insurers can get a reasonable assessment of the mileage expected to be driven in the coming year without having to rely upon old odometer readings or vague estimates of future miles.

More importantly, these "use" categories describe more accurately the type of mileage which will be encountered and the driving conditions under which the car will be used, both of which, in addition to only mileage, affect cost. For example, 10,000 miles driven during the leisure of a summer vacation is likely to produce quite a different exposure than 10,000 miles driven back and forth to work every day amidst traffic congestion, in bad weather, and under time pressures.

Finally, mileage cannot in any way be considered as a surrogate for gender as a rating variable. There is a very real difference in accident rates between men and women that is not explained by mileage. Even when men and women drive the same number of miles, women have a consistently lower accident rate, and the rates reflect that.

The so-called "data" that attempts to show that mileage can be substituted for sex as a rating variable is seriously flawed, incomplete, and based on both unreasonable and unrealistic assumptions. It is fundamentally deceptive, since it merges the separate accident statistics for men and women, thereby masking the fact that women have a consistently lower accident frequency than men who drive the same number of miles.

Some of the major flaws with that "analysis" are as follows:

- It assumes that accident rates for youthful drivers vary with mileage the way they do for adult drivers. In fact, young men and women drivers under age 20 have only a very slight difference in annual miles driven (1900 miles) but an enormous difference in accident frequency (male drivers' frequency is 83% higher than females' in this age group.)
- It assumes that drivers in the age 20-24 group have the same driving pattern as drivers of all ages. That assumption would mean that 33% of drivers in that age group drive over 15,000 miles per year. In fact, fewer than 15% of drivers in that age group drive over 15,000 miles per year.
- Its calculations ignore the fact that many insured cars are driven by more than one driver.
- It relies on the highly questionable assumption that consumers could and would accurately report the number of miles they will drive in the coming year. Such reporting would need to be done separately for each driver of the car.

As the GAO has noted... "It may be difficult to get reliable information from insureds on the mileage they drive once they realize that their insurance premiums depend on what they report."

The fact is that gender-neutral insurance rates would force young, low-risk female drivers to subsidize high risk young male drivers.

Consumers expect prices to reflect their own risk of having an auto accident. They expect and want a system whereby high risk drivers pay more. And they believe that "fairness" means recognizing individual differences.

As previously stated, there are those who claim sex is only a stereotype, a social judgment, a surrogate for something else. We already use all the "something elses." All are basic characteristics, not surrogates, so all are important.

There are those who have said that we can find a substitute for sex in pricing. We have not been able to do so. Many studies have been done in an attempt to find a substitute. But no substitute can be found. I can assure you it would have been easier and cheaper to find a substitute than to spend years going across the country explaining that we can't.

Despite all the rhetoric to the contrary, women benefit under today's insurance system, one in which prices are based on costs, not social judgments. Women today pay lower insurance prices and consumers should be aware of that. Women pay lower prices for auto insurance, as previously noted, and lower prices for life insurance as well.

It may be fashionable to have unisex jeans, but science has not yet found any unisex genes. This genetic difference shows up even before the child is born. There are 150 baby boys conceived for every 100 baby girls. But, a higher mortality prior to birth, prior to any socioeconomic impact, produces only 106 baby boys born for every 100 baby girls. Eighty-five percent of all children born with genetic defects are male. Throughout life, females continue to live longer than males, as is the case in all animals. This genetic difference is due to different chromosome structures. In the entire animal kingdom, females have an XX chromosome structure and males an XY. In the entire animal kingdom, females live longer than males. In the bird kingdom, the chromosome structure is reversed and males live longer than females. Thus the mortality differences exist even before there is any environmental impact.

Will the differences narrow? Quite the contrary! As the socioeconomic conditions have been equalizing, the differences in mortality between the sexes have been widening. In 1920, a newborn baby girl lived only 1.2 years longer than a newborn baby boy. By 1950, the difference had increased to 5.7 years. Now it is over seven years.

We have valid, insured data on smokers and nonsmokers -- for men and women. Smoking does make a difference. Women who don't smoke live three years longer than women who do, and men who don't smoke live five years longer than men who do. But our data indicates that all women would have to smoke and all men would have to not smoke for the mortality of the sexes to be equal.

Deborah Wingard, an epidemiologist at Berkeley, did a study attempting to identify the socioeconomic characteristics that cause men to die earlier, hoping to enable men to change their habits and live as long as women. She identified 16 socioeconomic characteristics and then removed their impact by a mathematical formula. To her surprise, instead of the mortality of the sexes coming together when the socioeconomic impacts were removed, they widened even further. Women have six major socioeconomic characteristics affecting their mortality, i.e., inactivity, over- or underweight, unmarried, not belonging to a group, disability, and dissatisfaction with their lives. Men, however, had only three: smoking, drinking, and not attending church or synagogue. The differences are not going to narrow, and some of the best minds in the country think they will widen even further.

A study done by epidemiologist Hazel Hazuda of the University of Texas, shows women

working outside the home live longer than those working inside the home. The stress of working outside the home is apparently less than the stress of working only inside the home.

Proponents say it's a civil rights issue -- at any price. We say it's an economic issue. Right now, based on gender-distinct rates, life insurance is less expensive for women: 15% to 25% for whole life and up to 52% for term life.

Over a 20-year period, a 25-year old nonsmoking woman would have to pay 10% more for a one-year term, \$50,000 policy. A 35-year old, 29% more, and a 45-year old, 42% more. Let's put it another way. The money that would buy a young 25 or 30-year-old single parent woman the \$100,000 life insurance she needs would buy \$25,000 (1-2 times her salary) less under gender-neutral. That's not civil rights. That's not even civil!

Will gender-neutral really cost more? Some time ago Consumers United came out with NOWLIFE, sponsored by N.O.W. If I were to buy the NOW-sponsored Unisex NOWLIFE \$50,000 term policy at my age 45, I'd have the opportunity of paying 239 gender-neutral dollars instead of \$124 each year, i.e., 93% more. My \$500,000 policy would cost \$1150 more per year, \$100 more per month, with gender neutral. I can assure you, for that amount of money, I'd go out of the state, where they didn't have gender-neutral prices to buy my life insurance. And if I were to go outside of Iowa to buy my insurance, it would be Nebraska, Missouri, or Wisconsin, not Iowa that received my premium tax revenue. I call that economic deprivation not economic development. Unfortunately, I couldn't even do that for my auto insurance, I'd just be forced by law to pay more than my fair share.

Contrary to N.O.W.'s statement, mortality costs - lower for women - are the only differences in costs for men and women. Interest rates and agents' commission rates are exactly the same - they are gender neutral. The unisex policy fee charged on all policies causing small size policies to be more expensive is also cited by NOW as discriminatory. I find it ironic that those things that are unisex are even considered discriminatory.

Proponents like to confuse the issue by referring to insurance contracts with combined life insurance and savings, i.e., whole life insurance.

The numbers I have given you are only life insurance, i.e., term insurance, and women clearly pay less under those contracts. On whole life contracts, the interest adjusted cost indices, the indices initiated by the FTC and adopted by the NAIC and required as the only valid comparison method in 38 states, also show women's indices lower than men's. A New York study, done several years back, compared 1515 individual cost indices of many companies. All but 4 showed women's costs less than men's (12 - 31% lower for whole life).

Universal life contracts, too, show women's values for exactly the same premium, 6-8% greater at age 65 and the total benefits in annuities after age 65, 20% greater.

Right now, based on gender distinct rates, older women can buy health insurance at a lower rate. Currently, Medicare supplement policies are available at a 7-18% discount for women. That's a significant amount for anyone, let alone someone who may already be living in poverty.

Under gender-neutral rating, elderly women would have to pay more so that younger women could pay less. Older women would be forced to subsidize younger women.

N.O.W. banties about large numbers - unfortunately, they're wrong. Instead of \$24 million in reduced auto insurance charges, Iowa women who are the sole drivers of their

car would each pay \$100 - \$200 more per year for their auto insurance or more than \$8.5 million in total.

Instead of \$1.7 million more per year to older women in life insurance savings N.O.W. states, Iowa's more than one million women would have to pay 10-50% more for new life insurance. The Montana Insurance Commissioner's unbiased study showed increases in premiums of up to 1/3 for whole life and more than double for term when gender-neutral rates were implemented. Interestingly, in stating N.O.W.'s number of \$1.7 million, they take surplus that belongs to all policyholders and give it to only elderly women - this time causing men and younger women to subsidize older women.

Instead of 89,000 women charged tens to hundreds of dollars less per year for Disability Income as N.O.W. states, there would virtually be no impact at all since the vast majority of disability income is currently already on a gender-neutral basis and can be purchased on that basis.

Instead of 22,600 Iowa women (and girls - since the data was done on people, not policies) charged 10 to 100's of dollars more, in actuality those women who are over age 55 would have their costs increase, and those under age 55 would have their costs decreased. Again, older women would subsidize younger women. In Montana, on the average, medical expense rates dropped 16%, but it affected only 1.6% of the population not the 16% of the population N.O.W. cites.

The overall result is that women will pay more

- 10 - 50% more per year for life insurance
- \$100 - 200 more per year for auto insurance

with no offset in disability income, pension, or medical expense benefits, since the vast majority of these benefits (85-90%) are already provided on a gender-neutral payment basis by their employer.

The bottom line is that mandating that prices be equal for the sexes will not make costs anymore equal than would mandating that hot fudge sundaes have the same number of calories as celery make the calories equal. I developed a uni-calorie table once that made them equal. The hot fudge sundaes were great. But look at me now. My body didn't obey my uni-calorie law. And when Mother Nature breaks the law and makes women live longer than men, there is no recourse either. The costs will be different regardless of the law and regardless of the prices.

I care about women.

I care about people.

I care about the real means to financial equality -- financial security.

But gender-neutral legislation, alleged to do something for women, instead does something to women.

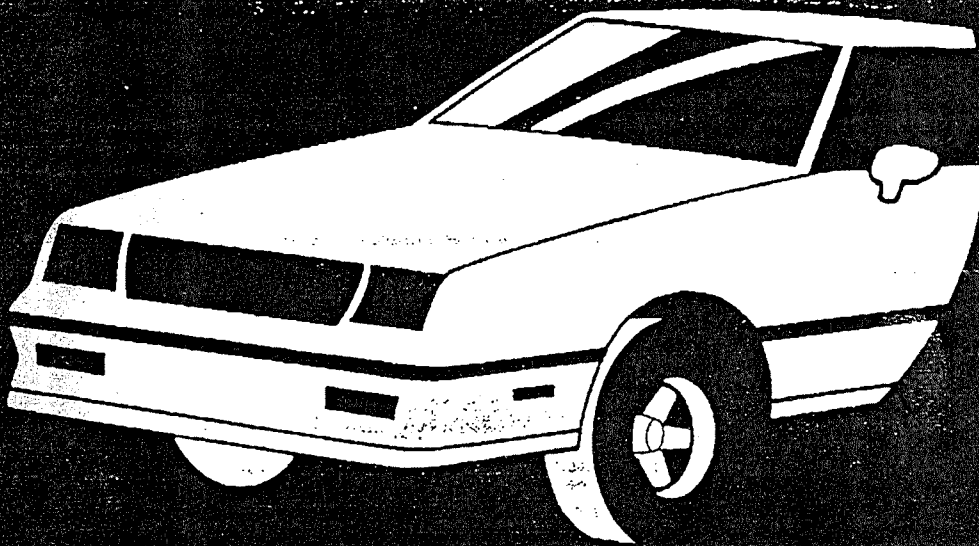
Its impact is higher prices for women.

Gender-neutral rates may look like an orchid, but they smell like an onion.

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# UNISEX AUTO INSURANCE RATING



HOW AUTO INSURANCE PREMIUMS IN  
MONTANA CHANGED AFTER ELIMINATION OF SEX  
AND MARITAL STATUS AS RATING FACTORS

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# UNISEX AUTO INSURANCE RATING

## How Auto Insurance Premiums in Montana Changed After Elimination of Sex and Marital Status as Rating Factors

All-Industry Research Advisory Council  
October, 1987

This report, *Unisex Auto Insurance Rating*, is available from the All-Industry Research Advisory Council, 1200 Harger Road, Suite 310, Oak Brook, Illinois 60521. In the U.S. and Canada, a single copy is free and additional copies are \$4 each, postpaid. All copies to other countries are \$5 each postpaid. A listing of other AIRAC reports is provided in the Appendix.

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## ACKNOWLEDGEMENTS

This report reflects the work of the AIRAC Unisex Rating Committee. Members were closely involved in design of the study, development of the survey, and review of the data and draft report. The survey form was drafted by Richard Jaeger of ISO and Dale Nelson of State Farm. Appendix I dealing with Unisex Rating in states other than Montana was written by Dale Nelson. David Unnewehr of the AIRAC staff analyzed survey responses and drafted the overall report. AIRAC wishes to thank the 12 auto insurers participating in the survey. The study would not have been possible without their help and cooperation.

Gary Bellinghausen  
Chairman, AIRAC Unisex Rating Committee

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### AIRAC UNISEX RATING COMMITTEE

Gary Bellinghausen, SAFECO (Chairman)  
Edward Chan, California State Auto  
Doug Eland, Allstate Insurance Company  
Diana Lee, National Association of Independent Insurers  
Robert Muleski, Liberty Mutual Insurance Company  
Dale Nelson, State Farm Insurance Company  
Brian Smith, Alliance of American Insurers  
Mavis A. Walters, Insurance Services Office  
Mark Whitman, Insurance Services Office  
David L. Unnewehr, AIRAC

---

### SURVEY PARTICIPANTS

Aetna Casualty and Surety Company  
Allstate Insurance Company  
CIGNA P&C Companies  
Farmers Insurance Group  
Mountain West Farm Bureau Mutual Insurance Company  
National Farmers Union Property and Casualty Company  
Royal Insurance Company  
SAFECO Insurance Company of America  
St. Paul Mercury Insurance Company  
State Farm Mutual Automobile Insurance Company  
United Services Automobile Association  
United States Fidelity and Guaranty Company

Aetna Casualty and Surety Company  
was drafted by  
states other than  
ISO and Unnewehr  
red would not



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## CHAPTER 1 HIGHLIGHTS

On October 1, 1985, Montana put into effect a law prohibiting insurance companies from using sex and marital status in determining auto insurance rates throughout the state. A survey of 12 leading auto insurance companies indicates that the law had a substantial effect on the insurance rates charged vehicle owners under age 25. Major findings of the survey are as follows:

1. All women drivers younger than age 25 had to pay substantially higher rates. Montana's law prohibiting use of sex and marital status increased average auto insurance rates in one territory by \$274 a year for some young women. Even the young women with the smallest increases, 23 year old principal operators, saw significant increases averaging \$91 to \$109 a year. The effect on young male drivers was mixed, depending on their marital status. Unmarried male principal operators received rate decreases of up to \$295 a year. On the other hand, young married male principal operators had to pay significantly higher auto insurance premiums. For example, 23 year old married male principal operators experienced rate increases averaging \$124 to \$147 a year. The following table summarizes the changes in premiums charged for representative rating classes in Montana following the change to the new rating system.
2. Both the increases and decreases resulted from the

law's requirement that auto insurers ignore the more favorable loss experience of women, and of married drivers of both sexes. Instead, insurers were required to charge the same rates to male and female, married and unmarried drivers. Premium increases and decreases also were influenced to a lesser extent by general rate increases, which many auto insurers put into effect simultaneously with the change to unisex rates. These general rate increases varied by insurer but averaged 6.7%.

3. About 11.8% of Montana's insured autos involved youthful drivers when the new rating system went into effect. About 6.7% of the insured autos received significant rate increases as a result of the law, while 5.1% saw significant decreases. Cars driven by young women and young married males, the groups experiencing increases, numbered approximately 37,000. An estimated 28,200 single males under the age of 25 saw their auto insurance premiums drop.
4. Adult drivers were virtually unaffected by the change to unisex rating. Adult drivers of both sexes, married and unmarried, paid auto insurance rates averaging 5% to 8% higher after the new rating system went into effect, not as a result of the change to unisex rates, but almost entirely as a result of the general rate increases put into effect at the same time.

### EFFECT OF UNISEX RATING ON AUTO INSURANCE PREMIUMS IN MONTANA

Rating Class	Average Premium Changes for Lowest and Highest Rated Territories Surveyed	
	Males	Females
17 year old single occasional operator	\$ - 72 to \$ - 85	\$ + 138 to \$ + 166
19 year old single principal operator	- 261 to - 295	+ 230 to + 274
23 year old single principal operator	- 218 to - 246	+ 91 to + 109
23 year old married principal operator	+ 124 to + 147	+ 210 to + 242
35 year old single principal operator	+ 19 to + 26	+ 23 to + 31
35 year old married couple		\$ + 20 to + 28

NOTE: The dollar figures represent survey average increases or decreases in premiums for a standard package of auto insurance coverages. The ranges in the table show how these average premium increases and decreases varied among Montana's six rating territories. The dollar effect of the law varied somewhat from one part of the state to another.

## CHAPTER 2

### INTRODUCTION AND METHODOLOGY

The purpose of this study is to show how a Montana law enacted October 1, 1985 affected auto insurance premiums. The law prohibited the use of sex and marital status as factors in determining insurance rates. This report charts increases or decreases in auto insurance premiums experienced by youthful male, youthful female, married and unmarried drivers following implementation of the new Montana rating law.

The auto insurance industry historically has used sex as a consideration in determining rates for auto insurance. Sex is used in conjunction with other driver characteristics such as age and marital status, accident and traffic conviction records, place of residence, make and model of the car, annual mileage and manner in which the car is used.

Unlike the costs of other goods and services, the cost of providing insurance coverage depends greatly on the customer. Measuring the variations in cost and reflecting them in the price are important parts of the insurance process. Risk classification is a way of grouping similar insurance customers to determine average cost before applying those average costs to individuals.<sup>1</sup>

Insurers have found that sex is a significant variable for evaluating risk posed by youthful drivers. While insurers predict rates on specific insurance data regarding claim costs and claim frequencies, data external to the insurance industry confirm some of their findings. Statistics gathered over many years indicate women have better accident records than men, particularly in the case of drivers under the age of 25. The National Safety Council estimated that the nation had 158.2 million drivers in 1985, of which 52.1% were men. Even though just over half of all drivers were men, men were involved in nearly twice as many traffic accidents (21.4 million) as were women (11.6 million). Data for the same year showed that male drivers were involved in nearly four times as many fatal accidents as were females.<sup>2</sup> Men were involved in approximately 46,700 fatal accidents while women were involved in about 12,700 fatal accidents. Research by the California Department of Motor Vehicles demonstrates that the differences in accident

rates are not explained by differences in mileage driven by men and women: men have more frequent accidents within all categories of mileage driven.<sup>3</sup>

Despite this evidence, some groups have sought to eliminate the use of sex as an insurance rating factor, even though gender-based rates benefit women drivers. These groups tend to perceive any distinctions based on sex as unfairly discriminatory—as objectionable as distinctions in hiring practices, pay scales and other equal rights issues.

While gender-based auto insurance rates are prohibited in Hawaii, Michigan, North Carolina, Massachusetts and Montana, in each instance the legislature eliminated other factors as well, thereby complicating any attempt to measure the effect of unisex laws. Montana's law provided the best opportunity to isolate the effects of unisex rating, because only sex and marital status were eliminated as rating factors. In Hawaii, Michigan, North Carolina and Massachusetts, the prohibitions on use of sex were accompanied by other major changes such as a switch to no-fault insurance or restrictions on rating factors such as age and territorial classifications. When numerous changes are made at the same time, it is difficult to isolate the effect of any one factor on the rates charged. For a brief description of unisex rating in Hawaii, Michigan, Massachusetts and North Carolina, see Appendix 1.

During the mid to late 1970's and early 1980's a number of other states and the U.S. Congress considered instituting unisex rating of insurance, but decided against such action. In 1986, the Pennsylvania legislature passed a law overturning an earlier regulation issued by the Pennsylvania Insurance Department that would have required auto insurers to ignore differences in the loss experience of young men and women drivers. Lawsuits have been filed challenging this new law, and are currently in progress as this study went to press. Other proposals have been made elsewhere to eliminate or change the use of sex and other rating variables used in setting auto insurance rates. Concern about the effect of unisex rating on auto insurance premiums for youthful drivers continued in Montana after the new law became effective. A measure to repeal unisex rating passed both houses of the Montana legislature during the spring of 1987, but was vetoed by the Governor. The Montana House of Representatives fell six votes short of the 67 needed to override the veto.

<sup>1</sup> Walters, Michael A. *Principles of Insurance Classification*. Insurance Services Office, 1983. See Also *Risk Classification Statement of Principles* by the American Academy of Actuaries Committee on Risk Classification, 1980 and *The Role of Risk Classification in Property and Casualty Insurance: A Study of the Risk Assessment Process* by Barbara Casey et al. Stanford Research Institute, 1976.

<sup>2</sup> National Safety Council, *Accident Facts, 1986 Edition*.

<sup>3</sup> California Department of Motor Vehicles, *California Driver Fact Book*, 1981, page 17.

## CHAPTER 3 FINDINGS

AIRAC gathered information from 12 major auto insurers on changes in rates following implementation of Montana's unisex law. Measuring rates on September 30, 1985 and October 2, 1985 eliminated the possibility of comparisons being distorted by rate changes made some months before or after the new law took effect. Many insurers did include a general rate increase for auto insurance on October 1, 1985 when the unisex rating law went into effect. This increase averaged 7%, on a weighted basis, for the 12 companies participating in the AIRAC survey.

Insurers were asked to provide information for six major rating territories in Montana. For each territory, insurers provided rates for 11 rating classes including eight youthful classes directly affected by the elimination of sex and marital status as rating variables.

### Dollar and Percentage Changes in Premiums By Rating Class

Tables 1 and 2 summarize the overall effects of removing sex and marital status as rating variables for auto insurance in Montana. Tables 3-8 provide a detailed look at the effect in each of the state's six rating territories.

Tables 1 and 2 show the range of average dollar and percent increases or decreases for representative groups of drivers, for the lowest and highest rated territories in the state. The premium changes are not the same for all territories because rates vary by geographical area. The dollar change was greatest in the territories with the highest overall rates. Adjustments reflecting territorial loss experience also may have slightly affected the range of increases and decreases. Rates tended to be highest in Butte and lowest in the Western Counties. Increases or decreases shown in

Tables 1 and 2 also include the effect of the general rate increases.

Women drivers under age 25 had to pay substantially higher auto insurance rates as a result of Montana's new rating law. Among the classes included in the study, 19 year old single females experienced the largest dollar increases. Single women of that age who were owners or principal operators paid \$230 to \$274 more per year, depending on where they lived. This compares with increases of \$138 to \$166 for single 17 year old female occasional operators, and increases of \$91 to \$109 for single 23 year old female owners or principal operators.

Young married women experienced even larger cost increases than their unmarried counterparts. For 23 year old married females, the new law resulted in increases averaging \$210 to \$242, compared with increases of \$91 to \$109 for single women drivers of the same age and driver classification (owner or principal operator).

The law's effect on young male drivers depended on their marital status. Unmarried male drivers under age 25 enjoyed significant decreases in their auto insurance rates. The 19 year old single male principal operators received rate reductions of \$261 to \$295, varying by where they lived. This compares with decreases of \$218 to \$246 for single male owners or principal operators age 23, and decreases of \$72 to \$85 for single male occasional operators age 17.

Young married male drivers, by contrast, experienced significant increases in premiums as a result of the law's prohibition on the use of marital status. For 23 year old married males, the loss of the marital status factor more than offset the benefit they received from the loss of gender rating. This is illustrated in

**TABLE 1**  
**EFFECT OF UNISEX RATING ON AUTO INSURANCE PREMIUMS IN MONTANA**

Rating Class	Average Premium Changes for Lowest and Highest Rated Territories Surveyed	
	Males	Females
17 year old single occasional operator	\$ - 72 to \$ - 85	+ 138 to + 166
19 year old single principal operator	- 261 to - 295	+ 230 to + 274
23 year old single principal operator	- 218 to - 246	+ 91 to + 109
23 year old married principal operator	+ 124 to + 147	+ 210 to + 242
35 year old single principal operator	+ 19 to + 26	+ 23 to + 31
35 year old married couple		\$ + 20 to + 28

**TABLE 2**  
**PERCENTAGE CHANGE IN AUTO INSURANCE PREMIUMS**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premium Changes for Lowest and Highest Rated Territories Surveyed	
	Males	Females
	Age 17, single occasional operator	9% to 11% decrease
Age 19, single principal operator	23% to 24% decrease	37% to 39% increase
Age 23, single principal operator	27% to 28% decrease	18% to 20% increase
Age 23, married principal operator	26% to 29% increase	56% to 59% increase
Age 35, single principal operator	5% to 6% increase	6% to 8% increase
Age 35, married couple	5% to 7% increase	

Table 1. Single 23 year old male principal operators saw their auto insurance premiums go down \$218 to \$246 a year, while the married 23 year old drivers saw their rates go up by \$124 to \$147, since the new law requires that both pay the same rates.

Finally, Table 1 indicates that adult drivers received premium increases averaging \$19 to \$31. The rating classes used in this study to represent the adult classes included 35 year old principal operators (male or female), and 35 year old married couples. Since gender and marital status were not significant rating factors for adults of this age under the old system, the increases shown in this study were due almost entirely to the general rate increases put into effect by most of the participating companies simultaneously with the change to the unisex rating.

Table 2 indicates that 23 year old married women were the group most affected on a percentage basis by the new law. This group received average premium increases ranging from 56% to 59%. (As shown earlier in Table 1, their dollar increases were slightly less than those received by 19 year old single women who were principal operators. Because the 19 year old females had higher initial rates, their percentage increases were not as dramatic as those of the 23 year old married women, but still ranged from 37% to 39%.) Married men aged 23 who were principal operators also were adversely affected by the new rating law. Loss of the marital status factor resulted in a 27% to 29% increase in premiums for married men aged 23. The 17 year old single men and women who were occasional operators experienced smaller changes in their rates. This is not surprising since rates charged occasional operators are lower than those for an owner or principal operator. Seventeen year old female drivers received premium increases in the range of 25% to 27%, while male drivers received decreases in the range of 9% to 11%.

#### Effect of the General Increase in Rates

Dollar and percentage changes shown in Tables 1 and 2 reflect the impact of the general rate increases, averaging 6.7% as mentioned earlier. The 6.7% is an average weighted by company premium volume. Some companies had smaller increases or even decreases; others had increases of more than 6.7%. Increases attributable solely to the elimination of sex and marital status are somewhat less than the figures shown in Tables 1 and 2. Rate decreases would be somewhat greater in magnitude were it not for the effect of the general rate increase. The effect of the general rate increase shows up most clearly in the increases for the 35 year old drivers. Rates for male and female drivers over 30 tend to converge even in the majority of states where sex is a rating factor. Prior to the new rating law, average rates for 35 year old single women in Montana were slightly lower than those for 35 year old single men and for 35 year old married couples (See tables 3-8). Only minor adjustments by a few companies were required to comply with the new rating law for the 35 year old drivers. Nearly all of the increases shown for the 35 year old drivers are attributable to the general rate increase.

#### Premium Changes By Rating Class and Territory

Tables 3-8 provide comparisons of premium changes by rating class in each of the territories surveyed. These are the underlying data which were previously summarized and highlighted in Tables 1 and 2. To avoid repetition, only Tables 3 and 4 are discussed in detail since the relationships among the various rating classes do not change significantly from one territory to another.

As expected under the new law, like age groups have the same rate. However, other rating factors used by several insurers participating in the survey caused rates to differ slightly for the 23 year old and 35 year

**TABLE 3**  
**BILLINGS**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 831	\$ 746	\$ - 85	- 10%
17 year old single female	592	746	+ 154	+ 26
19 year old single male	1,226	933	- 293	- 24
19 year old single female	674	933	+ 259	+ 38
23 year old single male	878	635	- 243	- 28
23 year old single female	536	635	+ 99	+ 18
23 year old married male	499	637	+ 138	+ 28
23 year old married female	401	630	+ 228	+ 57
35 year old single male	402	424	+ 22	+ 5
35 year old single female	397	424	+ 27	+ 7
35 year old married couple	402	425	+ 23	+ 5

old examples. Twenty-three year old married females had a slightly lower average rate than single drivers and married male drivers of the same age. For example, in Billings, the 23 year old married female rate is \$7 lower than the 23 year old married male rate and \$5 lower than rates for single male and female drivers. The married female received a lower rate in this instance because the study assumed the husband's age was 26. One insurer also considered the husband's age in rating this example even though the wife was assumed to be the principal operator. This resulted in a lower rate because a 26 year old male is considered a better risk than a 23 year old male. The 23 year old married male and the 35 year old married couple paid slightly higher rates than their single counterparts because of a rating guideline used by an insurer that assumes a car driven by two drivers will generate more miles each year than one driven by a single person. This accounts for the small difference of \$1-\$2 in rates for 35 year old married couples and 23 year old married males as compared to their single counterparts (Tables 3-8). The 23 year old married female also experienced the effect of this rating factor, but it was overshadowed by the husband's age.

Drivers in all examples listed in Tables 3-8 were principal operators of the vehicle, with the exception of the 17 year old single male and female drivers who were rated as occasional operators. This example was selected because most 16-18 year old drivers are occasional operators of a family car. Rates for the small number of 16-18 year old drivers who are principal operators would have been much higher than for occasional operators in the same age range. Increases or

decreases in rates for female and male drivers also would have been more dramatic.

Table 3 shows that young married females who were principal operators of a family car had the highest increases. For 23 year old married females living in Billings, average auto insurance rates increased from \$401 annually to \$630, a 57% increase.

The 23 year old single male saw his auto insurance rates drop an average of \$243, from \$878 to \$635 annually, a 28% decrease. However, a 23 year old married male (principal operator, with wife age 23) experienced a rate increase of 28%, with premiums rising from \$499 to \$637. Single male drivers aged 17, 19 and 23, in the examples shown in Tables 3-8, all experienced significant rate decreases.

For Billings, a 17 year old female driver experienced a premium increase from \$592 to \$746, a 26% increase. The 17 year old male driver experienced an average drop in auto insurance premiums from \$831 to \$746, a decrease of 10%. The rate swings were wider for the 19 year old male and female drivers, in large part because they were rated as principal operators in the study. As shown in Table 3, a 19 year single female living in Billings paid \$259 more annually for auto insurance. This represented a premium increase of 38%, from \$674 to \$933. A 19 year old male also paid an average of \$933 for auto insurance following enactment of the law. However, this new rate for the 19 year old single male represented a 24% decrease from the old annual premium of \$1,226.

The 35 year old single male, female, and married couple all received rate increases in the range of 5% to 7% due almost entirely to the overall rate increases

**TABLE 4  
BUTTE  
AVERAGE CHANGES IN AUTO INSURANCE RATES  
FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 856	\$ 776	\$ - 80	- 9%
17 year old single female	610	776	+166	+27
19 year old single male	1,265	970	-295	-23
19 year old single female	695	970	+274	+39
23 year old single male	908	662	-246	-27
23 year old single female	553	662	+109	+20
23 year old married male	516	663	+147	+28
23 year old married female	414	656	+242	+58
35 year old single male	415	441	+ 26	+ 6
35 year old single female	410	441	+ 31	+ 8
35 year old married couple	414	442	+ 28	+ 7

implemented by companies when the new law went into effect (Table 3). These increases were, for the most part, unrelated to the elimination of sex and marital status as rating variables. Under the old law, women received small discounts in rates from some insurers. A 35 year old single woman paid an average of \$397 before the law compared to \$402 for a single male age 35. After implementation both paid \$424 in average annual auto insurance premiums.

Changes in auto insurance premiums for the territory of Butte (Table 4) track very closely with changes

in Billings. As in Billings, rates for youthful single males decreased by 9% to 27%, while rates for all other groups increased. Increases were greatest for young single female drivers and for married female and married male drivers. As in Billings, married female principal operators experienced the most dramatic percentage increases of any group, since this class of drivers lost the benefit of both the married driver and gender rating factors. For example, rates for 23 year old female principal operators 23 climbed \$242, or 58%. Rates for married male principal opera-

**TABLE 5  
GREAT FALLS  
AVERAGE CHANGES IN AUTO INSURANCE RATES  
FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 783	\$ 705	\$ - 78	-10%
17 year old single female	559	705	+146	+26
19 year old single male	1,142	881	-261	-23
19 year old single female	637	881	+244	+38
23 year old single male	821	603	-218	-27
23 year old single female	507	603	+ 96	+19
23 year old married male	472	604	+132	+28
23 year old married female	380	598	+218	+57
35 year old single male	380	402	+ 21	+ 6
35 year old single female	376	402	+ 23	+ 6
35 year old married couple	380	403	+ 23	+ 6

**TABLE 6**  
**HELENA**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 783	\$ 711	\$ - 72	- 9%
17 year old single female	558	711	+153	+27
19 year old single male	1,152	887	-265	-23
19 year old single female	636	887	+251	+39
23 year old single male	828	607	-221	-27
23 year old single female	506	607	+101	+20
23 year old married male	472	608	+136	+29
23 year old married female	379	602	+223	+59
35 year old single male	380	404	+ 24	+ 6
35 year old single female	375	404	+ 29	+ 8
35 year old married couple	379	406	+ 26	+ 7

tors age 23 increased \$147, or 28%. This indicates that the lower premium a 23 year old married male driver may have received without sex as a rating variable was not nearly enough to offset the loss of the marital status factor.

Rating classes were affected similarly in each of the other Montana territories. The percentage increases or decreases stemming from the elimination of sex and marital status varied only slightly by territory. The difference in overall premiums and dollar changes

seen in Tables 5-8 is primarily due to varied rate levels by territory.

**Other Structural Changes Made With Implementation of Unisex Rating**

Insurers participating in this survey were also asked if other changes were made in their rating plans at the same time. Examples of other structural changes would include introduction of annual mileage classes,

**TABLE 7**  
**EASTERN COUNTIES**  
**AVERAGE CHANGES IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 800	\$ 720	\$ - 80	-10%
17 year old single female	577	720	+143	+25
19 year old single male	1,167	896	-271	-23
19 year old single female	656	896	+240	+37
23 year old single male	847	621	-226	-27
23 year old single female	527	621	+ 94	+18
23 year old married male	493	622	+129	+26
23 year old married female	393	615	+222	+56
35 year old single male	396	415	+ 19	+ 5
35 year old single female	391	415	+ 24	+ 6
35 year old married couple	395	416	+ 21	+ 5



**TABLE 8**  
**WESTERN COUNTIES**  
**AVERAGE CHANGE IN AUTO INSURANCE RATES**  
**FOLLOWING IMPLEMENTATION OF UNISEX RATING**

Rating Class	Average Premiums		Dollar Change	Percent Change
	Before	After		
17 year old single male	\$ 772	\$ 687	\$ - 85	- 11%
17 year old single female	549	687	+ 138	+ 25
19 year old single male	1,116	854	- 262	- 24
19 year old single female	624	854	+ 230	+ 37
23 year old single male	808	590	- 218	- 27
23 year old single female	499	590	+ 91	+ 18
23 year old married male	467	591	+ 124	+ 27
23 year old married female	375	585	+ 210	+ 56
35 year old single male	375	394	+ 19	+ 5
35 year old single female	370	394	+ 24	+ 6
35 year old married couple	375	395	+ 20	+ 5

expanded age classifications, or more refined vehicle use classes.

Three of the 12 responding insurers reported making significant structural class plan changes, while nine insurers indicated no changes were made. The changes were:

1. Company A extended rating by annual mileage to all driver classes.
2. Company B split its old rating class for 21-24 year old drivers into two: 21-22 year old drivers and 23-24 year old drivers, for both the occasional and principal operator classes. This insurer also added an inexperienced operator surcharge for principal operators under the age of 25 if licensed less than three years. In addition, a 25-29 year old single male class was deleted.
3. Company C created a separate class group for adults 25-29 years old.

**Percent of Insured Vehicles Affected By Change To Unisex Rating**

How many Montana households saw substantial changes in their auto insurance premiums following implementation of unisex rating? What percentage of the driving public was directly affected by the rating law? AIRAC attempted to answer these questions by gathering information from major auto insurers on the percentage of their insured cars involving youthful drivers. Several auto insurers, representing 36% of the Montana market, were able to provide this information. Percentages shown in Table 9 represent averages weighted by company market shares.

Table 9 indicates that 11.8% of Montana's insured cars were driven by youthful operators and were significantly affected by the elimination of sex and marital status as rating variables. The balance of the state's insured cars (88.2%) was unaffected or was affected only to a slight degree. Drivers aged 25-29 may have been affected to a limited extent. For this group of young adults, some companies had rates that varied by sex and marital status. In addition, prior to unisex, some companies offered lower rates for single females between the ages of 30 and 65. However, rate differences based on sex and marital status were much smaller for drivers age 25 to 29 than for those drivers under age 25.

**TABLE 9**  
**PERCENTAGE OF CARS INSURED AFFECTED BY THE UNISEX RATING LAW**

Group	Insured Cars Driven by Youthful Operators As a Percent of Total Insured Cars	
	Female	Male
Under 21	3.0%	3.3%
Occasional Operator	1.7	1.9
Principal Operator	1.3	1.4
Age 21-24	2.5%	3.0%
Single	1.5	1.8
Married	1.0	1.2
Total Under 25 (11.8%)	5.5%	6.3%
No Youthful Drivers (88.2%)		

When results from the survey of premiums before and after unisex are compared with Table 9, it is possible to estimate the percentages of insured cars that were rated at higher and lower premiums. As reported earlier, all cars involving youthful female drivers and all married male drivers received substantial rate increases. Youthful females were listed as drivers for 5.5% of the insured cars and married males aged 21-24 accounted for 1.2% of the insured cars. Therefore, 6.7% of the insured cars received significant rate increases after the change. Cars driven by single males aged 21-24 and males under the age of 21 received substantial premium decreases. These groups accounted for about 5.1% of the state's insured cars. Note that a small percentage of male drivers under 21 also were married, but have not been identified in Table 9. Some

of this group probably received rate increases, but their numbers would not significantly change the results just reported.

It is also possible to estimate the *numbers* of vehicles affected by the change, using figures on insured car years compiled by the Automobile Insurance Plans Service Office (AIPSO). A car year is the equivalent of one vehicle insured for a full year. In 1984, there were 552,277 insured car years written by insurers in Montana. Multiplying the proportion of cars involving youthful drivers receiving increases (6.7%) by the numbers of cars insured in the state, produces an estimate of about 37,000 cars that were charged higher auto insurance rates because of the elimination of sex and marital status as rating variables. About 28,200 cars received lower rates as a result of the law change.

## APPENDIX I

### UNISEX RATING IN HAWAII, MASSACHUSETTS, MICHIGAN AND NORTH CAROLINA

Four states besides Montana have also prohibited the use of sex as a rating variable for automobile insurance.\*

#### Hawaii

As part of its no-fault insurance law, which became effective in September, 1974, Hawaii prohibited the use of sex along with age and marital status as rating variables.

Unlike the situation in Montana, where the rates for young females and married males generally increased, the rates for all youthful risks in Hawaii were reduced sharply because of the elimination of age as a rating factor. The legislation also specifically prohibited the use of length of driving experience as a rating variable, thus disallowing such alternative variables as years licensed. Eventually, this resulted in increased rates for adult risks, although that development was delayed by the general rate reduction also mandated by the no-fault law.

#### Massachusetts

In his decision regarding 1978 rates, the Massachusetts Insurance Commissioner banned the use of age, marital status, and sex. (In Massachusetts, unlike most other states, the rates for private passenger automobile insurance are prescribed by the state authorities.) This ruling was subsequently affirmed by legislation in 1979. The ruling was also accompanied by a substantial lessening of variations in rates by territory. Although years licensed was allowed as a rating variable, in lieu of age, rates for youthful risks generally were reduced sharply, with higher rates for adult risks, particularly in the lower rated areas of the state.

#### Michigan

Michigan's "Essential Insurance Act" became effective January 1, 1981. It prohibited the use of marital status and sex as rating variables, but not age. In addition, the law imposed constraints on territorial rating. A study by the Michigan Department of Licensing and Regulation found that the effect on rates was similar to what happened in Montana: i.e., higher

rates for young females and married males; lower rates for young unmarried males.<sup>5</sup>

#### North Carolina

In 1975, the North Carolina legislature passed a law prohibiting the use of age and sex in automobile insurance rating. Marital status was not expressly prohibited, but the practical effect of the law was the same, since marital status typically is used only in conjunction with age. Inexperienced driver (years licensed) was permitted as a rating variable, however.

As in Massachusetts, insurance rates and classifications for private passenger automobiles are prescribed by the North Carolina authorities. Under the pre-1975 plan, young females were rated the same as adults. Consequently, the effect of the North Carolina legislation was increased rates for young females and adults (more so for inexperienced drivers in these groups), accompanied by sharp reductions for most young males.

In addition to these direct effects on rates, the elimination of these rating variables (especially age) has had some side effects on the automobile insurance markets in at least a couple of these states. More of the youthful business has been perceived by insurers as underpriced and is consequently written in the residual market or other "substandard" programs. In Massachusetts, for example, 54.9% of all 1986 auto policies were written in this state's Reinsurance Facility—including over 90% of the young males and 70% of the young females—reflecting the combined effects of the various rate constraints that have been imposed over the years.<sup>6</sup> In North Carolina, over 25% of all business is written in its Reinsurance Facility.<sup>7</sup> This contrasts with the 1 or 2%, or less, written in the residual market program in most states. In both of these states, insurers are required to write all applicants for automobile insurance, either voluntarily or as part of the residual market facility.

\* In Montana, the prohibition applies to all lines of insurance, including life and health. In the four additional states, the ban applies only to automobile insurance.

<sup>5</sup> Wallace, Francis K., "Unisex Automobile Rating: The Michigan Experience", *The Journal of Insurance Regulation*, December, 1984, Volume 3, No. 2.

<sup>6</sup> Massachusetts Automobile Rating Bureau (MARB).

<sup>7</sup> Automobile Insurance Plans Service Office (AIPSO).

GENDER-BASED

Introduction



Insurance  
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Institute, Inc.

110 William Street  
New York, N.Y. 10038  
(212) 669-9200

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# Data Base Reports

Current Reports From the Institute's Data Base

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Ruth Gastel, Editor

January 1989

## GENDER-BASED RATING

### Introduction

Under current federal and most state laws, insurance companies are permitted to set rates for premiums according to gender-based risk calculations. For example, because young women as a group have fewer automobile accidents than young men, they pay lower insurance premiums for automobile insurance. Because women in some age groups have higher medical costs they pay higher health insurance premiums for individual policies.

Generally, proponents of unisex, rather than gender-based, rating want to eliminate all uses of gender in determining insurance premiums and benefits so that both men and women would pay the same rates and receive the same benefits. The industry is opposed to the elimination of gender-based rating on the grounds that such rating is a valid and fair indicator of risk.

### Current Developments

**States:** According to the All-Industry Research Advisory Council (AIRAC), women drivers younger than age 25 had to pay substantially higher auto insurance rates after Montana passed a law prohibiting the use of sex and marital status in insurance rating. The study found that average auto insurance rates for young women increased from \$91 to \$274 a year, depending on their age, marital status and location. AIRAC surveyed major Montana auto insurers to determine how rates for young drivers changed after the law went into effect on October 1, 1985. Montana was the first state to pass a unisex law applicable to all lines of insurance.

A public opinion survey conducted for AIRAC by The Roper Organization on unisex auto insurance rates found that 43 percent favored unisex auto rating while 41 percent opposed it and 17 percent had no opinion. But when told that ignoring gender as a rating factor would raise rates for young women by as much as \$100 a year, 68 percent of the public said such increases would be unfair -- 73 percent of the women and 63 percent of the men queried.

## Gender-Based Rating

The issue of gender in auto rating attracted attention as a result of the Pennsylvania Supreme Court decision in October 1984 which required insurance companies to set premium rates without regard to the sex of automobile owners, on the basis that gender-based rates were "unfairly discriminatory" under the state's Equal Rights Amendment. The decision was appealed and so far the Court has not ruled on the case.

Nevertheless, in September 1988, Pennsylvania Insurance Commissioner Constance B. Foster ordered that auto insurance companies in the state file proposed unisex insurance rates by December for implementation in March 1989. The order was disputed by the Pennsylvania National Organization for Women (NOW), which proposed using mileage-based premiums instead. NOW asked the Commonwealth Court to block the Insurance Department's order, but the Court dismissed NOW's challenge.

In rejecting NOW's argument that mileage should be used as a basis for rates, the commissioner had said that the group's push for mileage-based rates is an attempt to keep rates lower for women. Miles driven is not an accurate predictor of loss because factors such as the road, weather, and traffic conditions and the skill of the driver also affect risk. In addition, the cost of implementing a mileage-based rating-making system would not warrant "the comprehensive benefits" of such a program. The court agreed with the commissioner's findings.

According to the Insurance Department, when the unisex rates are implemented, women under 21 years of age can expect to pay from 12 percent to 70 percent more than they currently do while rates for young men in the same age group will drop from 10 percent to 30 percent.

The issue of gender-based rating is also being considered in Iowa.

In May 1987, in a precedent-setting move, the Massachusetts Insurance Department issued a preliminary rule banning discrimination by gender in insurance rate setting and in August Insurance Commissioner Roger Singer ordered unisex pricing for all insurance policies sold or renewed after September 1, 1988.

The ruling, which marks the first time such a policy has been implemented by regulation (the Montana law was enacted by the legislature), was immediately praised by women's rights groups and assailed by the insurance industry. Representatives of life and health insurers challenged the commissioner's authority to issue such a regulation but in June 1988 a state Superior Court judge denied the industry's petition for an injunction. (Massachusetts has had laws banning sex discrimination in auto insurance since 1978.)

Background

The issue of gender-based rating received considerable Congressional attention in 1983 and 1984. Extensive hearings held in both the House and Senate illustrated to legislators that questions associated with the issue were much more complicated than they originally appeared, and the Congress failed to enact any of the various unisex bills before it.

In 1983, the Supreme Court ruled employers may not offer as a fringe benefit option to employees any annuities whose premiums or benefits are based on sex (Arizona Governing Committee vs. Norris, 103 S. Ct. 3492). In a 5-4 decision, the court noted that while such annuity contracts are legal, employers are prohibited from offering them, even as an option. The court stated that its ruling was limited, applying only to employers. Moreover, the court barred retroactivity, holding that "benefits derived from contributions made prior to this decision may be calculated as provided by the existing terms of the Arizona plan."

Similarly, the 1978 Manhart decision (435, U.S. 702) forbade employers to require unequal contributions in pension plans but clarified that the decision did "not suggest that the statute (Title VII of the Civil Rights Act) was intended to revolutionize the insurance and pension industry."

11-28 MI, Tol. ←  
 Massachusetts, North Carolina, Michigan and Hawaii all have unisex auto insurance rating laws in effect. One distinction between state laws requiring unisex auto rates is that some of the states also have included caps on how high the rates can be raised. Massachusetts and North Carolina both have caps on their unisex rates.

Various women's civil rights, labor and consumer groups support elimination of gender-based rating, contending that sex discrimination is against public policy and that women would be willing to pay higher premiums to end it. Also, these groups argue that any group classification of an immutable characteristic is discriminatory and policyholders must be rated on their individual characteristics. They suggest that actuaries replace gender with social characteristics in order to minimize the negative impact on women in auto and life insurance.

The insurance industry contends that gender-based rating is not inequitable, because under the system those who present the greater risk pay a higher price. The industry says that in automobile, life, health and disability insurance, the low-risk majority would subsidize the high-risk minority if gender were prohibited as a rating factor. This would, in effect, be the equivalent of reverse discrimination.

The industry estimates that nationwide elimination of gender as a rating factor in automobile insurance would cost women \$700 million a year and that the complete elimination of gender would create premium dislocations of \$1 billion a year.

STATEMENT OF  
MAVIS A. WALTERS  
SENIOR VICE PRESIDENT  
INSURANCE SERVICES OFFICE

SEPTEMBER 6, 1984  
HELENA, MONTANA

INTRODUCTION: MAVIS A. WALTERS, SENIOR VICE PRESIDENT,  
FELLOW, CAS, MEMBER AAA - AND OF COMMITTEE  
ON RISK CLASSIFICATION.

THE MONTANA LAW SCHEDULED TO BECOME EFFECTIVE IN OCTOBER, 1985, WOULD ACTUALLY REQUIRE MANY WOMEN TO PAY CONSIDERABLY MORE FOR AUTO INSURANCE AND LIFE INSURANCE THAN THEY DO TODAY.

WHILE THIS LAW MAY BE VIEWED MERELY IN TERMS OF ELIMINATING OR PROHIBITING DISCRIMINATION BY SEX IN PENSIONS AND INSURANCE AND AS SUCH SOUNDS CONSTRUCTIVE AND LAUDABLE, ITS EFFECT IS ACTUALLY DESTRUCTIVE AND IMPLAUSIBLE. SINCE THIS LAW PROHIBITS INSURANCE COMPANIES FROM USING SEX IN DETERMINING INSURANCE RATES, IT MEANS THAT INSURERS MUST IGNORE THE STATISTICALLY SIGNIFICANT DIFFERENCES IN CLAIM AND BENEFIT COSTS BETWEEN MEN AND WOMEN WHEN DETERMINING THE APPROPRIATE PREMIUMS THAT MAY BE CHARGED.

CLEARLY, WOMEN WANT AND NEED FINANCIAL SECURITY AND A MAJOR ELEMENT OF THAT FINANCIAL SECURITY IS INSURANCE. TODAY, MANY WOMEN, PARTICULARLY YOUNG WOMEN, PAY LESS FOR AUTO INSURANCE THAN MEN BECAUSE WOMEN HAVE FEWER ACCIDENTS THAN MEN, AND THOSE ACCIDENTS ARE LESS COSTLY. TODAY, WOMEN PAY LESS FOR LIFE INSURANCE THAN MEN BECAUSE WOMEN LIVE LONGER THAN MEN.

COUNTRYWIDE, THE AMERICAN ACADEMY OF ACTUARIES HAS ESTIMATED THAT WOMEN WILL PAY \$700 MILLION MORE PER YEAR FOR AUTO INSURANCE EACH YEAR IF UNISEX RATES WERE TO BE REQUIRED.



THE ACADEMY FIGURE FOR AUTO INSURANCE WAS PREDICATED UPON THE 1980 PREMIUM VOLUME. SINCE THAT TIME, PP AUTO INSURANCE PREMIUMS HAVE INCREASED OVER 25%, SO THAT A CURRENT ESTIMATE OF THE BURDEN ON YOUNG WOMEN WOULD BE IN THE RANGE OF \$825 - \$850 MILLION COUNTRYWIDE!

SOME SPECIFIC EXAMPLES OF WHAT THAT WOULD TRANSLATE TO HERE IN MONTANA ARE AS FOLLOWS:

- IN HELENA A 19 YEAR OLD SINGLE WOMAN MIGHT PAY BETWEEN \$31 AND \$113 PER YEAR MORE;
- A 23 YEAR OLD SINGLE WOMAN DRIVING HER CAR TO WORK MIGHT PAY BETWEEN \$58 AND \$376 MORE PER YEAR;
- IN GREAT FALLS A 23 YEAR OLD SINGLE WOMAN DRIVING TO WORK MIGHT PAY BETWEEN \$57 AND \$330 MORE!

SINCE THIS LAW ALSO ELIMINATES MARITAL STATUS AS A RATING VARIABLE, YOUNG MARRIED MEN AND WOMEN WILL BOTH PAY MORE FOR THEIR INSURANCE AS WELL.

SOME EXAMPLES:

- HELENA: 23 YEAR OLD MARRIED WOMAN WHO DROVE TO WORK WILL PAY BETWEEN \$122 AND \$501 MORE PER YEAR. A 23 YEAR OLD MARRIED MAN BETWEEN \$61 AND \$340 MORE.

A SET OF EXHIBITS DISPLAYING THE CHANGES IN AUTO RATES FOR 5 DIFFERENT CLASSES IN 6 TERRITORIES IN MONTANA IS ATTACHED TO MY STATEMENT.

MOST CONSUMERS BELIEVE THAT INCREASES OF THIS MAGNITUDE WOULD BE UNFAIR. IN FACT, A 1973 POLL CONDUCTED BY YANKELOVICH, SKELLY AND WHITE ON THE SUBJECT OF AUTO INSURANCE FOUND THAT MORE THAN 80% OF AMERICAN WOMEN SAY IT WOULD BE UNFAIR TO CHARGE YOUNG WOMEN THE SAME RATES FOR AUTO INSURANCE AS YOUNG MEN AND 64% OF THE MEN AGREE WITH THEM ON THIS POINT. CLEARLY AMERICAN CONSUMERS RECOGNIZE THE ECONOMIC INEQUITY OF UNISEX PROPOSALS.

SOME PEOPLE WHO SUPPORT THE UNISEX IDEA CLAIM THAT THE REASON WOMEN HAVE FEWER AUTO ACCIDENTS THAN MEN IS THAT WOMEN DRIVE FEWER MILES. THUS, THEY ARGUE THAT IF ONLY INSURERS WERE TO USE MILES DRIVEN RATHER THAN SEX IN DETERMINING AUTO INSURANCE PREMIUMS, THEN WOMEN ON THE AVERAGE WOULD PAY NO MORE AND MIGHT EVEN PAY LESS THAN THEY DO TODAY. THAT ARGUMENT HAS BECOME ONE OF THE MYTHS SURROUNDING THIS ISSUE.

YES, IT IS TRUE THAT WOMEN DO DRIVE FEWER MILES THAN MEN ON THE AVERAGE. BUT AS MANY CONSUMERS KNOW, THAT MILEAGE IS ALREADY CONSIDERED IN DETERMINING INSURANCE RATES. MORE IMPORTANTLY, AND DIRECTLY TO THE POINT OF THE ARGUMENT, MILES DRIVEN DO NOT EXPLAIN WHY WOMEN HAVE LOWER RISK OF AUTO ACCIDENTS. IF IT DID, THEN MEN AND WOMEN WHO DROVE THE SAME NUMBER OF MILES WOULD HAVE THE SAME PROBABILITY OF HAVING AN ACCIDENT. BUT THAT IS NOT THE CASE. RATHER, CONSISTENTLY, IN EVERY SINGLE MILEAGE CATEGORY, WOMEN HAVE A STATISTICALLY SIGNIFI-

CANTLY LOWER ACCIDENT RATE THAN MEN WHO DRIVE THE SAME NUMBER OF MILES.

THE FACT IS THAT UNISEX INSURANCE RATES WOULD FORCE YOUNG, LOW RISK FEMALE DRIVERS TO SUBSIDIZE HIGH RISK YOUNG MALE DRIVERS.

DESPITE ALL THE RHETORIC TO THE CONTRARY, WOMEN BENEFIT UNDER TODAY'S INSURANCE SYSTEM, ONE IN WHICH PRICES ARE BASED ON COSTS, NOT SOCIAL JUDGMENTS. WOMAN TODAY PAY LOWER INSURANCE PRICES AND CONSUMERS SHOULD BE AWARE OF THAT FACT.

INSURERS ARE OPPOSED TO THE IDEA OF UNISEX INSURANCE RATES. WHY - - -

BECAUSE IT VIOLATES THE BASIC ECONOMIC PRINCIPLE UPON WHICH ALL PRICING RELIES, THAT IS PRICING ACCORDING TO COSTS. THIS MEANS, VERY SIMPLY, THAT THOSE WHO CONTRIBUTE HIGHER COSTS TO THE INSURANCE SYSTEM SHOULD PAY HIGHER PREMIUMS AND THOSE WITH LOWER COSTS SHOULD PAY LOWER PREMIUMS. WE BELIEVE THAT THIS PROVIDES A BALANCED SYSTEM WHICH IS TRULY FAIR TO ALL CUSTOMERS, MEN AND WOMEN ALIKE. I BELIEVE SUCH A SYSTEM IS SOCIALLY AS WELL AS ECONOMICALLY NEUTRAL. PRICES BASED ON COSTS DO NOT INVOLVE SOCIAL JUDGMENTS OR SEXUAL STEREOTYPES.

NEITHER AN ACT OF CONGRESS, A STATE LAW, NOR AN ADMINISTRATIVE REGULATION MANDATING THAT PRICES BE MADE EQUAL CAN CHANGE THE UNDERLYING COSTS. LAWS AND REGULATIONS CANNOT CHANGE THE FACT THAT WOMEN OUTLIVE MEN ANY MORE THAN IT CAN

CHANGE THE FACT THAT YOUNG MEN HAVE ALMOST TWICE AS MANY AUTO ACCIDENTS AS YOUNG WOMEN. THUS, THE COSTS WILL CONTINUE TO BE DIFFERENT REGARDLESS OF THE LAW AND REGARDLESS OF THE PRICES.

THE QUESTION THEN IS WHETHER THOSE WITH THE LOWER COSTS WILL OBJECT TO PAYING HIGHER PRICES WHILE THOSE WITH THE HIGHER COSTS GET TO PAY LESS THAN THEIR FAIR SHARE.

THE ADVOCATES OF UNISEX RATES CLAIM THAT THIS IS A CIVIL RIGHTS ISSUE AND THAT IT SHOULD BE SUPPORTED ON THOSE GROUNDS. WE DISAGREE. THE USE OF SEX AS A RATING VARIABLE RESULTS IN LOWER RATES IN AUTO AND LIFE INSURANCE FOR PRECISELY THAT GROUP WHOSE RIGHTS ARE SUPPOSEDLY BEING VIOLATED. IT IS DIFFICULT TO UNDERSTAND HOW RAISING WOMEN'S INSURANCE RATES CAN ADVANCE THE CAUSE OF WOMEN'S RIGHTS.

TRADITIONAL CIVIL RIGHTS LEGISLATION HAS BEEN NECESSARY TO PROVIDE TO A DISADVANTAGED GROUP ACCESS TO CERTAIN FUNDAMENTAL RIGHTS IN AREAS OF EMPLOYMENT, EDUCATION, CREDIT, HOUSING, PUBLIC ACCOMMODATIONS, TRANSPORTATION, VOTING, RECREATION AND ATHELETICS THAT HAD BEEN DENIED TO THEM BECAUSE OF THEIR MEMBERSHIP IN THE PARTICULAR GROUP. WOMEN ARE NOT BEING DENIED ACCESS TO INSURANCE TODAY NOR ARE THEY DISADVANTAGED BY HAVING TO PAY LESS FOR AUTO AND LIFE INSURANCE THEN MEN.

TO REPEAT, WE BELIEVE THIS IS AN ECONOMIC ISSUE AND NOT A CIVIL RIGHTS QUESTION. WE BELIEVE THAT ALL POLICYHOLDERS ARE TREATED FAIRLY WHEN EACH IS CHARGED A PREMIUM THAT MOST ACCURATELY REFLECTS HIS OR HER OWN EXPECTED COSTS. IN ORDER TO DO THAT, INSURERS DO CONSIDER WHETHER THE CONSUMER IS A MAN OR A WOMAN, AS WELL AS A WHOLE HOST OF OTHER FACTORS. IN AUTO INSURANCE, FOR EXAMPLE, WE ALSO CONSIDER THE AGE OF THE DRIVER AND HIS OR HER ACTUAL DRIVING EXPERIENCE, I.E. NUMBER OF ACCIDENTS AND CONVICTIONS; GEOGRAPHICAL AREA WHERE THE CAR IS GARAGED; THE MAKE AND MODEL OF THE CAR AND THE MANNER IN WHICH THE AUTOMOBILE IS CUSTOMARILY USED, I.E. COMMUTE TO WORK OR JUST FOR PLEASURE.

EACH ONE OF THESE FACTORS IS IMPORTANT AND HELPS US TO DETERMINE THE MOST APPROPRIATE PREMIUM TO REFLECT THE INDIVIDUAL'S CHARACTERISTICS. BY THIS MEANS, THOSE WITH A LOWER LIKLIHOOD OF AUTO ACCIDENTS ARE CHARGED LOWER PRICES WHILE THOSE WITH A HIGHER RISK ARE CHARGED HIGHER PRICES.

YOUNG WOMEN ARE LESS LIKELY TO HAVE AN AUTO ACCIDENT THAN YOUNG MEN AND ARE ENTITLED TO PAY LOWER AUTO INSURANCE PREMIUMS BECAUSE OF IT.

WOMEN HAVE A LONGER LIFE EXPECTANCY THAN MEN AND ARE ENTITLED TO BE CHARGED LOWER LIFE INSURANCE RATES BECAUSE OF THAT.

CONCLUDE  
 THE DRIVER  
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INSURERS WANT TO CONTINUE TO BE ABLE TO PROVIDE THESE  
MORE FAVORABLE RATES TO WOMEN. WE HOPE THAT WE WILL NOT BE  
DEPRIVED OF THAT RIGHT.

... THE ...  
... NOT BE

Effect of the Elimination of Sex and Marital Status (MS) on Automobile Insurance Premiums\*

Billings

Single Female  
(19 year old occasional driver)  
S.A. FARM  
150

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	\$ 534	\$ 656	\$+122
Company B	507	536	+ 29
Company C	557	692	+135
Company D	787	877	+ 90

Single Female  
(23 year old principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	534	597	+ 63
Company B	379	450	+ 71
Company C	487	865	+378
Company D	674	809	+135

Married Female  
(23 year old principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	386	597	+211
Company B	336	450	+114
Company C	346	865	+519
Company D	539	809	+270

Single Male  
(23 year old principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	929	597	-332
Company B	621	450	-171
Company C	961	865	- 96
Company D	1057	809	-248

Married Male  
(23 year old principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	435	597	+162
Company B	393	450	+ 57
Company C	516	865	+349
Company D	697	809	+112

\*Annual premiums rounded to the nearest whole dollar.

Great Falls

Effect of the Elimination of  
Sex and Marital Status (MS) on  
Automobile Insurance Premiums\*Single Female  
(19 year old  
occasional driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	\$ 491	\$ 602	\$+111
Company B	517	546	+ 29
Company C	530	656	+126
Company D	683	760	+ 77

Single Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	491	548	+ 57
Company B	386	459	+ 73
Company C	465	795	+330
Company D	586	702	+116

Married Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	355	548	+193
Company B	343	459	+116
Company C	330	795	+465
Company D	470	702	+232

Single Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	852	548	-304
Company B	634	459	-175
Company C	884	795	- 89
Company D	915	702	-213

Married Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	400	548	+148
Company B	401	459	+ 58
Company C	490	795	+305
Company D	605	702	+ 97

\*Annual premiums rounded to the nearest whole dollar.



Butte

Effect of the Elimination of  
Sex and Marital Status (MS) on  
Automobile Insurance Premiums\*

Single Female  
(19 year old  
occasional driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	\$ 548	\$ 673	\$+125
Company B	608	643	+ 35
Company C	581	725	+144
Company D	683	760	+ 77

Single Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	548	612	+ 64
Company B	454	540	+ 86
Company C	507	918	+411
Company D	586	702	+116

Married Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	396	612	+216
Company B	403	540	+137
Company C	360	918	+558
Company D	470	702	+232

Single Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	953	612	-341
Company B	746	540	-206
Company C	1020	918	-102
Company D	915	702	-213

Married Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	447	612	+165
Company B	471	540	+ 69
Company C	540	918	+378
Company D	605	702	+ 97

\*Annual premiums rounded

to the nearest whole dollar.

Helena

MONIANA

Effect of the Elimination of Sex and Marital Status (MS) on Automobile Insurance Premiums\*

Single Female  
(19 year old  
occasional driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	\$ 498	\$ 611	+\$113
Company B	542	573	+ 31
Company C	528	656	+128
Company D	683	760	+ 77

Single Female  
23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	498	556	+ 58
Company B	405	481	+ 76
Company C	463	830	+367
Company D	586	702	+116

Married Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	360	556	+196
Company B	359	481	+122
Company C	329	830	+501
Company D	470	702	+232

Single Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	865	556	-309
Company B	664	481	-183
Company C	923	830	- 93
Company D	915	702	-213

Married Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	406	556	+150
Company B	420	481	+ 61
Company C	490	830	+340
Company D	605	702	+ 97

\*Annual premiums

rounded to the nearest whole dollar.

## MONTANA

Eastern Counties

Effect of the Elimination of  
Sex and Marital Status (MS) on  
Automobile Insurance Premiums\*

	Premium as of 7/1/84	Unisex/MS	Difference	
Single Female (19 year old occasional driver)	Company A	\$ 512	\$ 629	+\$117
	Company B	523	552	+ 29
	Company C	553	666	+113
	Company D	778	867	+ 89

	Premium as of 7/1/84	Unisex/MS	Difference	
Single Female (23 year old principal operator)	Company A	512	572	+ 60
	Company B	390	464	+ 74
	Company C	493	798	+305
	Company D	667	801	+134

	Premium as of 7/1/84	Unisex/MS	Difference	
Married Female (23 year old principal operator)	Company A	370	572	+202
	Company B	346	464	+118
	Company C	349	798	+449
	Company D	534	801	+267

	Premium as of 7/1/84	Unisex/MS	Difference	
Single Male (23 year old principal driver)	Company A	891	572	-319
	Company B	640	464	-176
	Company C	887	798	- 89
	Company D	1045	801	-244

	Premium as of 7/1/84	Unisex/MS	Difference	
Married Male (23 year old principal driver)	Company A	418	572	+154
	Company B	405	464	+ 59
	Company C	519	798	+279
	Company D	689	801	+112

\*Annual premiums rounded to the nearest whole dollar.

MONTANA

Western Counties

Effect of the Elimination of  
Sex and Marital Status (MS) on  
Automobile Insurance Premiums\*

Single Female  
(19 year old  
occasional driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	\$ 475	\$ 583	\$+108
Company B	563	594	+ 31
Company C	546	660	+114
Company D	765	852	+ 87

Single Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	475	531	+ 56
Company B	420	499	+ 79
Company C	486	805	+319
Company D	656	787	+131

Married Female  
(23 year old  
principal operator)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	344	531	+187
Company B	373	499	+126
Company C	344	805	+461
Company D	525	787	+262

Single Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	826	531	-295
Company B	690	499	-191
Company C	894	805	- 89
Company D	1027	787	-240

Married Male  
(23 year old  
principal driver)

	Premium as of 7/1/84	Unisex/MS	Difference
Company A	388	531	+143
Company B	436	499	+ 63
Company C	515	805	+290
Company D	678	787	+109

\*Annual premiums rounded to the nearest whole dollar.

EXAMPLES

1. Single Female - 19 Years Old  
Experienced Operator  
Occasional Use  
No SDIP Points  
No Driver Training  
No Good Student  
No Multi-Car Discount

Car - 1982 Chevy Citation

Coverage - BI/PD	50/100/25
Med Pay(PIP)	\$2000 Basic
U.M.	Basic Limit
Comp.	\$50 Deductible
Collision	\$200 Deductible

2. Single Female - 23 Years Old  
Principal Operator  
Drive to and from work less  
than 15 miles  
All other characteristics the same as Example 1.
3. Married Female - 23 Years Old  
Principal Operator  
All other characteristics the same as Example 2.
4. Single Male - 23 Years Old  
Principal Operator  
All other characteristics the same as Example 2.
5. Married Male - 23 Years Old  
Principal Operator  
All other characteristics the same as Example 2.

IN THE SUPREME COURT OF PENNSYLVANIA

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Nos. 17-21 M.D. Appeal Docket 1988

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ANN and CRAIG BARTHOLOMEW, on  
behalf of their son,  
JONATHAN BARTHOLOMEW, et al.,

Plaintiff-Appellees

v.

CONSTANCE B. FOSTER, in her  
official capacity as  
COMMISSIONER OF THE  
PENNSYLVANIA INSURANCE DEPARTMENT, et al.,

Defendant and Appellants

---

BRIEF OF AMICUS CURIAE  
AMERICAN INSURANCE ASSOCIATION

---

APPEAL FROM THE ORDER OF  
THE COMMONWEALTH COURT OF PENNSYLVANIA  
GRANTING PETITIONERS' MOTION FOR SUMMARY JUDGMENT IN  
NO. 2551 C.D. 1986 (APRIL 25, 1988)

---

David F. Snyder, Esquire  
American Insurance Association  
1130 Connecticut Avenue, N.W.  
Washington, D.C. 20036  
(202) 828-7100  
Atty. I.D. #24884

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PROPOSED ANY WORKABLE ALTERNATIVE THAT WOULD  
PREVENT STATE-MANDATED SUBSIDIZATION OF YOUNG  
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STATEMENT OF JURISDICTION

Appellants are appealing the order of the Commonwealth Court of Pennsylvania granting petitioners' Motion for Summary Judgment and the denial of respondent's and intervenors' Cross-Motions for Summary Judgment, pursuant to Article V, Section 9 of the Pennsylvania Constitution, 42 Pa. C.S. §723, Pa. R.A.P. 1101 and such other rules and statutes as may apply.

ORDER IN QUESTION

And now, this 25th day of April, 1988, petitioners' Motion for Summary Judgment in the above-captioned matter is hereby granted. The respondent's and interveners' Cross-Motion for Summary Judgment is hereby denied, both sides to bear their own costs.

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James Gardner Colins, Judge

STATEMENT OF THE QUESTION INVOLVED

Whether, assuming the Equal Rights Amendment applies, Act 27 of 1986 is consistent with the Equal Rights Amendment?

STATEMENT OF THE CASE AND INTEREST OF AMICUS CURIAE

The amicus curiae adopts the Statement of the Case filed by the Insurance Federation of Pennsylvania.

The American Insurance Association (AIA) represents 183 insurers, which together write more than 16% of the private passenger automobile insurance in the Commonwealth of Pennsylvania. The AIA and its member companies believe that Act 27 of 1986 is constitutional, including the Act's provisions regulating gender based rates and prohibiting the use of race, religion and national origin in automobile insurance rating.

SUMMARY OF ARGUMENT

The insurance mechanism requires the accurate assessment and pricing of risk. Gender is one of many rating factors which have been proven to be accurate predictors of future risk in automobile insurance. Act 27 recognizes that fact by authorizing, but not requiring, auto insurers to make gender based distinctions, if those distinctions are based on sound actuarial principles or are related to actual or reasonably anticipated experience.

It is clear, beyond reasonable argument, that young female drivers have better driving records than young male drivers. Act 27 merely authorizes insurance companies to consider that obvious fact when establishing rates, thus preventing one gender from subsidizing another. If Act 27 is struck down, as violative of the Equal Rights Amendment, it would have the anomalous result of raising the insurance premiums of young female drivers to cover the costs of young male drivers. This "unisex rating", if demanded by court decision under the Equal Rights Amendment, would be nothing more than a judicially established mandatory subsidy because of sex for a group of worse drivers by a group of better drivers. This subsidy would be contrary to the authority provided by Act 27 and is nowhere required, or permitted, by the Equal Rights Amendment.

Act 27 is particularly entitled to the presumption of constitutionality accorded acts of the legislature, in view of the extraordinary care shown by the legislature on the subject. Act 27 is consistent with the prior holdings of this court and the law in the vast majority of states with Equal Rights Amendments.

Act 27 should be affirmed because it implements and enforces the language and intent of Pennsylvania's Equal Rights Amendment.



ARGUMENT

THE USE OF GENDER BASED RATES UNDER ACT 27 OF 1986 IS  
CONSISTENT WITH PENNSYLVANIA'S EQUAL RIGHTS AMENDMENT.

Gender is one of many rating factors employed by private automobile insurers in combination with the other factors to assess risk accurately and to set the price of providing automobile insurance coverage to insure that risk. Act 27 of 1986<sup>1/</sup> regulates the use of gender as a rating factor in automobile insurance in a manner which enforces and is entirely consistent with Pennsylvania's Equal Rights Amendment (ERA).<sup>2/</sup>

Act 27 prevents unfair subsidies of one sex by the other, limits the use of gender in automobile insurance only to

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1/ Act 1986-27, P.L. 80, No. 27, established a new subsection 3(e) of the Casualty and Surety Rate Regulatory Act, at 40 P.S. §1183(e) as follows:

"This section shall not be construed to prohibit rates for automobile insurance which are based in whole or in part on factors, including but not limited to, sex, if the use of such a factor is supported by sound actuarial principles or is related to actual or reasonably anticipated experience, however, such factors shall not include race, religion or national origin."

2/ Pennsylvania Constitution, Article I, §28: Equality of rights under the law shall not be denied or abridged in the Commonwealth of Pennsylvania because of the sex of the individual.

objectively manifested differences in risk and prohibits discrimination based on sexual stereotypes. In short, Act 27 is consistent with the public policy and objectives of Pennsylvania's ERA.

THE PRICE OF INSURANCE SHOULD BE AN ACCURATE REFLECTION OF THE RISK UNDERTAKEN.

The goal of insurance rating systems is to assess the risk accurately and then price the insurance product to reflect that risk assessment.<sup>3/</sup>

Legal commentators have long recognized how essential accurate risk assessment and pricing is to the insurance mechanism:

A policy of insurance is a contract between A and B, that upon A's paying a premium equivalent to the hazard run, B will indemnify or insure him against a particular event" (emphasis supplied). Blackstone, Sir William, Commentaries on the Laws of England, 15th ed. A. Strahan (London: 1809) Vol II, p. 458.

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<sup>3/</sup> Actuary and Senior Vice President of Insurance Services Office Mavis A. Walters stated:

"Risk classifications permit an insurer to price risk accurately and fairly." (R. 104a.)

Insurance or assurance according to Sir William Blackstone, (a) is a contract by which the insurer undertakes, in consideration of a premium equivalent to the hazard run, to indemnify the person insured against certain perils or losses, or against some particular event, as shall be specified in the policy or instrument of insurance, subscribed by the insurer or insurers... (emphasis supplied). Annesley, Alexander, A Compendium of the Law of Insurance, I. Riley (Middletown, Conn: 1808) p. 1.

Private insurers have an unavoidable and compelling economic interest in accuracy, as well as a strong societal interest. Insurers obtain competitive advantage by attracting lower risks through rates which accurately reflect the lower risk while insuring higher risks with rates which will provide enough financial resources to pay the losses which will occur. The competition for accuracy in the insurance market has resulted in the evolution of rating factors which are widely used by insurers, because they have been found to accurately assess risk and to assist pricing that risk.

As stated by Actuary Michael Miller<sup>4/</sup>

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<sup>4/</sup> Affidavit of Michael J. Miller, (R. 190a and 191a.)

In general, competitive incentives operate over time to result in a price for each risk which most nearly equals the expected costs associated with that risk. There are no known alternatives which substitute for the present risk classification systems.

Insurance is the agreement by the insurer to assume a risk of future loss in exchange for the premium. Rating systems are used to assess the relative probability of future loss and to set a relative price, accordingly. The demand for "physical causation" is misplaced in view of the essential nature of insurance because virtually nothing "physically causes" future action. For example, prior involvement in drunk driving accidents does not cause involvement in future accidents. Yet most people would concede that a history of such accidents may, and ought to, be considered in insurance pricing because it is relevant to accurately assessing future loss potential and in placing an appropriate price on assuming that risk of loss.

If the risk assessment process and pricing is accurate, then it is fair, because each unit of risk pays no more and no less than appropriate to cover the risk of loss posed.

Former New York State Superintendent of Insurance Richard E. Stewart has stated:

Fairness in insurance ratemaking means that different risks of future loss should not be treated the same and

the same risk of future loss should not be treated differently.

Just as it is unfair to treat equals differently, it is unfair to treat unequals the same.<sup>5/</sup>

A measuring stick for risk classification has been set down by the American Academy of Actuaries, Committee on Risk Classification. Risk classification should be fair, protect the insurance system's financial soundness and permit competition resulting in availability of coverage. To achieve these purposes:

The system should reflect expected cost differences. The system should distinguish among risk as the basis of relevant cost related factors. The system should be applied objectively. The system should be cost effective. The system should be acceptable to the public.<sup>6/</sup>

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<sup>5/</sup> Affidavit of Richard E. Stewart (R. 245a and 248a.)

<sup>6/</sup> American Academy of Actuaries Committee on Risk Classification, Risk Classification Statement of Principles (June 1980) p. 2 and 3. (R. 208a and R. 209a.)

THE RISK UNDERTAKEN IN PROVIDING AUTOMOBILE INSURANCE TO YOUNG WOMEN IS SIGNIFICANTLY LESS THAN THE RISK UNDERTAKEN IN PROVIDING AUTOMOBILE INSURANCE TO YOUNG MEN AND GENDER BASED RATES ACCURATELY REFLECT THE DIFFERENCE IN RISK.

All the relevant data show significantly better loss experience for young women than for young men:

Sex is an important predictor of future loss potential. Insurers use it, not simply because it is convenient, but because year after year data show that automobiles driven by young men have significantly different loss exposures from those driven by young women.<sup>7/</sup>

Actuary Walters stated the issue this way:

Loss costs for cars driven by a young female are consistently significantly lower than the loss costs for cars driven by a young male. This is demonstrated by the Pennsylvania data available from ISO...

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<sup>7/</sup> Affidavit of Michael Miller (R. 181a.)

TABLE 2

Pennsylvania (Liability Coverages)

Loss Costs (Incurred Losses Divided by No. of Insured Cars)

<u>Age</u>	<u>Single Female</u>	<u>Single Male</u>
17-20	\$282.90	\$440.70
21-24	259.47	287.73 <sup>8/</sup>

Thus, the difference in driving performance in Pennsylvania between young men and young women has been well documented. The ISO chart, above, shows the astounding differences between the loss costs associated with young female drivers as opposed to the loss costs associated with young male drivers. For drivers 17-20 years of age, the loss costs for young male drivers are 60% greater than for young females. And, of course, this is not only a Pennsylvania phenomenon.

The Former New York Superintendent of Insurance phrased the issue in these terms:

Studies show that sex is a powerful predictor of future loss potential for cars operated by youthful

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<sup>8/</sup> Affidavit of Mavis A. Walters, (R. 121a and 122a.).

drivers. In other words, an insurer incurs a substantially greater risk, and ultimately amount of loss when it insures cars driven by young men rather than by young women...<sup>9/</sup>

Thus, rating factors simply reflect statistical analyses of data of millions of drivers similarly situated to the insured in an effort to accurately predict future claim experience from past experience. All of the rating factors-including gender-are based on these statistical analyses of past experience used to determine probability of future loss.

At present, there are no known substitutes for sex as a rating factor and it does not serve as a surrogate for known alternatives.<sup>10/</sup>

PROHIBITING THE USE OF GENDER AS A RATING FACTOR WILL PLACE THE COMMONWEALTH IN THE POSITION OF MANDATING THE SUBSIDY OF YOUNG MALE DRIVERS BY YOUNG FEMALE DRIVERS.

The consequences of ordering gender neutral auto insurance rates in Pennsylvania are not a matter of speculation. Major

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<sup>9/</sup> Affidavit of Richard E. Stewart (R. 247a.)

<sup>10/</sup> Affidavit of Michael J. Miller (R. 181a and 182a.).



subsidies will occur for the benefit of men at the expense of women. Following the Court's ruling in Hartford,<sup>11/</sup> the Insurance Department and the General Assembly held public hearings on implementing unisex rates and various alternatives for doing so.

Pennsylvania's Insurance Commissioner testified before the House of Representatives Insurance Committee on December 2, 1985 in one of those public hearings. The Insurance Commissioner had previously held his own hearings on unisex rating and had reviewed 132 formal unisex rate filings, which he had ordered the companies to file in response to the Hartford decision. In his testimony, Commissioner George Grode summarized his findings:

"The 132 gender neutral rate filings the Department has before it cover over six million insureds...With respect to the effect on rates of women under the age of 25...the rates for Pennsylvania's approximately 600,000 young women drivers would increase on the average by about one-third. Approximately 85,000 to 90,000 young women would receive rate increases over 50 percent." (Emphasis supplied)

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<sup>11/</sup> Hartford Accident/Indemnity Co. v. Insurance Commissioner, 505 Pa. 571, 482 A.2d 542 (1984) See later discussion.

<sup>12/</sup> Transcript of Hearing re: Unisex Legislation before the Insurance Committee of the House of Representatives, December 2, 1988 (R. 43a and R. 60a-62a)

Removing gender as a rating factor results in a huge subsidy of men by women. Insurance Commissioner Grode estimated that the subsidy of men by women would total \$90 million dollars in the first year alone, or a statewide average of \$156 paid by every young woman driver. <sup>12A/</sup>

The effect of unisex rates would be particularly harsh on the working poor, many of whom are women heading their households. Francisco Borges, testifying for the Travelers Insurance Companies, before the House Insurance Committee on November 6, 1985 stated:

...female-headed households accounted for 50% of all working poor families in Pennsylvania in 1980. Many of these female heads of households need a car to commute to and from work, and they are the ones who would be most severely impacted by a transition to unisex rating. In Philadelphia, implementation of the Mattes decision [unisex rates] would require insurers to raise rates as much as \$420.64 for young women where there are almost 50,000 single female-headed families living below

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<sup>12A/</sup> Transcript of Hearing re: Unisex Legislation before the Insurance Committee of the House of Representatives, December 2, 1988 (R. 43a and R. 60a-62a.)

the poverty level...unisex rating will hit those families the hardest who can least afford it.<sup>13/</sup>

Audette Gelinas, the owner of her own insurance agency, testified before the House Insurance Committee on November 14, 1985:

Today's economy demands that women, single or married, must work in order to provide their children with the necessities in life. In many cases, women are still denied the same advantages that most men take for granted; and, women are still being underpaid...As we assign the badge of "equality" to unisex insurance rates, the already unequal financial scales are balanced even more heavily against today's struggling woman. Unisex will penalize women because they are women!...Unisex discriminates against women because they are better drivers than men. Now not only must we struggle to be women in a male world, we must pay for male dominance on the road under the guise of unisex equality.<sup>14/</sup>

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<sup>13/</sup> Statement of the Travelers Insurance Companies before the Pennsylvania House Insurance Committee on Senate Bills 743 and 745, November 6, 1985, at pp. 2 and 3. See Addendum to this Brief.

<sup>14/</sup> Statement of Audette (Kitty) Gelinas, R.H.U. Before the House Insurance Committee at pp. 2 and 3, November 14, 1985. See Addendum to this Brief.

THE OPPONENTS OF GENDER BASED RATING HAVE NOT PROPOSED ANY WORKABLE ALTERNATIVE THAT WOULD PREVENT STATE-MANDATED SUBSIDIZATION OF YOUNG MALE DRIVERS BY YOUNG FEMALE DRIVERS. MOREOVER, THEIR "MILES DRIVEN" ALTERNATIVE IS NEITHER ACTUARIALLY SOUND NOR EQUITABLE.

To circumvent the perverse consequences of state-mandated unisex rates on young women, proponents advocate an unprecedented new rating scheme, which would base automobile insurance rates almost totally on miles driven. The proposal is fatally flawed, however:

Mileage is not an adequate substitute for the use of sex as a rating factor. Conversely, sex is not a surrogate or substitute for mileage. Thus, mileage cannot substitute for use of sex as a rating factor.<sup>15/</sup>

The miles driven scheme ignores the fact that when differences in mileage are removed from the equation, young men still have significantly worse experience than young women.

The data do not support this system, which limits rating decisions to a mechanical determination of miles driven. Of

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<sup>15/</sup> Affidavit of Michael Miller (R. 194 and 195a.)

course, miles driven has some relevance. To the extent it does, insurers now use it as a factor. Most companies have mileage cut off points: below a particular number of miles rate are lower; above that level they are higher. There is not, however, a direct one-to-one miles driven to accident experience relationship that would justify the scrapping of other factors such as gender. Indeed, Actuary Mavis Walters has stated:

Young men have far greater loss potential than do women even when mileage differences are accounted for.<sup>16/</sup>

Moreover, the miles driven scheme has been carefully considered and decisively rejected by Pennsylvania's present and immediate past Insurance Commissioners. Commissioner Grode had this to say about the miles driven scheme:

The Department has sought to determine whether there are other viable gender neutral predictors of risk or loss, such as miles driven or violation history, for which gender is merely a surrogate rating factor. This inquiry was one focus of hearings held by the Department last winter and again just recently on October 8.

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<sup>16/</sup> Affidavit of Mavis Walters (R. 107a.)

Although the Department has no authority to arbitrarily mandate the use of any such factors, it can reasonably be assumed that if they existed, once unisex rates were in place, insurance companies would move to adopt them as a means of attracting better risk clients and thus minimizing their losses. In fact, the discovery of such replacement factors has not occurred here, nor has it happened in any other unisex state. As of this time, the Department has not identified any major replacement factors for which it is prepared to advocate on the basis of actuarial soundness or reasonableness of administration..." In addition, it appears that by itself miles driven simply does not provide an adequate measure of insurance risk.<sup>17/</sup>

Pennsylvania's current Insurance Commissioner, Constance Foster, held new hearings on the mileage proposal and made these formal findings of fact in an order issued on February 11, 1988:

25. Risk of loss is not directly proportional to miles driven, e.g., vehicles driven 20,000 miles are not involved in twice as many accidents as vehicles driven 10,000 miles, and do not incur twice the losses.

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<sup>17/</sup>

Testimony of George Grode (R. 46a-48a.)

26. Risk of loss is affected not only by mileage, but also by road, traffic, and weather conditions and by the skill and care of the driver.

41. There is no evidence that a mileage exposure base would produce rates which are fairer and more equitable in relationship to the onerous burdens and substantial cost of implementing and maintaining the proposed rating change.

43. Defendants' private passenger automobile rates do not unfairly discriminate against women or low mileage drivers.

Insurance Commissioner Foster also concluded as a matter of law that:

3. There is no substantial evidence that a vehicle's loss experience is directly proportional to its annual mileage.

4. Defendants' private passenger automobile insurance rates which take mileage into consideration in their use classifications, commuting distance classifications, multi-car discounts, senior

discounts and annual mileage classifications, give due consideration to mileage as a rating factor.

5. Defendants' private passenger automobile insurance rates are neither excessive, nor do they unfairly discriminate between owners of low and high mileage vehicles.<sup>18/</sup>

Commissioner Foster found that existing rating systems already give as much consideration as is due to miles driven and that a system based solely on miles driven is neither statistically valid nor equitable. Thus, Pennsylvania's present and immediate past Insurance Commissioners acting within their technical and legal area of authority, have decisively rejected this approach.

The mileage scheme also creates a whole new system of unfair subsidies. Under this approach, good risk, high mileage drivers will subsidize worse risk, low mileage drivers. Anyone who drives more than 10,000 miles per year, regardless of prior experience, or type of miles driven, would pay more for auto insurance.<sup>19/</sup>

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<sup>18/</sup> Pennsylvania NOW v. State Farm, Docket No. R-86-9-6, Pa, Insu. Dept. (February 11, 1988). See Addendum to this Brief.

<sup>19/</sup> NOW Chart. See Addendum to this Brief.



If the poor risks will pay less, some people must pay more to provide enough money to pay for claims. Whole classes of Pennsylvanians will be affected. High mileage drivers such as farm families, commuters, and self-employed small business people will pay more than they should to make up the loss in revenue created by the low rates for high risk, low mileage drivers.

Despite the cleverly crafted arguments of those who urge the elimination of gender as a rating factor, the fact remains that there is no acceptable alternative to gender to accurately predict the risk of loss and to prevent the unfair subsidy of young men by young women.

ACT 27 MEETS THE TEST OF CONSTITUTIONALITY

(1) The Legislature's Decision to Allow The Limited Use of Actuarially Sound Gender Based Rates Is Presumptively Constitutional Under the ERA.

Act 27 regulates and limits the use of gender in automobile insurance rates in a manner entirely consistent with the language and purposes of the ERA. This Court has accorded a presumption of constitutionality to such acts of the legislature even when challenged under the ERA.

In Snider v. Thornburgh, 496 Pa. 159, 436 A.2d 593 (1981) this court, construing the state ethics law in the context of the ERA, refused to strike a statute as violative of the ERA, citing:

...what is perhaps the most fundamental principle of statutory construction: the presumption that the legislature has acted constitutionally. This presumption "reflects on the part of the judiciary the respect due to the legislature as a co-equal branch of government." School District of Deer Lakes v. Kane, 463 Pa. 554, 562, 345 A.2d 658 (1975). Accordingly, courts properly defer to the legislature in the exercise of its function and may refuse to enforce a statute only if it "clearly, palpably, and plainly violates the constitution. 436 A 2.d 593 at 596.

In Snider the court swept aside the ERA challenge, finding that the ethics statute was facially neutral, and that the discrimination, if any, of which appellants complained, was not

"under law" as contemplated by the ERA, but rather results from purely private action.<sup>20/</sup>

The legislative history of Act 27 demonstrates that the General Assembly has certainly earned the presumption of constitutionality with the care it has shown on the matter and its concern for all citizens. The issue was debated at least six days. It was the subject of hearings in both houses. The matter was voted on at least seven times, with more than two-thirds of

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In Pennsylvania, insurance rates are private actions, not governmental. The Casualty and Surety Rate Regulatory Act, 40 P.S. §1181 et seq., provides that insurers make the rates. These rates are presumed valid and go into effect automatically unless the Commissioner disapproves them. Compare this system to Massachusetts, where the State "fixes and establishes" the rates, M.G.L. c.175E, §5. We, therefore, join in the state action arguments of the Appellants.

After repeal of No-fault in 1984, Pennsylvania does not require the purchase of auto insurance to drive. See 75 Pa C.S. §1702(a). Not only are alternatives to auto insurance statutorily authorized but the lower financial responsibility limits under the Motor Vehicle Financial Responsibility Law, 75 Pa. C.S. §1701 et seq., make these alternatives much more feasible than under the old No-fault Law. Thus, neither state action nor a "right" or responsibility "under the law" for ERA purposes are involved. These constitute separate grounds for approving Act 27.

both houses voting to approve Act 27 (43-6 in the Senate and 137-56 in the House). The language of Act 27 was consistently supported by huge bi-partisan majorities in both houses, representing all areas of the state.<sup>21/</sup>

(2) Act 27 Is Neutral As to Gender, So It is Consistent With Precedent In ERA Cases in Pennsylvania.

The focus of analysis of statutes under the ERA is whether the statute imposes a burden on one sex but not another or grants a right to one sex but not the other and whether this discrimination is based solely on sex without reference to any other criteria.

Under Act 27, any differences in insurance rates may result not from a person's sex but from statistically significant differences in objective experience. Act 27 assures that the differences in experience must be accurately reflected in the rates. Should experience differences disappear, rate differentials must, as well.

Act 27 is facially neutral; it does not require gender based rates at all and does not impose burdens or grant rights

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<sup>21/</sup> See Addendum to this Brief.

exclusively to one sex while treating the other in the opposite fashion. It allows gender based rates only if they meet the objective and sexually neutral criterion of actuarial soundness or actual or reasonable expectation.

Moreover, Act 27 is fundamentally different from the statutes considered in Henderson v. Henderson and Commonwealth v. Butler. In Henderson v. Henderson, 458 Pa 97, 322 A.2d 60 (1974), the court in dicta said it would strike down, as violative of the ERA, a statute which authorized the payment of alimony, counsel fees and expenses to women, but not men. This court stated that such statute would determine legal rights and responsibilities and that it would impose burdens on men but not women. The court also held that a legislative intent to allow alimony could only be implemented by legislation if it also preserved the husband's similar rights. Act 27, in contrast, does not "impose burdens" on one gender. Indeed, it is designed specifically to prevent the improper imposition of burdens that would arise from the prohibition on the use of actuarial information that the opponents of Act 27 seek.

In Commonwealth v. Butler, 458 Pa289, 328A.2d 85, (1974), the court considered a statute that denied men early release from prison but authorized early release for women. Here, again, the statute at one and the same time created a fundamental right and denied it solely on the basis of sex. As the court wrote:

The statutory scheme on its face treats men less favorably than women. Fewer interests are more substantial than freedom from lawfully imposed confinement. Indeed, parole is a fundamental public policy of this Commonwealth.

Act 27 on the other hand does not facially, or in any other way, require men and women be treated differently on the basis of sex. Indeed, it prohibits their being treated differently if there is no actuarial basis for doing so.

(3) The Court's Decision in Hartford, Upholding the Insurance Commissioner's Prohibition of Gender Based Rates Under the Casualty And Surety Rate Regulatory Act (Rate Act), Is not Precedent For Holding That Act 27 Violates the ERA.

The Commissioner's order, which gave rise to the litigation culminating in Hartford, found gender based rates "unfairly discriminatory" under the Rate Act. Because the Rate Act failed to define the term "unfairly discriminatory", he looked to the ERA to supply a definition. The majority of the court in Hartford found that to be a valid exercise of administrative authority.

Act 27, however, eliminates the perceived statutory ambiguity in a manner consistent with both the holding of this court in Hartford and the ERA, by allowing, but not requiring, gender based rating so long as it is actuarially sound or is based on actual or

reasonably anticipated experience. In essence, the legislature supplied a definition of "unfairly discriminatory" for the Commissioner to apply, in the future.

The General Assembly amended the statute, it had originally enacted, to give clear meaning to its intent on the subject of the use of gender. It did not act, however, until it had held numerous public hearings and had debated the issue thoroughly. During this process, it gave careful consideration to the Hartford case and the ERA.

Act 27 thus represents not only a sincere effort on the part of the legislature to implement the ERA but it is also a good faith effort to respond effectively to concerns expressed in connection with the Hartford decision. The holding of the majority was phrased in terms of the Commissioner acting within his statutory authority in construing the undefined statutory term "unfairly discriminatory." For that reason, the legislature amended the Rate Act, to specifically define that term, as it relates to the use of gender based rates. The legislature also restricted the use of this rating factor to objective grounds, while prohibiting sexual stereotypes.

Act 27 responds to the apparent suggestion on the part of the concurring justices with respect to plain legislative direction on the subject. For this reason, the legislature used the term "sex" in specifically allowing the use of gender as a rating factor in Act 27.

Finally, the General Assembly attempted to respond to the issues raised by the dissenting justices. Act 27 prevents the inadvertent discrimination that could result, if gender is arbitrarily ruled impermissible, regardless of actual experience.

(4) The Legislative Had The Constitutional Authority Under the ERA to Interpret The ERA As Protecting The "Right" of Men and Women To Have Their Auto Insurance Costs Determined Identically By The Use of the Same Actuarial Principles, Rather Than the "Right" To Pay the Same Rates Irrespective of Actuarial Facts, Thus Granting Young Female Drivers The Dubious "Right" To Subsidize Young Male Drivers

The ERA prohibits discriminatory action under the law "because of the sex of the individual." Thus, the ERA prohibits actions "under the law" which make distinctions on the basis of sex. The intent of the ERA is to outlaw prejudicial stereotypes.

But automobile insurance rating is not based on prejudicial stereotypes of any sort, including sex. As earlier described, insurance rating is an effort to accurately predict the risk of loss and to price it accordingly. Automobile insurers have no use for, or interest in, the inaccuracy that results from prejudicial stereotypes.

Under Act 27, men and women are treated according to the same standard. This standard is actuarial sound or actual or reasonably anticipated experience.



Appellees, who attack Act 27, emphasize the difference in the price of insurance between young men and young women, arguing that a price difference is, by definition, violative of the ERA. But this argument is in error. The constitutional question turns not on whether price differences occur but on why those differences occur and how they are determined. From a constitutional perspective, if those price differences derive from the neutral application of actuarial principles, then the price differences are a reflection of equal rights, not an abnegation of them.

The difference in price, therefore, results not from discrimination or prejudicial stereotypes, but from real experience through the objective application of an objective standard. Thus, the ERA's bar on discrimination because of sex is not breached. Insurance price differences are based on probability of loss as objectively determined using the same standards for young men and young women.

If these objective differences in loss experience are ignored, however, sex discrimination would result. Instead of paying less, as they objectively should, young women, because they are young women would pay more, as a result of unisex rating. This is the very evil the ERA was intended to prevent.

GENDER BASED RATES ARE USED IN MANY STATES WITH ERAS IN THEIR CONSTITUTIONS AND HAVE BEEN UPHELD IN EVERY JUDICIAL CHALLENGE

The weight of the law in the vast majority of other states with ERAs is that the ERA and properly regulated gender based automobile insurance co-exist in harmony. Three quarters of the states with ERAs continue to allow gender based rates.<sup>22/</sup> The few states that eliminated gender based automobile rates did so legislatively or by way of regulation, not judicially.

For example, the Florida District Court of Appeals, in State Dept. of Insurance v. Insurance Ser. Office, 434 So. 2d 908 (Fla. App. Dist. 1983), was called upon to construe statutory language which provided that: "No insurer shall, with respect to premiums charged for automobile insurance, unfairly discriminate solely on the basis of sex..." The Insurance Department interpreted that language as barring auto insurance rates employing gender as a factor. The Department also claimed that gender-based rates should be prohibited because it opined there was no direct or indirect connection between sex and driving habits. The court, however, swept aside the Department's arguments and found that the statute allowed gender based rating and that such rates were actuarially sound. The District of Columbia Court of Appeals, in

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<sup>22/</sup>

These states are: Alaska, Colorado, Connecticut, Illinois, Maryland, New Hampshire, New Mexico, Texas, Utah, Virginia, Washington, and Wyoming.

Nat. Org. for Women v. Mut. of Omaha, 531 A.2d 274 (D.C. App. 1987), refused to prohibit gender based rates upon a simplistic reading of that jurisdiction's broadly worded Human Relations Act. Thus, most states find gender based rates entirely consistent with their ERAs.

CONCLUSION

The insurance mechanism relies upon accurately assessing the risk and charging a price which reflects that risk. Gender has proven to be one such valid automobile insurance rating factor. Act 27 regulates the use of gender as an automobile insurance rating factor in a manner consistent with the ERA and the holding of this court in Hartford, by prohibiting its use unless it can be demonstrated that its use is actuarially sound or consistent with actual or reasonably anticipated experience. Act 27 assures that any use of gender as a rating factor will be based on objective experience and not sexual stereotypes. And, in the vast majority of other states with Equal Rights Amendments, gender is used as a rating factor. By reversing the grant of the summary judgement, this court will enforce the ERA, prohibit discriminatory subsidies and guarantee economic fairness.

For all of the above reasons, we respectfully request this court to reverse the summary judgment granted to the petitioners.

Respectfully submitted,

David F. Snyder, Esquire  
American Insurance Association  
1130 Connecticut Avenue  
Suite 1000  
Washington, D.C. 20036

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## CONTENTS

1. Statement of Travelers Insurance Companies before the Pennsylvania House Insurance Committee on Senate Bills 743 and 745 (November 6, 1985)
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4. NOW Chart Submitted to Insurance Commissioner during public hearing.
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Statement of THE TRAVELERS INSURANCE COMPANIES  
before the  
PENNSYLVANIA HOUSE INSURANCE COMMITTEE  
on  
SENATE BILLS 743 and 745  
Philadelphia, Pennsylvania  
November 6, 1985

My name is Francisco L. Borges, Associate Counsel of The Travelers Companies. I am here today to request your reporting favorably Senate Bills 743 and 745.

Mr. Chairman, Members of the House Insurance Committee: By now, you have heard a great deal of argumentation both pro and con concerning unisex auto insurance rating, ... ranging from actuarial justification to denial of equal rights because of sex. Some of these arguments have merit. Some do not. But as representatives of the citizenry your overriding concern must be economic impact and the social implications. In short, what will be the effect on the people?

It is our contention that unisex rating for automobile insurance will penalize those who can least afford the additional premium. For purposes of this discussion, let's first focus our attention on the entire state.

Data compiled by the U.S. Department of Commerce, Bureau of the Census show 3,134,328 families residing in Pennsylvania in 1980. Of these families 14.2% or 446,481 had female heads of

households. Over twenty-seven percent or 122,336 of these families were below poverty level (annual income less than \$6,000). These female-headed families accounted for over 50% of all the working poor families living in Pennsylvania in 1980. In 1986, there will be 141,414 single female-headed poor families residing in the Commonwealth. (This figure is very conservative as it is based on the 1970-1980 trend and does not account for actual acceleration of the trend to female-headed families from 1980 through 1984.)

Many of these female heads of households need a car to commute to and from work, and they are the ones who would be most severely impacted by a transition to unisex rating. The question is what will happen to them?

In Philadelphia, implementation of the Mattes decision would require insurers to raise rates as much as \$420.64\* for young women where there are almost 50,000 single female-headed families living below the poverty level. Common sense tells us that a 23 years old single mother with a limited income simply cannot afford to pay an additional \$420.64 per year for auto insurance. She will probably have to go without insurance. Additionally, it should be noted that according to the National Center for Health Services Research, households headed by women are more likely to have inadequate or no health insurance coverage.

What would the results be in a smaller city if unisex auto rates were put into effect? Let's look at Bethlehem.

Data compiled by the U.S. Department of Commerce, Bureau of the Census shows 18,412 families residing in Bethlehem in 1980. Of these families 15.0% or 2,771 were female headed (no husband) families. Over 27.7%, i.e., 768 of these female-headed families were below the poverty level. These female-headed families accounted for 53.4% of all poor families living in Bethlehem in 1980. Next year, there will be 890 single female heads of poor families living in Bethlehem. Gender-neutral rating will increase their premiums to \$616.00\* per year. That's a big bite for someone making less than \$6,000 per year.

All statistically reliable studies prove unequivocally that women will not benefit overall from unisex insurance rates. What the U.S. Department of Commerce, Bureau of Census statistics illustrate for Philadelphia and Bethlehem can be shown for every urban center in Pennsylvania, large or small, i.e., unisex rating will hit those families the hardest who can least afford it. Or as Justice Zappala concluded in his dissenting opinion in Mattes "...in our zeal to rectify perceived discrimination, we may create discrimination."



House Insurance Committee Members, you have the opportunity, ... rather the obligation to report favorably Senate Bills 743 and 745 so that the House of Representatives will be afforded the opportunity to undo the unfair discrimination unintentionally mandated by the Judiciary.

Thank you for the opportunity to participate in this hearing. I shall be pleased to respond to your questions.

---

\* Principal Driver

Single Female - 23-24 year olds  
1983 Ford Escort

Coverages: Bodily Injury/Property Damage - 25/50/25  
Medical Expenses (PIP) \$10,000  
Income Loss \$ 5,000  
Funeral Expense \$ 1,500  
UN/UIM \$ 25/50  
Full Comprehensive  
Collision \$ 100 deductible

Philadelphia  
(State Farm)  
Use: Pleasure

Bethlehem  
(Travelers)  
Use: Commuting  
3 to 15 miles

Premium:	Current Premiums	\$ 1,728.98	\$ 470.00
	After Unisex	\$ 2,149.62	\$ 616.00
	Increase	\$ 420.64	\$ 146.00
	% Increase	24.3%	31%

1 are excused.

2 MS. MIDDLETON: Thank you.

3 CHAIRMAN RYBAK: Kitty Gelinias.

4 Whereupon,

5 KITTY GELINAS

6 having been called as a witness, testified as follows:

7 CHAIRMAN RYBAK: State your name and your occupation.

8 MS. GELINAS: My name is Kitty Gelinias. I am a  
9 Registered Health Underwriter, and I have an independent  
10 general insurance agency out of Boiling Springs, and I do  
11 want to tell you though, however, that my allegiance are  
12 to no companies.

13 I come here as a consumer, and I would like to say,  
14 before I begin, that Mary Nancarrow said that women's premiums  
15 are 30 or 40% more than men's. And I don't know that this is  
16 true. I mean, this is ridiculous. I personally know of no  
17 such company with such discrepancies. Indeed, most women  
18 enjoy a discounted rate in today's system.

19 And I address you, Mr. Chairman and ladies and gentle-  
20 men, I am here today to address the issue of unisex insurance  
21 rates because it is a subject that I feel is of particular  
22 significance directly related to today's woman.

23 I have been in the insurance business for 20 years.  
24 For the last 15 of those years I have owned my own general  
25 agency. I am an independent agent, and I am licensed with

1 several different companies. And I do work on the road every  
2 day, and I have approximately 1,500 policyholders.

3 Prior to entering the field of insurance I was a free-  
4 lance television reporter. So you can see that I have spent  
5 many years working on the road. And I can tell you, from  
6 firsthand experience, that male drivers take more chances,  
7 drive faster and tailgate more often than women.

8 And on the other hand, women on the road are more  
9 courteous, are less willing to take a chance, and generally  
10 stay within the speed limit.

11 In my claim experience as an agent, more men than  
12 women claim health benefits due to automobile-related  
13 injuries. And statistics will uphold the fact that on the  
14 average, women are better drivers than men.

15 I have raised four children, two boys and two girls.  
16 And all of them are now adults and, I like to think, they  
17 are safe drivers. Each of them began driving at or around  
18 age 16, and by age 18 both of my sons had been involved in  
19 several vehicular accidents, whereas my daughters, now ages  
20 31 and 22 respectively, have not been involved in any at all.  
21 Now again, statistics will show that this pattern is reflected  
22 across the country.

23 Unisex equality is an excellent theory, and I have  
24 no problem agreeing with its basic premise; it is idealism  
25 at its best, and women like that particularly. However, in

1 this particular case, it does not work.

2 At the present time, insurance rates are discriminatory  
3 in favor of women because it is right and just for them to  
4 be so. We must acknowledge the reality of today's situation.

5 It may have been true 20 years ago to say that statis-  
6 tically women reflected better driving records because there  
7 were less women than men on the road, but that is no longer  
8 true. We as women are still struggling for our rightful  
9 places in today's business world and social structures.

10 Today's economy demands that women, single or married,  
11 must work in order to provide their children with the neces-  
12 sities in life. And in many cases, women are still denied  
13 the same advantages that most men take for granted; and,  
14 women are still being underpaid.

15 Now we are being told that we must pay for the privi-  
16 lege of our own equality with unisex insurance rates. Uni-  
17 sex has gone past the point of reasonable equality between  
18 men and women.

19 We used the words "unisex" and "equality" as though  
20 they are badges that we must attach to all our social and  
21 economic structures. Instead, it would be better to judge  
22 equality and good sense with the same stick.

23 As we assign the badge of "equality" to unisex insur-  
24 ance rates, the already unequal financial scales are balanced  
25 even more heavily against today's struggling woman. Unisex

1 will penalize women because they are women.

2 I have not and still do not agree with many of the  
3 steps that various insurance companies and the Insurance  
4 Department have taken in the past. I felt that no-fault  
5 should have been cleaned up instead of dropped altogether,  
6 and there are still very serious rumbles from the confusion  
7 that the CAT Fund caused.

8 But those decisions were fair and equal to all con-  
9 cerned, men and women alike. Unisex discriminates against  
10 women because they are better drivers than men.

11 Now not only must we struggle to be women in a male  
12 world, we must pay for male dominance on the road under the  
13 guise of unisex equality.

14 I would like to make a final and critical point. In  
15 doing so, I am drawing on my more than 20 years' experience  
16 as an insurance agent, working with thousands of policyholders.

17 When young women or their parents, and older women  
18 with the current 10 percent discount, get their huge unisex  
19 premium increases, they will be extremely upset. They will  
20 blame us and they will blame you for not preventing it.

21 When you take away the benefits now enjoyed by many  
22 women, resulting in higher premiums, you will hear a huge  
23 outcry and receive thousands of complaints. I shudder -- I  
24 hope I can be out of town when that happens.

25 Those who get an undeserved windfall of lower rates

1 will probably never be heard from. You have certainly  
2 noticed this reaction in relation to the new automobile  
3 insurance law.

4 Worse yet, if you require any version of NOW's price  
5 per mile system, the disruption will be even greater, with  
6 hundreds of thousands of working Pennsylvanians paying more.  
7 For women, to earn equitable compensation, they must work  
8 on the road. They have discovered visiting nurses, real  
9 estate agents, salesmen, company representatives; they drive  
10 a lot of miles every year.

11 And so, even more people will be angry with you. Both  
12 agents and legislators will receive thousands of bitter  
13 complaints. And the public will never forgive nor forget.

14 All of this disruption and all of these complaints  
15 can be prevented by simply enacting the two Bills, 745 and  
16 743, that are now before you, to continue the present insur-  
17 ance pricing system. While not perfect, it is the best that  
18 we can do.

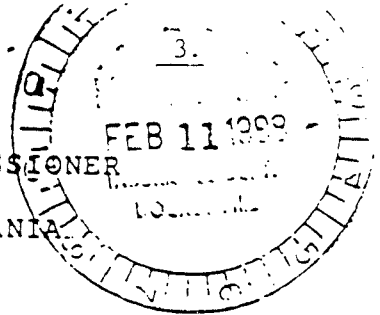
19 The alternatives will produce a public reaction so  
20 widespread and so bitter that it will take years for all of  
21 us as agents, and you as legislators, to recover. Thank you.

22 CHAIRMAN RYBAK: Thank you, Miss Gelinis. Any ques-  
23 tions from the representatives? Representative Reinard.

24 REPRESENTATIVE REINARD: Thank you, Mr. Chairman.

25 In your office, do you take any part in claims adjusting

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA



PENNSYLVANIA NATIONAL ORGANIZATION FOR WOMEN, KATHLEEN BARANSKI, BETTY JONES, BETTY J. LEE, LINDA MARTIN, LINDA L. MORROW, and BRIDGET M. WHITLEY, Plaintiffs : Pursuant to Section 5(b) of the Casualty and Surety Rate Regulatory Act, act of June 11, 1947, P.L. 538, as amended, 40 P.S. §1185(b).

v.

STATE FARM MUTUAL AUTO INSURANCE COMPANY, NATIONWIDE MUTUAL INSURANCE COMPANY, ALLSTATE INSURANCE COMPANY, LIBERTY MUTUAL FIRE INSURANCE COMPANY, and INSURANCE SERVICES OFFICE, INC. Defendants : Docket No. R86-9-6

ORDER AND ADJUDICATION

AND NOW, this 11<sup>th</sup> day of February, 1988, Constance B. Foster, Insurance Commissioner of the Commonwealth of Pennsylvania, makes the following Order and Adjudication.

HISTORY

This matter comes before the Commissioner on a Complaint filed by the Pennsylvania National Organization for Women (NOW) and six individual complainants filed on September 23, 1986,

DATE MAILED:

2/11/88

alleging violations of the Casualty and Surety Rate Regulatory Act, Act of June 11, 1947, P.L. 538, 40 P.S. §§1181-1189 (Rate Act) and the Unfair Insurance Practices Act, Act of July 22, 1974, P.L. 589, 40 P.S. §§1171.1-1171.15. The Complaint sets forth six separate causes of action for which Plaintiffs seek relief. Count I alleges that Defendants, State Farm Mutual Automobile Insurance Company, Nationwide Mutual Insurance Company, Allstate Insurance Company, Liberty Mutual Fire Insurance Company, and Insurance Services Office, Inc. fail to give "due consideration" to mileage as a rating factor; Count II alleges that Defendants' rates are unfairly discriminatory, Counts III, IV and V ~~allege that the Rate Act is unconstitutional~~; and Count VI alleges violations of the Unfair Insurance Practices Act.

On November 3, 1986, Defendants filed a Motion for Stay of Proceedings, More Specific Pleading and Dismissal of Plaintiffs' Claims, and the Insurance Department filed Motions to Dismiss Plaintiffs' Third, Fourth and Fifth Causes of Action for Lack of Jurisdiction over the Subject Matter; and Plaintiffs' Sixth Cause of Action for Lack of Jurisdiction over the Subject Matter and Lack of Standing to Sue. Following a prehearing conference held on November 26, 1986, the Presiding Officer issued an Order granting the Motion for a More Specific Pleading establishing a schedule for future filings and discovery, and ordering a stay of discovery on NOW's Sixth Cause of Action pending a ruling by the Commissioner on the Motion to Dismiss.



Following the filing of NOW's Amended Complaint, Answers were again filed and the outstanding motions were reinstated and briefed.

By Order dated May 18, 1987, the Insurance Commission granted Defendants' and the Department's Motions to Dismiss NO Fourth, Fifth, and Sixth Causes of Action and Defendants' Motion to Stay Counts IV and V. The Motion to Dismiss NOW's Third Cause of Action was denied as was Defendants' Motion to Dismiss for Lack of Standing.<sup>1</sup>

Administrative hearings commenced on May 19, 1987, were adjourned on May 22, 1987 and reconvened on June 15, 1987, eventually concluding on June 19, 1987. Plaintiffs, Defendants and the Department were each represented by counsel, presented evidence through witnesses and exhibits and were given the right to cross-examine witnesses presented by other parties. Following the hearings, Plaintiffs, Defendants and the Department each filed briefs in accordance with an agreed upon briefing schedule and NOW filed a reply brief. This matter now stands ready for adjudication.

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<sup>1</sup>

The Commissioner's Order of May 18, 1987 is currently on appeal to Commonwealth Ct. at No. 1276 C.D. 1987.

### FINDINGS OF FACT

1. The Pennsylvania National Organization for Women (NOW) is a non-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania with an approximate membership of 7200, including each of the individually named Plaintiffs.

2. Plaintiff Kathleen Baranski, is an adult individual residing at 1127 Greenfield Avenue, Pittsburgh, Pennsylvania, who owns a private passenger automobile insured by Defendant, Nationwide Mutual Insurance Company.

3. Plaintiff Betty Jones, is an adult individual residing at 1621 Lincoln Avenue, Pittsburgh, Pennsylvania who owns a private passenger automobile insured by Defendant, Allstate Insurance Company.

4. Ms. Jones' private passenger automobile had an odometer reading of 25 miles in 1979 and 62,756 miles on May 18, 1987.

5. Plaintiff Betty J. Lee, is an adult individual residing at 1013 Rebecca Avenue, Pittsburgh, Pennsylvania, who owns a private passenger automobile insured by Defendant, State Farm Mutual Automobile Insurance Company.

6. The odometer reading on Ms. Jones' private passenger automobile was 12 in 1981, and 49,374 on June 14, 1987

7. Plaintiff Linda Martin, is an adult individual residing at 587 Zook Avenue, Lancaster, Pennsylvania, who owns private passenger automobile insured by Defendant, Nationwide Mutual Insurance Company.

8. Plaintiff Martin's odometer reading on her private passenger automobile was 49,382 on February 27, 1987 and 51,595 on May 20, 1987.

9. Plaintiff Linda L. Morrow, is an adult individual residing at 140 Walnut Street, Beaver, Pennsylvania, who owns a private passenger automobile insured by Defendant, Hartford Insurance Company, a subscriber to Defendant Insurance Services Office, Inc. (ISO).

10. Plaintiff Bridget M. Whitley, is an adult individual residing at 272 Cumberland Street, Harrisburg, Pennsylvania, who owns a private passenger automobile insured by Defendant, Liberty Mutual Fire Insurance Company.

11. The odometer reading on Plaintiff Whitley's automobile in August of 1984 was 39,800 miles, the same number miles as she indicated on her September 9, 1984 policy application.

13. In December, 1985, the odometer reading on Plaintiff Whitley's automobile was 88,498 miles.

14. Each of the named Defendants, with the exception Insurance Services Office, Inc., are engaged in the business of

insuring private passenger automobiles in the Commonwealth of Pennsylvania.

15. Insurance Services Office, Inc. is a licensed rating organization which provides actuarial rating, statistical and policy form services to over 200 member Pennsylvania insurers.

16. Insurance Services Office, Inc. proposes automobile insurance rates for its member subscribers, which may or may not be adopted by them.

#### Private Passenger Automobile Insurance Ratemaking

17. Insurance is the transfer of risk of loss, over a specified time period, from the insured policyholder to the insurance company in return for the advance payment of a premium.

18. The risk of loss insured by private passenger automobile insurers varies with the risk characteristics of the insured vehicle, and the principal driver or drivers.

19. In an effort to quantify the risk of loss, each of the Defendant insurers and ISO classify individual private passenger automobile insureds into homogenous groups for the purpose of collecting and tabulating statistical experience data and determining premium rates.

20. Among those characteristics used to define classes are: territory, sex and age of driver, age and type of vehicle,

accident experience and driving records of drivers, use of vehicle and vehicle mileage.

20. The class rate is then multiplied by the number of exposure units to calculate the premium.

21. The exposure base utilized by each of the Defendants is earned car year, i.e., one car insured for one year.

#### Mileage as a Rating Factor

22. Mileage is a relevant rating factor, i.e., there is an increase in risk of loss (accident frequency) as mileage increases (N.T. 852).

23. Women drive fewer miles than men, on average, and have fewer automobile accidents.

24. The severity of automobile accidents is not related to mileage.

25. Risk of loss is not directly proportional to miles driven, e.g., vehicles driven 20,000 miles are not involved in twice as many accidents as vehicles driven 10,000 miles, and do not incur twice the losses (N.T. 1499).

26. Risk of loss is affected not only by mileage, but also by road, traffic, and weather conditions, and by the skill and care of the driver.

27. State Farm is the largest writer of automobile insurance in the United States, and in Pennsylvania with over million vehicles insured.

28. State Farm's automobile insurance rates, current in effect in Pennsylvania, provide a 15% discount for pleasure use automobiles with an annual mileage of less than 7500 miles

29. Nationwide automobile insurance rates currently effect provide for a 10% discount for pleasure use automobiles with an annual mileage of less than 8,000 miles.

30. Allstate's automobile insurance rates currently effect in Pennsylvania provide an approximate 20% discount for vehicles with an estimated annual mileage of less than 7500, depending upon the vehicle's use.

31. Liberty Mutual's automobile insurance rates currently in effect in Pennsylvania provide for a 15% discount for vehicles driven less than 7500 miles in pleasure use and 3 to 10-mile commuting distance classifications.

32. ISO automobile insurance rates currently approved for use in Pennsylvania do not have an annual mileage risk classification.

33. In addition to annual mileage classifications, mileage is reflected in Defendants' use classifications, commuting distance classifications, multi-car discounts, and senior discounts.

34. The mileage figure utilized by Defendants is that provided by the policyholder at the beginning of the policy period in which he estimates the number of miles the vehicle will be operated during the policy period.

35. The actual mileage the vehicle will be driven during the policy period is unknown and data as to actual mileage is neither available nor verifiable.

36. Use of actual mileage would require that an odometer reading be taken at the beginning and the end of each policy period, and would require verification that the odometer was accurate and had neither been tampered with nor disconnected.

37. Vehicles purchased and sold during the policy period would require odometer readings at the time of purchase and sale.

38. Conversion from an earned car year exposure base to a mileage exposure base would include costs for obtaining and collecting actual mileage data, and substantial conversion and administrative costs.

39. Premiums based on estimated mileage at the beginning of a policy period would require adjustment at the end of the policy period to reflect the vehicle's actual mileage.

40. Defendants rates reflect with reasonable accuracy the differences in expected losses and expenses between low and high mileage vehicles.

41. There is no evidence that a mileage exposure base would produce rates which are fairer and more equitable in relationship to the onerous burdens and substantial costs of implementing and maintaining the proposed rating change.

42. Defendants' private passenger automobile insurance rates are not excessive to the extent they do not rely on mileage.

43. Defendants' private private passenger automobile rates do not unfairly discriminate against women or low mileage drivers.

44. If any of the foregoing Findings of Fact should be held to constitute Conclusions of Law, the ones so found are incorporated therein by reference.



## DISCUSSION

Plaintiffs' argument that current automobile insurance rates unfairly discriminate may be briefly summarized as follows. Men drive twice as many miles and have twice as many automobile accidents as women. Therefore, an insurer's risk of loss is directly proportional to the number of miles driven and insurance premiums should be based on mileage. Since women drive fewer miles than men, women's automobile insurance rates are excessive and unfairly discriminatory, and the Commissioner should declare all automobile insurance rates invalid and order refunds dating back to May 18, 1971, the date of adoption of the Equal Rights Amendment. As set forth below, the Commissioner finds that Plaintiffs failed to carry their burden of proof, that the record does not support Plaintiffs' factual contentions, and that accordingly Plaintiffs' Complaint should be dismissed.

### I. The Rate Act

Rates for private passenger automobile insurance in Pennsylvania are governed by the Casualty and Surety Rate Regulatory Act, Act of June 11, 1947, P.L. 58, as amended, 40 P.S. §1181, et seq. Those portions of the Rate Act most pertinent to this proceeding are reproduced below:

[a]ll rates shall be made in accordance with the following provisions:

(a) Due consideration shall be given to past and prospective loss experience within and

outside this Commonwealth, ... to past and prospective expenses both countrywide and those specifically applicable to the Commonwealth, and to all other relevant factors within and outside this Commonwealth.

. . .

(c) Risks may be grouped by classifications for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expenses provisions, or both. Such standards may measure any differences among risks that can be demonstrated to have a probable effect upon losses or expenses...

(d) Rates shall not be excessive, inadequate or unfairly discriminatory. ... [n]o rates shall be held to be unfairly discriminatory unless, allowing for practical limitations, it clearly fails to reflect with reasonable accuracy the differences in expected losses and expenses. A rate is not unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, so long as the rate reflects the differences with reasonable accuracy. A rate is not unfairly discriminatory if it is averaged broadly among persons insured under a group, franchise or blanket policy. (Emphasis Supplied.) 40 P.S. §1183.

Where private passenger automobile insurance rates have been approved by the Commissioner, as these have, the burden is "upon the person complaining that the new rates were not in accordance with the Act to prove it." Insurance Department v. City of Philadelphia, 1986 Pa. Super. 221, 173 A.2d 811, 821 (1961).

## II. Evidence

Much of the nine full days of testimony was devoted to proving a fact which was not in dispute. Namely, that mileage a relevant factor in the determination of private passenger automobile insurance rates and that as overall mileage increase there is an increase in accident frequency. What is in dispute is Plaintiffs' contention that an insurer's risk of loss is directly proportional to the insured vehicle's mileage. It's upon this premise which Plaintiffs' argument rests.

Plaintiffs maintain that a vehicle operated 20,000 miles annually presents twice the risk of loss to an insurer than that of a vehicle operated 10,000 miles annually. Since the risk of loss is double, then the premium should be double, assuming all other class characteristics are the same. The evidence does not support Plaintiff's contention.

Plaintiffs' evidence consists primarily of government statistical reports which compare estimated annual mileage figures for all drivers, by sex of driver, with overall accident figures for all drivers, and by sex of driver (e.g. P-5, Items 7, 9, 24, 25, 39). Plaintiffs' exhibits, on their face, show that all male drivers, on an average, drive twice as many miles as all female drivers, and that on an average, they are involved as drivers in almost twice as many accidents as are females.

Defendants objected to the statistical report because they included all drivers, both insured and uninsured, were compiled on a per vehicle basis, and include high mileage commercial

drivers (trucks, buses, etc.), which skews the data.<sup>1</sup>  
Defendants further complain that Plaintiffs merely provided the raw data without benefit of explanation or interpretation by anyone trained and knowledgeable in the fields of statistics or automobile insurance ratemaking. Those experts who reviewed the data found it to be meaningless in terms of automobile insurance ratemaking (N.T. 958-59).<sup>2</sup>

Defendants' objections to Plaintiffs' data are well founded. Even with the shortcomings, however, Plaintiffs' data is still adequate to prove that men, as a group, drive more miles on the average than women as a group, and have more accidents. At best it proves that the ratio is 2:1. The data does not prove any relationship whatsoever between a vehicle's annual mileage and loss experience. It does not prove, as Plaintiffs contend, that the loss experience of vehicles with an annual mileage of 20,000 is twice that of vehicles driven 10,000 miles annually. Indeed Plaintiffs' failed to present any evidence as to insurance claim

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Defendants also note that Plaintiffs' mileage data is based on estimated fuel consumption determined by an average miles per gallon estimate. Plaintiffs, on the other hand, have vehemently objected to Defendants' data since it is based upon estimates provided by policyholders. If there is any data on actual mileage, none was presented at this hearing.

2

Although the Commissioner rejects Defendants' argument that Plaintiffs can only meet their burden through expert testimony, it is nevertheless a fact that Plaintiffs did not produce a single expert whose review of the data led to the same conclusion as that drawn by Plaintiffs, or who was able to endorse Plaintiffs' rating scheme.

costs for vehicles at different annual mileages, and Defendants' own data suggests the contrary.<sup>3</sup>

Plaintiffs' argument necessarily assumes that the risk of loss is similar for every mile driven while their own evidence demonstrates that a mile driven on a crowded urban street during rush hour presents a much greater risk of loss than a mile driven on an uncrowded rural highway.<sup>4</sup> Therefore, it is the Commissioner's conclusion that Plaintiffs have failed to prove by substantial evidence, that a vehicle's mileage is directly proportional to an insurer's risk of loss.

### III. Due Consideration

#### A. The Current System

Section 3(a) of the Rate Act, 40 P.S. §1183(a) require that due consideration be given to all relevant rating factors. Due consideration must be determined on a case-by-case basis depending largely upon the degree of relevance which a

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For example, Defendants note that Plaintiffs' Exhibit 5, Items 6 and 7 "indicate that an increase in mileage of 2 to 3% accompanied in various mileage categories by a 25% decline, a 15.3% decline or a 9% decline. See also, N.T. 1573-75 (Walters (Defendants' Brief at page 36). Defendants' Exhibits 12 and 43 further demonstrate this lack of proportionality.

4

"[S]even out of ten of the nation's automobile accidents occur in urban locations". Plaintiffs' Exhibit 5, Item 9.

particular rating factor has to overall rates. Although the Commissioner does not find mileage to be as relevant in ratemaking as the Plaintiffs contend, it is nonetheless a relevant factor which must be given due consideration.

All of the Defendants, with the exception of Insurance Services Office, Inc., classify insureds into two annual mileage categories, and all of the Defendants take mileage into consideration in its use classifications (business or pleasure), multi-car discounts and commuter mileage. Further, to the extent that low mileage drivers have fewer accidents than high mileage drivers, as urged by Plaintiffs, mileage would also be an implicit consideration in the grant of good driver discounts to accident free drivers and surcharges applicable to drivers with accident records.

Section 3(c) of the Rate Act, 40 P.S. §1183(c) specifically authorizes the grouping of risks by classification for the establishment of rates. The 1986 amendment to the Rate Act provides that "[n]o rate shall be held to be 'unfairly discriminatory' unless, allowing for practical limitations, it clearly fails to reflect with reasonable accuracy, the differences in expected losses and expenses." 40 P.S. §1183(d). Subsection (e) of the 1986 amendment expressly authorizes rates based upon factors that are "supported by sound actuarial principles or ... [are] related to actual or reasonably anticipated experience ..." 40 P.S. §1183(e).

The Rate Act does not mandate a specific ratemaking methodology. Rather, it establishes a zone of reasonableness within which the ratemaker is required to give due consideration to past experience and other relevant factors, while simultaneously affording the flexibility to exercise judgment necessary to develop rates to the end that they are neither excessive, inadequate, nor unfairly discriminatory. See, e.g., Insurance Department v. Johnson, 432 Pa. 543, 248 A.2d 308 (1968); Insurance Department v. Johnson, 211 Pa. Super. 138, 230 A.2d 23 (1967); Insurance Department v. City of Philadelphia, 196 Pa. Super. 221, 173 A.2d 811 (1961); Nationwide v. Insurance Department, 15 Pa. Commonwealth Ct. 24, 524 A.2d 878 (1974); Insurance Department v. Pa. Coal Mining Association, 26 Pa. Commonwealth Ct. 348, 363 A.2d 823 (1976).

The Commissioner finds that Defendants classification of risks into two mileage categories, and its further consideration of mileage in its use classifications, multi-car discounts and commuter mileage is rationally related to actual or reasonably anticipated experience, reflects with reasonable accuracy the differences and expected losses and expenses, and gives due consideration to mileage as a rating factor.

B. Plaintiffs Proposal

Plaintiffs argue that mileage should be used as the exposure base, the unit by which the rate is multiplied to calculate the premium charged the policyholder. Defendants' exposure base is one car year, i.e., one car insured

for one year. A car year exposure base is utilized primarily because the number of vehicles owned by an insured during a policy year is information which is readily available and verifiable.

Plaintiffs proposal to change the exposure base from car year to actual mileage would require information which is neither available nor verifiable.<sup>5</sup> In order to use mileage as an exposure base it would first be necessary to determine the actual mileage a vehicle is driven during the policy year. This would require an odometer reading at the beginning and end of each rating period, and on every vehicle purchased or sold during the rating period. The cost of each odometer reading, according to Plaintiffs, would range from \$5 to \$10. The inconvenience to each policyholder is immeasurable. Having determined the actual mileage, it would then be necessary to refund or charge each policyholder an additional premium at the end of the policy period based upon the actual number of miles the vehicle was driven.<sup>6</sup>

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Throughout these proceedings Plaintiffs have vociferously maintained that their burden is merely to demonstrate flaws in the current rating system, and the practicality of the proposed alternative is of no concern. Though Plaintiffs may not be concerned with the expense or inconvenience of their proposal, the Commissioner has an obligation to carefully scrutinize any change in rating practices, and particularly one as fundamental and sweeping as that proposed by Plaintiffs, to insure that its benefits, if any, are not outweighed by either direct or indirect costs.

6

Since the premium is paid at the beginning of the policy period, and the actual mileage is unknown at that time, the initial premium would have to be estimated and then adjusted at the end of the policy period when the actual mileage is known.



Since the premium is to be determined by the actual mileage of the vehicle, it would also be necessary to take measures to guard against those insureds who might be inclined to tamper with or disconnect the odometer in order to obtain a lower premium.

Additionally, there are the administrative costs of implementing and maintaining this new system which would include the retraining of personnel, new policy forms, computer system, additional billing and various other administrative expenses, of which would be passed along to the consumer. Only after the new system was in place, at an undetermined but significant cost to policyholders in terms of both dollars and inconvenience, would we begin for the first time to collect loss experience data based upon actual mileage. What this data would reveal is pure speculation. It would be irresponsible for the Commissioner to burden Pennsylvania policyholders with these additional costs and inconvenience for what is, at best, a very doubtful benefit.

#### IV. Unfair Discrimination

Section 3(d) of the Rate Act, 40 P.S. §1193(d) requires that rates not be unfairly discriminatory, and further provides that "no rates shall be held to be unfairly discriminatory unless, allowing for practical limitations, it clearly fails to reflect with reasonable accuracy the differences in expected losses and expenses." There is no evidence that Defendant's rates for

private passenger automobiles fail to reasonably reflect, within practical limitations, the differences in expected losses and expense of vehicles with different annual mileages. The evidence is to the contrary.

Plaintiffs argue that since women drive fewer miles and have fewer accidents than men, insurance rates which are not based on mileage unfairly discriminate against women.

Plaintiffs refuse to recognize that vehicles, not drivers, are insured. The typical family automobile is driven by both men and women, and insured under one policy. Since it is the vehicle and not the driver which is insured, the only women who have standing to complain are those who own vehicles which are driven solely or principally by women. There is no evidence that the annual mileage of private passenger vehicles driven solely or principally by women is any less than that of vehicles driven solely or principally by men, or that they are involved in fewer accidents.

### CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over the parties and the subject matter of this proceeding.

2. Mileage is relevant to the determination of private passenger automobile insurance rates.

3. There is no substantial evidence that a vehicle's loss experience is directly proportional to its annual mileage.

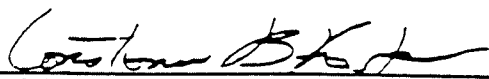
4. Defendants' private passenger automobile insurance rates which take mileage into consideration in their use classifications, commuting distance classifications, multi-car discounts, senior discounts and annual mileage classifications give due consideration to mileage as a rating factor.

5. Defendants' private passenger automobile insurance rates are neither excessive, nor do they unfairly discriminate between owners of low and high mileage vehicles.

6. If any of the foregoing Conclusions of Law should be held to constitute Findings of Fact, the ones so found are incorporated therein by reference.

ORDER

AND NOW, this 11th day of February, 1988,  
upon consideration of the foregoing Findings of Fact and  
Conclusions of Law, IT IS HEREBY ORDERED THAT Plaintiffs'  
Complaint is DISMISSED.

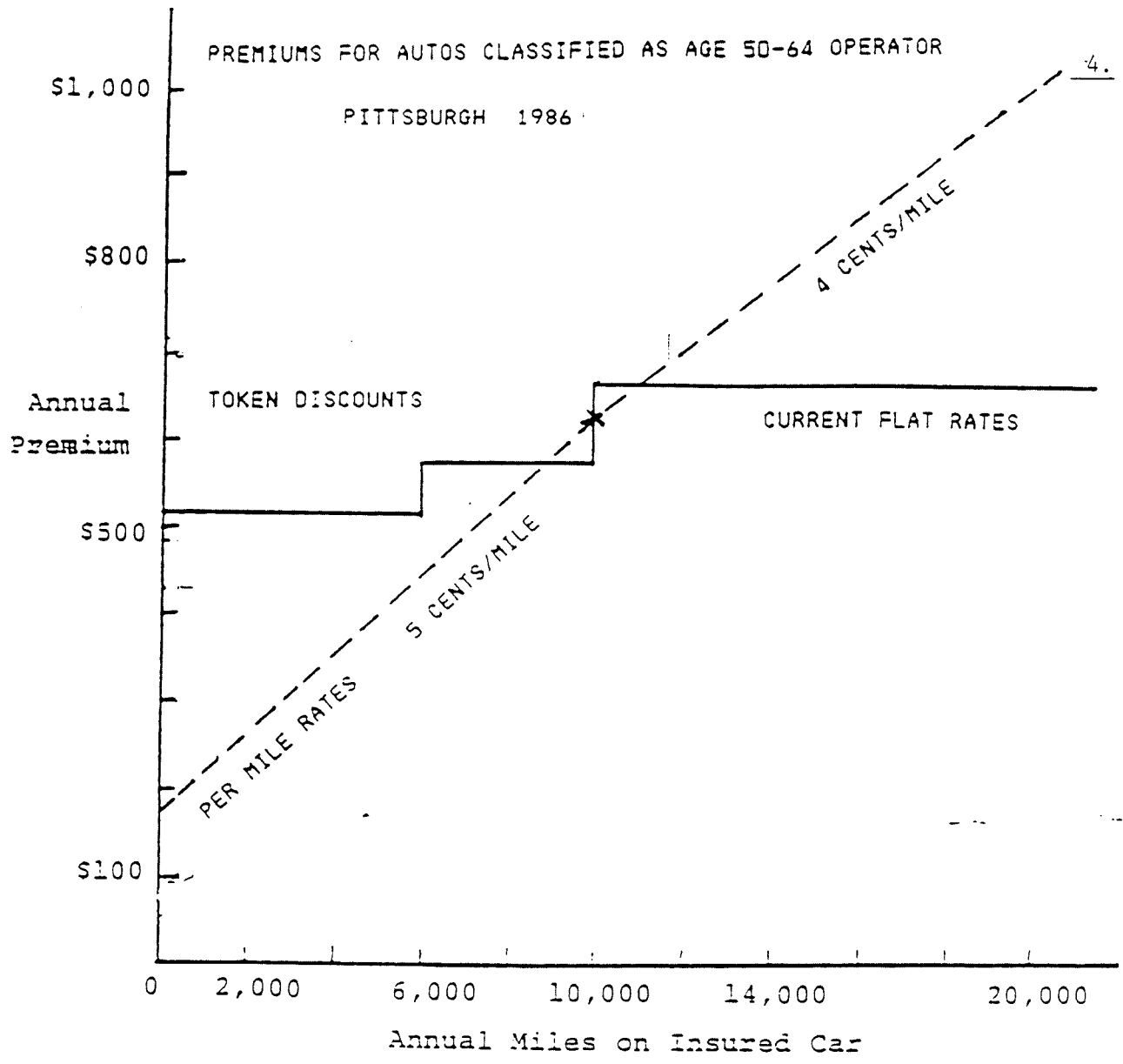
  
\_\_\_\_\_  
CONSTANCE B. FOSTER  
Insurance Commissioner

Act 27 is particularly entitled to the presumption of constitutionality accorded acts of the legislature, in view of the extraordinary care shown by the legislature on the subject. Act 27 is consistent with the law in civil rights cases, with prior holdings of this court, and the law in the vast majority of states with Equal Rights Amendments.

Act 27 should be affirmed because it implements and enforces the language and intent of Pennsylvania's Equal Rights Amendment.

1114L

PER MILE RATES, WITH TOKEN MILEAGE DISCOUNTS, COMPARED WITH PER MILE RATES



Flat rates are the 1986 Prices, submitted to the Insurance Commissioner for approval, for full coverage of a 1981 car whose owners live in Pittsburgh



Annual mileage	Flat rate*	Per-mile rate**	Difference
0	\$520	\$130***	-\$390
2,000	520	230	-290
3,000	520	280	-240
5,000	520	380	-140
7,000	581	480	-101
9,000	581	580	-1
12,000	673	710	+37
15,000	673	830	+157
20,000	673	1030	+357

- \* Includes new 1986 token mileage discounts at 6,000 and 10,000 miles, and a new 5% Junior senior-citizen discount. Shared prices for member companies of ISO, which includes Hartford, Aetna, United States F&G, American Insurance Co, and 100 others.
- \*\* Five cents per mile to 10,000 miles, and 4 cents above. Insurance companies would have to justify such a reduction in the mileage charge to the Insurance Commissioner.
- \*\*\* Premium for non-driving coverage such as fire and theft insurance ("comprehensive" insurance now \$60), and for "expense fees" (now \$70) would not be rated by mileage.

HB 452 by Representatives LEW, YLIZ, GELT, LASHINGEN, CCLAFELLA and G. W. SWITZER.

Printed Nos. 506, 1901, 1714. Printer's No. 2832.

An Act amending the Act of June 11, 1947 (P. L. 538, No. 246), entitled "The Casualty and Indemnity Rate Regulatory Act," further providing for rate-making.

Referred to TRANSPORTATION, Feb. 26, 1965  
 Reported as committed, June 2, 1965  
 First consideration, June 2, 1965  
 Re-committed to RULES, June 2, 1965  
 Re-reported as committed, Sept. 13, 1965  
 Laid on the table, Sept. 16, 1965  
 Removed from table, Sept. 19, 1965  
 Second consideration, Sept. 20, 1965  
 Third consideration, with amendments, Oct. 16, 1965  
 Final passage, Oct. 16, 1965 (1965-54)  
 (Remarks see House Journal Page 1797-1800),  
 Oct. 16, 1965

In the Senate

Referred to BANKING AND INSURANCE, Oct. 21, 1965  
 Reported as amended, Jan. 22, 1966  
 First consideration, Jan. 27, 1966  
 Second consideration, Jan. 27, 1966  
 Amended on third consideration, Feb. 2, 1966  
 Third consideration and final passage, Feb. 9, 1966  
 (45-4)

In the House

House concurred in Senate amendment, Feb. 11, 1966  
 (197-47)  
 (Remarks see House Journal Page 1800-1801),  
 Feb. 11, 1966

Signed in House, Feb. 12, 1966  
 Signed in Senate, Feb. 12, 1966  
 In hands of the Governor, Feb. 12, 1966  
 Last day for a veto, Feb. 23, 1966  
 Retoed by the Governor, Feb. 23, 1966  
 Veto No. 1

In the House

Bill with Governor's Veto Message, placed on postponed calendar, March 11, 1966  
 Governor's Veto sustained, (141-84), March 12, 1966  
 Vote by which the Governor's veto was sustained, reconsidered, March 12, 1966  
 (Remarks see House Journal Page 466-474),  
 March 12, 1966  
 (Remarks see House Journal Page 474-475),  
 March 12, 1966

Vote to override Governor's Veto, adopted, (144-50), April 4, 1966  
 (Remarks see House Journal Page 474-475),  
 April 4, 1966

Vote on override of Governor's Veto reconsidered, (168-21), April 9, 1966  
 Vote to override Governor's Veto adopted, (117-56),  
 April 9, 1966  
 (Remarks see House Journal Page 611-612),  
 April 9, 1966

In the Senate

Bill, together with Governor's Veto Message, laid on table, April 19, 1966  
 Motion to override Governor's veto adopted, the objections of the Governor to the contrary notwithstanding, April 19, 1966 (41-6)  
 became law, April 19, 1966

Act No. 27

HB 453 by Representatives PITTS, HUTCHINSON, BINIKKI, PETRARCA, CIVERA, YOUNG, BERGHETT, PHILLIPS, G. SMYTHE, JOHNSON, GELT, ESCOVITA, TATTISTO and LEITZMAN.

Printed Nos. 507, 1901. Printer's No. 1965.

An Act amending Title 21 (Vehicles) of the Pennsylvania Consolidated Statutes, relating to the reduction of certain speed limits.

Referred to TRANSPORTATION, Feb. 26, 1965  
 Reported as amended, May 7, 1965  
 First consideration, May 7, 1965  
 Laid on the table, May 7, 1965  
 Removed from table, May 13, 1965  
 Second consideration, May 19, 1965  
 Third consideration, with amendments, May 29, 1965  
 Final passage, May 29, 1965 (176-6)  
 In the Senate

Referred to TRANSPORTATION, June 9, 1965

HB 454 by Representatives CAPPALANCA, BRIPANTI, STAIACK, BERZEL, HALUSKA, COHEN, IZLANDA, LIGOFF, DUMBRONSKI, LISTELA, LAWERT, STEVENS and KADUNIC.

Printer's No. 508.

An Act providing for the submission to the directors of this Commonwealth of a referendum relating to the conducting of tournaments and contests with cash prizes or other prizes in or adjacent to premises licensed by the Pennsylvania Liquor Control Board.

Referred to LIQUOR CONTROL, Feb. 26, 1965

HB 455 by Representatives BERMAN, MAJALE, GUGGIBALL, ITRIN, WYKA, CESCARI, TRIFLO, HALUSKA, SCHULER, WIGAN, HONAMAN, SEMELI, JOHNSON, TATTISTO, SCHWARTZ, FULK, CITER, BERGHETT, ABBY, SAUKRAK, FURL, PHILLIPS, STANZ, BERGHETT, HOWE and KROVICH.

Printer's No. 510.

An Act amending the Act of October 15, 1955 (P. L. 190, No. 111), known as the "Health Care Services Malpractice Act," providing an exception for certain physicians.

Referred to HEALTH AND WELFARE, Feb. 27, 1965

HB 456 by Representatives CAPPALANCA, STAIACK, ABBY, CIVERA, FARGO, ILLIANTI, ITRIN, VAN HUBBEN, PRESSMANN, BERGHETT, BENTLEY, YOUNG, BIAUR, E. Z. TAYLOR, JOSEPH, COOK, FEE, JOHNSON, FRATT, HALUSKA, POLUCA, SWEET, WILSON, POTT, G. W. WRIGHT, WIGAN, PALLIN, TRIFLO, GANNON, MORRIS, KROVICH, DOWDELL, G. SMYTHE, BERZEL, P. TAYLOR, MATERNIA, LINIOM, DELABLI, BERZEL, GELT, PHILLIPS, LISTELA, FURL, EVANS, IZLANDA, MAJALE, POL, STRAUBER, FREEMAN and KROVICH.

Printer's No. 515.

An Act amending the Act of April 9, 1964 (P. L. 177, No. 175), known as "The Administrative Code of 1964," providing for the office of Small Business Advocate in the Department of Commerce; creating a Small Business Advisory Board; providing for assessments on public utilities; and making an appropriation.

Referred to CONSUMER AFFAIRS, Feb. 27, 1965  
 Reported as committed, June 5, 1965  
 First consideration, June 5, 1965  
 Re-committed to RULES, June 5, 1965  
 Re-reported as committed, Sept. 16, 1965  
 Laid on the table, Sept. 16, 1965  
 Removed from table, Sept. 19, 1965  
 Re-committed to REORGANIZATION, Sept. 19, 1965

HISTORY OF SENATE BILLS

SB 740 by Senators HELPMICK, PETERSON, COBMAN, BROADES, STABLETON, ANDRZEJESKI, WILT and MADIGAN.

Printer's No. 848.

An Act exempting owners of shooting ranges from any civil or criminal actions relating to noise pollution.

Referred to JUDICIARY, April 19, 1985

SB 741 by Senator LEWIS.

Printer's No. 849.

An Act making an appropriation to the Netherl Museum in Bucks County.

Referred to APPROPRIATIONS, April 19, 1985

SB 742 by Senator MADIGAN.

Printer's No. 850.

An Act making an appropriation to certain public libraries for the microfilming of The Evening Times of Bradford County.

Referred to APPROPRIATIONS, April 19, 1985

SB 743 by Senators ZEMPELLI, SALVATORE, HOPPER, KELLEY, LYNCH, LEWIS, SCARLOW, MOORE, PUNO, MADIGAN, COBMAN, LOKPER, PECORA, SHUMAKER, JUBELIRER, STAUFFER and HOLL.

Pilot Printer's No. 851.

Printer's No. 1331.

An Act amending the act of July 22, 1974 (P. L. 589, No. 205), entitled "Unfair Insurance Practices Act," further providing for unfair competition and unfair or deceptive acts and practices.

Referred to BANKING AND INSURANCE, April 19, 1985

Reported as committed, June 28, 1985

First consideration, June 28, 1985

Second consideration, with amendments,

Sept. 18, 1985

Third consideration and final passage,

Sept. 19, 1985 (46-1)

Vote on final passage reconsidered, Sept. 19, 1985

Final passage, Sept. 19, 1985 (44-3)

Vote on final passage reconsidered, Sept. 19, 1985

Final passage, Sept. 19, 1985 (41-6)

(Remarks see Senate Journal Page 10.6).

Sept. 19, 1985

In the House

Referred to INSURANCE, Oct. 1, 1985

Resolution to discharge committee from further

consideration of this bill, presented, Dec. 10,

1985

SB 745 by Senators ZEMPELLI, SALVATORE, HOPPER, KELLEY, LYNCH, LEWIS, SCARLOW, MOORE, PUNO, MADIGAN, COBMAN, LOKPER, PECORA, SHUMAKER, JUBELIRER, STAUFFER and HOLL.

Pilot Printer's No. 853.

Printer's No. 133.

An Act amending the act of May 17, 1921 (P. L. 748, No. 285), entitled "The Insurance Department Act of one thousand nine hundred and twenty-one," further providing for admitted assets.

Referred to BANKING AND INSURANCE, April 19, 1985

Reported as committed, June 28, 1985

First consideration, June 28, 1985

Second consideration, Sept. 18, 1985

Third consideration and final passage,

Sept. 19, 1985 (46-1)

Vote on final passage reconsidered, Sept. 19, 1985

Final passage, Sept. 19, 1985 (44-3)

Vote on final passage reconsidered, Sept. 19, 1985

Final passage, Sept. 19, 1985 (41-6)

(Remarks see Senate Journal Page 10.6).

Sept. 19, 1985

In the House

Referred to INSURANCE, Oct. 1, 1985

Resolution to discharge committee from further

consideration of this bill, presented, Dec. 10,

1985

Reported as amended, May 6, 1986

First consideration, May 6, 1986

Laid on the table, May 6, 1986

Removed from table, May 7, 1986

Second consideration, May 27, 1986

Third consideration and final passage, May 28, 1986

(194-0)

In the Senate

Senate concurred in House amendments, June 4, 1986

(49-0)

Signed in Senate, June 5, 1986

Signed in House, June 10, 1986

In hands of the Governor, June 11, 1986

First day for action, June 21, 1986

Approved by the Governor, June 17, 1986

Act No. 67

SB 746 by Senators KILBAM and ANDRZEJESKI.

Printer's No. 854.

An Act providing for the establishment of the Legislative Audit and Budget Review Commission; imposing powers and duties; providing for employees; and making an appropriation and repairs.

Referred to FINANCE, April 19, 1985

SB 747 by Senators KILBAM and SHAFER.

Printer's No. 855.

An Act amending the act of July 4, 1984 (P. L. 533, No. 107), entitled "Updating of Vocational-Technical Equipment Act," further defining "enrollment."

Referred to EDUCATION, April 19, 1985

SB 748 by Senator STEINMAN.

Printer's No. 856.

An Act amending the act of July 4, 1984 (P. L. 533, No. 107), entitled "Updating of Vocational-Technical Equipment Act," defining the term "average annual expenditure" and requiring it to be certified.

Referred to EDUCATION, April 19, 1985



CERTIFICATION OF SERVICE

I, David F. Snyder, Esquire, hereby certify that on September 1, 1988, I am serving the foregoing Brief of Amicus Curiae, American Insurance Association, together with the Addendum, upon the persons and in the manner indicated below, which service satisfies the requirement of Pa. R.A.P. 121: Service by first class mail addressed as follows:

Stefan Presser, Esquire  
American Civil Liberties Union  
of Pennsylvania  
21 South 5th Street  
Suite 680  
Philadelphia, PA 19106

Deborah A. Ellis, Esquire  
Isabell Katz Pinzler, Esquire  
American Civil Liberties Union  
of Pennsylvania  
Women's Rights Project  
132 West 43rd Street  
New York, NY 10036

Rita Bernstein, Esquire  
Women's Law Project  
125 South Ninth Street  
Philadelphia, PA 19103

LeRoy Zimmerman  
Attorney General  
Office of Attorney General  
15th Floor  
Strawberry Square  
Harrisburg, PA 17120

Andrew S. Gordon, Esquire  
Office of the Attorney General  
15th Floor  
Strawberry Square  
Harrisburg, PA 17120

Richard DiSalle, Esquire  
Susan Malone, Esquire  
Kim Eaton, Esquire  
Rose, Schmidt, Chapman, Duff  
& Hasley  
900 Oliver Building  
Pittsburgh, PA 15222-5369

Constance B. Foster  
Insurance Commissioner  
13th Floor  
Strawberry Square  
Harrisburg, PA 17120

Jeffrey Ivan Pasek  
Cohen, Shapiro, Polisher,  
Shiekman & Cohen  
PSFS Building  
12 South 12th Street  
Philadelphia, PA 19107

Alaine S. Williams  
Tenth Floor  
1608 Walnut Street  
Philadelphia, PA 19103

Simonne N. Roy, Esquire  
161 West Third Street  
P.O. Box 215  
Williamsport, PA 17703

Roger Witten, Esquire  
Wilmer, Cutler & Pickering  
2445 M Street, NW  
Washington, DC 20037-1420

Patricia A. Rodgers, Esquire  
Rodgers, Rodgers & Cullis  
113 Alwine Avenue  
P.O. Box 1506  
Greensburg, PA 15601-1506

Barbara B. Hillje, Esquire  
Agzigian, Keane & Associates  
2750 Trenton Road  
Levittown, PA 19056

H. Lee Roussel, Esquire  
Jeffrey B. Clay, Esquire  
McNees, Wallace & Nurick  
100 Pine Street  
Harrisburg, PA 17108

Jeffrey A. Less, Esquire  
A. Richard Feldman, Esquire  
Doron F. Ezickson, Esquire  
Bazelon, Less & Price  
16th Floor  
Three Mellon Bank Center  
Philadelphia, PA 19102

James J. McCabe, Esquire  
Jane L. Dalton, Esquire  
Victor M. Pascutoi, Esquire  
Duane, Morris & Heckscher  
One Franklin Plaza  
Philadelphia, PA 19102

Seth F. Kreiner, Esquire  
University of Pennsylvania  
Law School  
3400 Chesnut Street  
Philadelphia, PA. 19104

By: 

David F. Snyder  
American Insurance  
Association  
1130 Connecticut Ave., NW  
Suite 1000  
Washington, DC 20036  
(202) 828-7100