

FALL RIVER CONSULTING GROUP LLC

EXPERT EMPLOYEE BENEFITS & ACTUARIAL CONSULTING



August 10, 2009

RE: ACTUARIAL IMPLICATIONS OF UNISEX INSURANCE RATING

To Whom It May Concern:

It has come to my attention that the State of Colorado is considering mandating unisex rating for individual insurance policies. Because of my background as an actuary and the impact this will have on the uninsured, I am opposed to this.

I have been a member of the American Academy of Actuaries since 1998 and a Fellow of the Society of Actuaries since 1999. I have spent approximately 18 years working in the insurance industry as an actuary and underwriting executive, and consulting to insurers and employers regarding health care and other employee benefits. I am also a licensed insurance agent in Colorado and see every day on the front lines the challenges that individuals and families face when trying to obtain insurance.

Based on my experience in pricing health insurance, females cost significantly more to insure than males from ages 20 to approximately 55 to 60. Males are more expensive after age 55 or 60, and children are neutral. Most carriers price females anywhere from 150% to 400% of males during ages in the 20's and 30's, grading down as they come together in their 50's. These pricing differentials are completely justified by the additional claims incurred. If unisex rates were mandated, rates for women would decrease, but rates for men would have to go up 50% or even double to offset the subsidies being provided to women.

Significant differences in insurance rates by gender are not unique to health insurance. Auto insurers routinely charge 200% to 400% more for males in their teens and twenties than they do for females of the same age, due to the higher incidence of aggressive and risky driving behaviors among males. While many young men are excellent and responsible drivers, they still pay the higher rates. If they were forced to pay health insurance rates that were twice as high, on top of their already high auto insurance rates, they would face a double and unfair burden.

When there are significant price differences between populations, yet the insurance rates are forced to be the same, this creates anti-selective behavior. Young men, who represent a high percentage of the uninsured population today, would be even more likely to drop insurance if their rates were to double due to unisex rates. Meanwhile, carriers will lose money on women due to insufficient rates and may be less likely to accept their applications as a result. Therefore, I strongly recommend against this change.

I can be reached via email at kristen@fallriverconsulting.com should you wish to discuss further.

Sincerely,

Kristen A. Russell, FSA, MAAA
President & Founder
Fall River Consulting Group LLC