



House Bill 838 and Senate Bill 427 (An Act Providing for Equitable Coverage in Disability Policies)

Issue: Should the Commonwealth of Massachusetts prohibit insurance underwriters from using gender as a factor in determining rate schedules for disability insurance products (so-called "Unisex" legislation). House Bill 838 and Senate Bill 427 (An Act Providing for Equitable Coverage in Disability Policies) would create gender neutral (unisex) rates for all disability insurance products, group and individual.

NAIFA-MA Position: *NAIFA-Mass strongly opposes both pieces of legislation* and urges legislators considering these bills to take careful note of the statistics and facts set forth below, which show that women and men should pay different premium rates due to actual claims experience and actuarial science.

Background: Currently, women and men pay the same rate (unisex) for group disability insurance. Group disability insurance is often referred to as Group Short Term Disability (STD) or Long Term Disability (LTD) and is offered through an employer/employee relationship. Individual disability policies require one to apply and qualify for coverage with an insurance company. Currently individual DI policies have male rates, female rates and unisex rates. Depending on whom is paying the premium the appropriate premium is charged. The rule of thumb is if it is a female, a female rate is applied, if male, a male rate. If an individual is part of a "group", often defined by the insurance company as 3 or more, and the employer is paying 100% of the premium, unisex rates are available.

Over one's working career women are more likely to be sick or hurt than men. Would it be fair for women to pay the same rates for life insurance as men when men are more likely to die at any age? No. Actuarially, we know women are more likely than men to lose income as a result of a sickness. Age and gender affect the likelihood of a disability, but so do weight, health, smoking and other factors. An average male (5'9" 155lbs) has a 24% chance of an accident or sickness, lasting three months or longer during his working career, an average female (5'3" 135lbs) has a 27% chance*

Classifying risk in the underwriting process has long been recognized and approved by the Commonwealth, and is embodied in the General Laws. M.G.L.A. Ch. 176D, Section 3(7) deems it to be an unfair method of competition to treat individuals of the same class and equal expectation of life differently. The laws permit carriers to charge individuals with different expectations of life different rates for. The need of insurance companies to classify risks, and the legitimacy of that practice, has also been recognized by our Supreme Judicial Court in the cases of *LIAM v. Commissioner of Insurance*, 403 Mass 410 and *Telles v. Commissioner of Insurance*, 410 Mass 460.



NAIFA - MA strongly oppose legislation prohibiting the consideration of gender in disability insurance underwriting. We know that such a practice "unisex pricing" will ultimately disadvantage men who will pay a higher premium than they do today for the same or even less disability insurance coverage. Groups in support of this legislation have clouded the statistics and facts by shrouding the issue as one of gender discrimination. Only one state (Montana) has agreed with them and passed similar legislation. As set forth above the use of gender in determining disability insurance rates is not used in a discriminatory fashion, but based on actuarial science and claims experience of the insurance industry.

This is not a fairness or equality issue. It is strictly about morbidity (chance of accident or sickness) and risk, period. It is simply an actuarial issue using established morbidity tables used by each insurance company to determine if more men or more women become sick or hurt. The reality is a woman's claims experience compared to a man is higher due to sickness and the premiums we all pay should reflect actual claims experience.

ABOUT NAIFA: Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is one of the nation's oldest and largest associations representing the interests of insurance professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.

FOR MORE INFORMATION, CONTACT:

Matthew P. Berard, NAIFA Massachusetts Member
Insurance Brokerage Director & Disability Income Specialist
P. 781-292-3261 P2. 800-800-5549 F. 781-449-4462
160 Gould Street, Suite 310, Needham MA 02494
matthew_berard@glic.com

