

2013 SENATE INDUSTRY, BUSINESS, AND LABOR

SB 2235

2013 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

SB 2235
February 5, 2013
Job Number 18259

Conference Committee

Committee Clerk Signature

Em Lubelt

Explanation or reason for introduction of bill/resolution:

Relating to automobile insurance prohibitions

Minutes:

Testimony Attached

Chairman Klein: Opened the hearing.

Senator O'Connell: Said he was talking to a class of students in Velva who wanted to know why the female drivers are insured for less than the male drivers.

Chairman Klein: Asked if he explained the actuarial analyses that go into the way rates are set.

Senator O'Connell: Said he did that.

Senator Andrist: Asked if he had done any research to determine if this was sex-biased or is actuarially based the differential.

Senator O'Connell: Said that the students felt it was discrimination (3:40).

Patrick Ward, Association of North Dakota Insures: Written Testimony Attached (1).

Senator Andrist: Asked if the rates level off once the male reaches the age of 25 or marries.

Pat: Said as the young men age and take on more responsibilities in their lives, the rates begin to level off and yes they are much closer. The facts tend to show that women are better drivers than men, safer drivers.

Norbert Mayer, North Dakota Association of Insurance and Financial Advisors: Said they were concerned when they heard about this bill and they oppose the bill.

Chairman Klein: Closed the hearing.

Senator Andrist moved a do not pass.

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Senator Laffen seconded the motion.

Roll Call Vote: Yes - 7 No - 0 Absent: 0

Floor Assignment: Senator Andrist

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2235**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Andrist Seconded By Senator Laffen

Senators	Yes	No	Senator	Yes	No
Chariman Klein	x		Senator Murphy	x	
Vice Chairman Laffen	x		Senator Sinner	x	
Senator Andrist	x				
Senator Sorvaag	x				
Senator Unruh	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Andrist

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2235: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2235 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

SB 2235

TESTIMONY IN OPPOSITION OF SB 2235

Good morning Chairman Klein and members of the Senate IBL Committee.

My name is Patrick Ward. I represent the Association of North Dakota Insurers, State Farm Insurance Company, and the Property & Casualty Insurance Association of America in opposition to SB 2235.

SB 2235 would ask this legislature to require insurance companies to use an oversimplified approach to insurance underwriting which would increase overall costs of premiums for all to benefit a small portion of the highest risk category of drivers. I know that Senator O'Connell submitted this bill as a kind of civics lesson for a high school class in Velva because the boys there suggested that their insurance rating was unfair because boys have to pay higher premiums than girls.

Insurance risk classification for underwriting purposes should be driven by correlation with insurance losses and risk rather than other methods which attempt to promote income redistribution or other vague and conflicting social goals. Insurance rate making should be allowed to be based on the cost of providing insurance, the use of rating factors that are predictive of insurance loss experience, and to match price with insurance risk.

Those who want to prohibit rating classifications based on sex cannot dispute statistics indicating young unmarried male drivers have more accidents

than other drivers. Where use of such accurate predictive criteria is legislatively banned, estimates are that 80 percent of policyholders would pay more for insurance while 20 percent would benefit from rate decreases. The economic consequence of realities of the marketplace might also tend to make insurance coverage for cars operated by young drivers, especially young unmarried men, more difficult to obtain if such a change were made. Competition in the auto insurance market is vibrant. North Dakota currently ranks near the bottom in cost of automobile liability insurance for all drivers. The property and casualty automobile insurance companies oppose any legislation denying insurers the right to consider these factors in developing an actuarially justified rating classification system.

The rationale behind gender-based rates

The use of gender as an auto insurance risk classification factor is very important and is justifiable. Insurance is a risk transfer and pooling mechanism that places individuals into groups with essentially the same exposure to loss. The concept of risk classifications was developed to reflect statistically well-defined categories which would identify those who are more likely to incur losses.

After collecting decades of auto loss experience, insurers have determined that characteristics reflecting the age, sex and marital status of the driver and the territory (i.e., where the car is garaged) are among the most effective variables in terms of predicting loss likelihood and severity. Other factors may include mileage driven, vehicle use, and driving experience. By using all of these

different rating factors, insurers are able to assess drivers' risks more accurately and price their product equitably.

Insurers find that sex is a particularly significant variable for evaluating risk posed by youthful drivers under the age of 25, and marital status is significant for evaluating risk posed by young males.

Findings from one study "Sex Differences in Driving and Insurance Risk," prepared by The Social Issues Research Centre, August 2004 (www.sirc.org/publik/driving.pdf) regarding the driving performance between men and women are as follows:

- i) "There is extensive evidence to show that men, and young men in particular, tend to be more aggressive than women...This has a very significant impact on driving – encouraging more competitive and hostile behavior with consequent higher probabilities of crashing."
- ii) "Men have been shown to have a higher rate of crashes than women. This gender difference is most marked in the population under the age of 25 years, but is also evident among older drivers. The difference between the sexes in terms of the number of fatalities resulting from road crashes is similarly marked."
- iii) "Men incur their first crash earlier in their driving career and are more likely to be held to blame for the incident."
- iv) "Males are more likely to exceed speed limits and commit other traffic offenses than females."

Statistics show that males generally have less favorable driving experience than females. According to the Federal Highway Administration, males were involved in roughly 6.1 million crashes in 2007, of which nearly 41,000 were fatal. Males represent almost 50 percent of the driving population but are involved in 58 percent of total crashes (or 74 percent of fatalities). By comparison, females are involved in about 4.4 million crashes, with about 14,100 of them being fatal.

Source: Msn.money, "Worse Drivers: Males or Females?" Updated September 2010; money.msn.com/auto.../worse-drivers-males-or-females-insure.aspx?...

Car crashes		
Type of crash	Males	Females
Fatal	40,804	14,099
Injury	1.7 million	1.3 million
Property damage only	4.3 million	3 million
Total	6.1 million	4.4 million

Sources: U.S. Department of Transportation and National Highway Traffic Safety Administration, 2007; countrywide data

We strongly urge a DO NOT PASS on SB 2235.