

## Suit Filed To Protect Gay Couple's Rights

National Gay Rights Advocates has filed suit against Farmers Insurance Company, on behalf of a gay couple, Boyce Hinman and Larry Beaty, who have been denied a joint "umbrella" liability insurance policy on their house. Farmers has insisted that they buy two separate policies because they are not married. Since state law prohibits gay and lesbian couples from marrying, such underwriting practices effectively bar them from obtaining insurance policies on the same favorable terms as married couples. NGRA contends that Farmers' pricing of the "umbrella" policy violates the Unruh Civil Rights Act prohibiting arbitrary discrimination by business establishments.

"Boyce Hinman and Larry Beaty have lived together for seventeen years," commented NGRA Legal Director Leonard Graff. "They own a home, two cars, and all of their furniture together; they share the common necessities of life and are each others' primary beneficiaries in their wills and insurance policies. Farmers has already issued them joint homeowners and automobile insurance policies, but has now refused the joint 'umbrella' policy. Making them buy two separate policies at twice the cost is quite plainly arbitrary discrimination."

"When businesses attempt to charge gay and lesbian couples more for the same services provided to heterosexual couples on the grounds that 'they aren't married,' they can expect a legal battle. Although legal marriage is not yet an option for gays and lesbians, we will use the civil rights laws and the courts to secure our rights as legitimate couples."

NGRA's cooperating attorneys on the case are Paul Dion and Maureen Sheehy from the law firm of Feldman, Waldman & Kline in San Francisco. The lawsuit was filed in Sacramento County where Boyce Hinman and Larry Beaty reside.

Statement of Walter Zelman

I'm pleased to have this opportunity to support the recommendations in the report of the Task Force on Family Diversity. These recommendations touch on some important issues and I want to emphasize that, as Commissioner, I would implement them aggressively.

The unwillingness of the present Commissioner to enforce these proposals reveals the continuing dark-age-mentality that frequently pervades today's Department of Insurance.

I believe that the Commissioner does have the authority to disallow discrimination based on marital status and that the Commissioner should rule such discrimination to be an "unfair practice".

To be sure, we should distinguish specifically what we are talking about. We are not necessarily talking about individuals sharing the same house -- we are talking about couples living together in marriage-like circumstances.

The latter grouping raises the easier question, in my mind. People should not face discrimination because of their sexual orientation or because they chose to live as a couple without getting married.

Our society should adopt this posture even if insurance companies can demonstrate -- and I doubt they can -- that the actual wearing of a wedding band makes one a better risk. In short, there are some areas of bias we must not accept. There's nothing new in this concept. We apply it in all kinds of social, economic, and political relationships; we should apply it in insurance as well.

The issue of rating individuals differently because they are single as opposed to living as a couple is a slightly more complicated matter. I suspect that insurance companies can make a case to suggest that 25 year old single males are, as a class, a higher risk than married 25 year old males, or males living in marriage-like relationships.

But I doubt that distinction lasts very long. I suspect that by the age of 30 or 35, any such distinctions don't exist and become bias -- a bias that, more than anything else, may impact the gay members of our society.

In addition, I want to say a few words about one other aspect of the Family Diversity Task Force Report. I was surprised that the section on child care did not consider the insurance issue. Insurance has been a critical issue and problem in child care with many facilities at different periods in time, unable to obtain or afford insurance.

November 28, 1989

Consumer Task Force on Marital Status Discrimination

Testimony of Bill Press

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Good Afternoon!

I am very grateful for this opportunity to appear before you today.

Our recent sad experience with Measure M in the City of Irvine and Prop. S. in San Francisco proves that ignorance and phobia and hatred of persons with different lifestyles is very much alive in California - despite all the progress we have made - and I congratulate you and thank you for your efforts to continue to raise these issues, to seek consensus, to search for solutions, until this insidious form of discrimination - discrimination against persons based on their alternate lifestyle or alternate form of relationship - is eliminated.

Your efforts, of course, build on the excellent work and final reports of the City of Los Angeles Task Force on Family Diversity and the California Task Force on the Changing Family.

I am here today wearing at least three hats.

Yes, first, as an exploratory candidate for the position of State Insurance Commissioner, to be elected for the first time next year, one who will have great responsibility for carrying out the recommendations of this task force - and I already eagerly look forward to doing so!

Second, as a KABC-TV commentator, who has spoken out many times over the years on the issues we are talking about today.

Third, as a proud and long-time Governor and Director of MECLA - an organization which has as its very raison d'etre the rights of women and gays and lesbians and all Americans whose sex or sexual preference or living arrangement is considered, by some, to be outside the norm.

As a member of the Board of MECLA, seven or eight years ago, I first became aware of the very real discrimination against persons of alternate lifestyle practiced by insurance companies. And, while it may be considered risky for someone like me to praise anyone in the insurance industry, I must

tell you it was Tony Melia - also a member of the MECLA Board at that time - who first raised these issues and organized the community around them.

You're going to hear from Tony soon. But I want to thank him and salute him for his pioneer and still pioneering leadership in this area.

Now - first - a couple of brief remarks about the problem - and then my comments on your specific questions.

Because the problem - as I learned from Tony and others - is that the business of insurance is, by its very nature, the business of discrimination...Discrimination, in its broadest sense...Sorting out whom you're going to sell a policy to, and whom you're not..To a limited extent, as a business decision, that kind of sorting out is expected and acceptable.

The evil is - as we have all experienced - that insurance companies have made the need to discriminate in its broadest form a license to discriminate in its most narrow form: discriminating against persons or classes of people for reasons that have nothing to do with risk, that merely

reflect and perpetuate the hatred of the day.

Until the 1960's, in this country, insurers charged black customers more for life insurance because, they said, black people were statistically more likely to die young. A 1961 insurance textbook even justified race-based discrimination as "rational discrimination.":

Jews, expected to live longer, were given better breaks on life insurance. But not for disability insurance. "Jews are expensive", warns a classic insurance manual, because "Jews eat too much, with higher than average incidence of obesity and diabetes."

Fortunately, most insurance companies have ceased basing their rates on religious factors.

Racist ratings, however, continue in the form of redlining of automobile insurance rates in California's urban areas. And gender-based discrimination is still official industry policy. As late as last year, the National Association of Insurance Commissioners condemned race-based rates but refused to condemn gender-based rates.

As a result, all women pay more than men for health and disability insurance and receive less in pensions and annuities.

And, as the National Organization for Women points out, even though four out of five adult drivers now pay "unisex" premiums, women still end up paying proportionately higher than men because they only drive half as many miles a year and have half as many accidents.

And now, thanks to your efforts, the spotlight is also on discrimination based on marital status - discrimination which the insurance industry doesn't even yet admit, but which is nonetheless real - and you know the results:

\*some companies refuse to issue a joint homeowners policy in the names of two same-sex householders;

\*most companies will not offer a family discount on automobile insurance to an unmarried couple who live together and share cars, even though such discounts are routinely offered to married couples;

\*some companies refuse to issue a life insurance policy if



the consumer names a beneficiary who is not related by blood, marriage or adoption.

\*unmarried couples also experience lifestyle discrimination when attempting to purchase renters insurance.

And these are just a few of the more blatant examples.

There is no actuarial basis for such discrimination.

There is no moral basis for such discrimination.

And all forms of such discrimination must stop.

1. There is no doubt that refusing to issue joint policies, denying coverage or charging higher premiums on the basis of marital status of an individual or couple violates both the letter and the spirit of Proposition 103.

Among its many provisions, Prop. 103 explicitly makes insurance subject to the Unruh Civil Rights Act, which bars all forms of arbitrary discrimination by businesses of every kind.

2. Under Section 790 of the State Insurance Code;, the Insurance Commission not only can, but should, prohibit marital status discrimination as an "unfair practice."

Companies which refuse to change their policies or continue to discriminate based on marital status should have their license suspended or revoked.

Catching, tracking and taking action against these violations, of course, requires the presence of a strong, consumer-oriented and action-oriented Consumer Protection Division within the Department - which does not now exist, and will not exist until there is an elected Insurance Commissioner.

3. In order to ensure maximum consumer protection, the Insurance Commissioner should - and this Insurance Commissioner will - routinely refer verified cases of discrimination to the State Attorney General, to County District Attorneys and to City Attorneys with possible jurisdiction - so that they are aware of such fraudulent practices and can also take appropriate enforcement action.

While this is a good beginning, there are at least two other enforcement actions which I, as Commissioner, would undertake immediately:

1. To adopt a policy making ratings based on sex, sexual preference or marital status illegal in California for all lines of insurance.

That would make California the fourth state in the nation - after Montana, Massachusetts and Pennsylvania - to adopt gender-neutral ratings - and the first state, to my knowledge, to outlaw discrimination in insurance based on marital status.

2. To outlaw the practice of many insurance companies who refuse to write health insurance policies to any single male, sick or healthy, gay or straight, just because they happen to live in certain zip codes. This is redlining at its worst. This is immoral. This can no longer be tolerated.

Again, Mr. Chairman and Members, thank you for the opportunity to appear before you.

Whatever happens, I am committed to continuing to work with you on these issues - and I hope I have the opportunity to implement your recommendations as California's next Insurance Commissioner.

SUMMARY OF CONWAY COLLIS' TESTIMONY BEFORE THE TASK FORCE ON  
MARITAL STATUS DISCRIMINATION, NOVEMBER 28, 1989

I founded and chair the Prop. 103 Intervention Team, among other things, to analyze the rationale behind the insurance industry's rating factors. The team is comprised of lawyers, statisticians, accountants and actuaries but sometimes this posse of experts is not necessary to recognize arbitrary industry rating practices.

At one point I sat down with the top rate-setter for a well-known insurance company and was told that the reasons he was using some criteria was simply because they "seemed" right to him. No statistics. No data. No history to base it on.

Marital status is as arbitrary and nonsensical of a rating factor as any, and as such is clearly discriminatory.

As Chair of the Intervention Team I have called, and will continue to call, for an end to discrimination on the basis of age, gender, sexual orientation or marital status.

**What to do about it**

We need an Insurance Commissioner who will issue a ruling which prohibits marital status discrimination. The Commissioner would then have the power to "suspend or revoke, in whole or in part, the certificate of authority of any insurer which fails to comply" (Insurance Code section 1861.14). Additionally, the Insurance Code (section 1559.1) empowers the Commissioner to levy a \$50,000 fine against companies who are not in compliance. If the failure to comply is found to be willful then the fine increases to \$250,000.

Finally, the Task Force on Family Diversity's 1988 report correctly recommends that complaints be forwarded from the Insurance Department to the Attorney General's office. This would allow the AG to take direct action or refer the matter to the appropriate district attorney, city attorney or to the Department of Fair Employment and Housing.

It is a disgrace that right now, these agencies have to solicit the Insurance Commissioner to see consumer

complaints. It's a total disgrace. The Insurance Commissioner should be out there vigorously seeking enforcement of the laws she was appointed to oversee.

I believe that a strong Commissioner can deliver the promise of 103, as well as additional insurance reforms, without any new laws. Prop. 103 provided the enforcement mechanisms necessary to implement the law, all we need now is a Commissioner who cares about implementing them.

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**MR. ARLO SMITH, WITNESS**

Please see text of testimony on page 196 of the Supplement.

Questions and responses:

MR. COLEMAN: Noted that the Los Angeles office of the California Attorney General was invited to participate in the task force and the office declined.

MR. AFRIAT: Could Mr. Smith advise the task force how to implement most effectively its recommendations in light of the recent defeat of the domestic partners ordinance in San Francisco?

WITNESS RESPONSE: 1- Proposition S's failure was due to timing, off year election, low voter turnout and a more conservative turnout. Therefore not really a reflection of San Francisco but rather those who went to the polls.

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**BILL PRESS--WITNESS**

Please see text of testimony on page 201 of the Supplement.

Questions and Responses:

MR. NANCE: I am going to play devil's advocate here for a moment. I understand your recommendation to ban rating based on marital status and sex, yet if I were a single or married woman I would probably pay less than a man and might resent the increase I would suffer in order for unisex rating to work. The same idea applies to life insurance. Many companies issue policies to women at a premium rate six years less than men. Are we in essence also discriminating against women by forcing them into an artificial category?

WITNESS RESPONSE: I don't see how you can defend any continuing difference in ratings based on a person's sex, sexual preference or marital status. I think it is a far less inequality that some people may end up paying more. As a society we have more important goals. There certainly will be some people who benefit from the current discrimination.

MR. NANCE: Many life insurance companies require HIV tests for males but not for females.

WITNESS RESPONSE: My policy is and always has been is to oppose the testing for either sex.

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CONWAY COLLIS, WITNESS

Please see text of testimony on page 284 of the Supplement.

Questions and responses:

MR. AFRIAT: What about the problem of keeping insurance companies in California if rules are enacted which offend them?

WITNESS RESPONSE: The real long term importance of Proposition 103 is that it creates a totally regulated industry, much as public utilities are regulated presently. When companies attempt to put pressure on group health plans in order to force people out of the plans once they have vested, I see this as an unfair business practice. This unfair practice then should be dealt with as previously mentioned, up to the point of revoking the carrier's business license. Once this starts happening, companies may claim

that they are going to leave, but not very many companies will voluntarily leave the most lucrative auto insurance market in the world. Nor will they want to lose the ability to issue health insurance policies in California. They will cry wolf and then back down. I think if we prosecute a few companies, the others will fall into line.

MR. NANCE: It has frustrated me that we cannot enforce state laws against an out of state trust. Was there anything in Proposition 103 which addressed this?

WITNESS RESPONSE: No there was not but the solution is to require the company and its directors and officers to agree to answer California subpoenas and agree to operate subject to California administrative agencies. If the company refuses, then they should not be granted a license to operate in California.

MR. Mc CAULEY: Historically have such conditions ever been applied to insurers?

WITNESS RESPONSE: No, but in other businesses this has been done. The problem is that the insurance industry has had a virtually free rein. Health facilities are also feeling a tremendous crunch. There is presently authority to form Joint Underwriting Authorities, "JUA's" for necessary public facilities. I would mandate the formation of these for health facilities across the state in order to assure reasonable insurance for these crucial public services.



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**WALTER ZELMAN: WITNESS**

Please see statement on page 209 of the Supplement.

Questions and responses:

MR. COLEMAN: Let me just make sure that I understand correctly what you are saying, that marital status discrimination under present law is illegal, even if the companies have numbers to back up this discrimination, but that with respect to the way the companies treat individuals, marital status may be relevant, but the companies would have to prove the appropriateness of this rating?

WITNESS RESPONSE: Yes. I am still new in this campaign, and I am not ready to say that we should not permit a difference in rating for single people. I do not think that an unmarried couple should be treated differently than a married couple.

MR. NANCE: It is interesting that two of the speakers had different opinions on whether provable rate variations should be permitted. I understand some of the past logic but would like to see changes.

WITNESS RESPONSE: I agree, but so long as we have a system of private insurance, some legal distinctions may be acceptable to use and others not. I think that in health care we should not have a private system, it should be nationalized. Even with a legal distinction, they still must prove that it is relevant to risk. Then we must decide whether it is appropriate or not.

MR. NANCE: We have already made some of these social decisions.

out. Physically disabled parents only receive six months of family maintenance support and this parent may need ongoing care in order to raise children. Social services and insurance companies prefer to institutionalize the disabled and their children rather than pay for "baby sitting".

Homosexual sex offenders were controlled more and treated more harshly by the institutions.

Mr. Coleman: We must hammer away and address our concerns regarding privacy to our representatives in Congress. We should propose legislative policy on human relations for the disabled.

MS. WAXMAN: Does this task force have committees on which the disabled could participate?

MR. COLEMAN: Coleman: No unfortunately we are very short lived and will disband in March. I will however send you a draft of the report so that you may critique it.

MR. SOLIS: The Fair Housing Counsels may be able to assist the disabled.

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TONY MELIA: WITNESS

Testimony Summary:

I have worked in the California Insurance Industry for thirty three years and have encountered a great many episodes of discrimination against gay and lesbian couples, unmarried couples, and single people. I was on the MECLA Board for a number of years and am now on the Board of Governors. I was a co-founder and three year president of Business and Professional Association, a group of gay men and lesbian women in Southern California. I was a three

year president of the West Hollywood Chamber of Commerce and am currently on the board. I am President of Comunidad, which is the Catholic Church's outreach group to homosexuals.

Auto Insurance offers a second car discount for a married couple or two related people living together. Two individuals living together generally find that they cannot get this substantial discount--often twenty percent. Furthermore, if a person is not named on the policy, which is common with domestic partners, this person does not have uninsured motorist protection if hit in a taxi or other similar circumstance.

The concept of "additional named insured". Certain rights automatically come to a married or related person in the same household. These rights do not come to any other residents unless they are explicitly named. One cannot depend on insurance as an unnamed additional insured. Yet one can be penalized for the bad driving record of a roommate.

Homeowner's insurance: Unless a person is named on the policy, coverage will not usually extend to that person, and then only to the extent of the insured interest of the named person. An example is a painting owned by two unrelated people and only one is named. The unnamed person's interest needs to be added yet many companies will not do this even though endorsements exist. If each person gets their own policy, co-owned property becomes a problem. Ironically, a guest in your home is covered. This is tricky since insurance companies will ask the claimant if the unnamed person has lived in the residence for a prolonged period, shared in the costs of upkeep etc. Then the company will claim that this person is not

a guest and therefore does not receive guest protection.

Insurance companies justify their actions by stating that they must give personal liability insurance to two separate people under one policy and this is unfair. However, the companies will gladly do this for two brothers or an aunt and a niece without an additional charge.

Often anti-gay reasons are mentioned by the company such as instability, negative court prejudices which might result in undesirable verdicts if the company has to represent a gay person in court, gay people gather high value property and drink and entertain more. One insurance company wrote Mr. Melia a memo demanding that he write more policies for married couples or the company would refuse to accept any more unmarried people. They company later cancelled his agency contract. Another company was angered with the number of gay clients he had sold to and also cancelled his contract.

Often companies have gradings for premium rates such as preferred, standard and surcharge market. When these companies write policies for non-married couples, they almost always prefer the surcharge premiums.

Mr. Melia is unaware of any company which will add an unmarried significant other as a dependant under a life/health policy. Furthermore, underwriters tend to look at single males with greater caution and often reject them.

Insurance companies have taught employers a financial lesson by increasing employee premiums to astronomical heights if high risk people are hired. Mr. Melia referenced Sixty Minutes 11/20/88

in which a man, named Bill Stewart, with a small business, was paying \$114.00 per month for each of his employees in March 1987. Then he became ill with AIDS. By October of 1987 the insurance company had raised the premium to \$297.00, by June of 1988, it was \$1050.00 and before Mr. Stewart's death the premium was \$2000.00 per person per month. Thus a non-gay employer is taught to shy away from single male employees.

Questions and responses:

MR. NANCE: Comment: Auto insurance companies will cancel the policies of their clients with AIDS since they perceive a worsening of driving ability,. Yet with other illnesses and the elderly these same company will prefer to mandate regular driver's ability testing, and doctor's certificates to termination.

WITNESS RESPONSE: : The threatening memo discussed in my testimony was written by Safeco Insurance.

MR. COLEMAN: Do companies have the right to balance their clients by saying that agencies in cities such as West Hollywood must have as many married couples as an agency in a more traditional suburb?

WITNESS RESPONSE: Gay and lesbians do not drive differently than people who are married with children.

MS. HOWARD: Comment: As for cancellations backed by Proposition 103, if the DMV will give the driver a license, then the insurance company may not cancel the policy for a reason such as AIDS.

WITNESS RESPONSE: : Do you force the companies to write these policies at the usual rate?

MS. HOWARD: Yes.

WITNESS RESPONSE: : And what is the turn around time?

MS. HOWARD: We require the companies to answer within ten days.

WITNESS RESPONSE: : Is there anyway to allow a person to drive with insurance until their is a hearing if one is scheduled?

MS. HOWARD: This has not been resolved.

WITNESS RESPONSE: : Suggested that the Insurance Code should mandate a twenty day stay of all cancellations so that people can continue driving while the dispute is resolved.

MS. HOWARD: Liked the idea.

MR. NANCE: Suggested that health insurance cancellations be handled similarly and that the department should be more accessible to the public.

MS. HOWARD: We are trying to distribute brochures but a lot of people still are unaware of us.

WITNESS RESPONSE: : Roxani Gillespie is the first commissioner in my thirty three years of insurance experience to address a memo regarding discrimination against gay and lesbian people and those who are HIV positive.

MR. NANCE: Yet the Department of Insurance worked with Blue Cross to help them dump their high risk clients so as to keep the company viable. In doing so, the Department of Insurance violated their own standards. I cannot get the department to take action against carriers which are repeated offenders. The department will only look at each case on an individual basis but not as an unfair practice.

JOAN HOWARD: I will raise this soon and address more issues,.

MR. NANCE: I have had some good relations with the Department, yet their is still'room for improvement.

MR. RHINE: There has been an attempt made in large group policies to exclude disabled infant.

JOAN HOWARD: Yes we need to educate group policy buyers as well.

MR. COLEMAN: Would we get a copy of the Safeco letter?

WITNESS RESPONSE: : Yes, though Safeco won't like it.

Mr. COLEMAN: Since agents are penalized for upsetting the companies, maybe the Department of Insurance needs to have a more confidential complaint system so that the agent can inform them of wrongdoing with out losing agency contracts.

WITNESS RESPONSE: : Yes, the public sees agents as cohorts of the insurance companies whereas "we" are discriminated against for obtaining the "wrong" kind of buyers and our contracts are cancelled. Eventually we are forced out of business by this redlining.

JOAN HOWARD: We now do not allow an auto insurance policy to be cancelled just because an agency contract has been terminated.

WITNESS RESPONSE: : But this is unfair to the agent since then the company can write the policy direct and cancel the agent.

MS. HOWARD: But consumers were suffering previously.

MR. COLEMAN: Ms. Howard has been asked to speak in the future, but her office has been in flux, therefore how about our next meeting? The 1975 Insurance Commission prohibited marital status discrimination, yet this regulation has collected dust. Maybe now we can look forward to more aggressive action.

MS. HOWARD: I'll let you know next week if I can speak and hopefully we will see increased action.

STATEMENT TO THE  
CONSUMER TASK FORCE ON  
MARITAL STATUS DISCRIMINATION  
NOVEMBER 28, 1989

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Mr. Chairman and members of the Task Force, my name is Robert Wright and I am appearing at the Chairman's request on behalf of the Automobile Club of Southern California and its affiliated Interinsurance Exchange. I have been asked to address two issues: (1) the Interinsurance Exchange's policy regarding multiple car discounts for unmarried persons; (2) the Automobile Club's policy concerning member and associate membership dues.

Multiple Car Insurance Discount

Prior to 1984, the Exchange's multiple car discount on automobile liability policies was available to families based upon more favorable loss experience for families as a group as compared to all other insureds. In 1984, we were contacted on behalf of two of our unmarried insured members with a demand that the discount be extended to unmarried persons. This demand prompted us to review the basis for the discount.

We found that, at that time, the principal legal control over any differential in insurance rates was the statutory provision that rates may not be "unfairly discriminatory." With regard to insurance rating, this means that rate differentials must be actuarially justified. We knew that married couples with more



than one vehicle had a better loss ratio per vehicle than single insureds with one vehicle. We identified, as the probable reasons for this, the circumstances that married couples live at the same residence and have a common ownership in the vehicles.

After analyzing the situation, we reached the conclusion that we might obtain the same loss experience results if we extended the multiple car discount to other households where these same circumstances existed. Consequently, we expanded our multiple car discount policy to include any household in which the residents have a common ownership in the insured vehicles, live at the same address, and garage the vehicles at that address. We are tracking the loss experience of persons in this group to determine whether the discount is justified.

#### Membership Policy

The Auto Club's current membership policy is set forth in the Club bylaws. There are two categories of adult membership - member and spouse associate. To be eligible for spouse associate membership status and the spouse associate member dues rate, a person must be the spouse of a member residing in the same household. Currently, member dues are \$35 annually, and spouse associate dues are \$13.

Before 1970, dues were not collected on cards issued to spouse associates. However, an analysis indicated very substantial

usage of emergency road services by nonmember spouses of the "master members" as they were called at that time. To eliminate this unfairness, dues were assessed for the issuance of spouse associate cards, based upon the emergency road services used by these members as a group.

In 1987, a group of members including Mr. Coleman requested a revision of the Club's bylaws to eliminate the spouse associate membership and substitute a "household associate" membership to stop what these members viewed as a discriminatory practice. In response to the request, we undertook a comprehensive review of our membership classifications and dues structure. At the outset, it was contemplated that the work of the committee would be completed within a few months. However, the complexities of the issue presented, and the need to be as thoughtful and thorough as possible in reviewing and evaluating available data resulted in extending the time frame for completion of the study.

The committee conducted a thorough review of our most heavily used and most costly service to various combinations of members and associates resident in the same household. For example, large samples of two-member households of various configurations (such as same surname, different surname, etc.) were reviewed and the average costs of emergency road service usage compared to those of member/spouse associate households. That review clearly established that the costs of member services associated with

member/spouse households as a group are significantly lower than for any other combination.

Additionally, the committee reviewed other relevant factors such as feasibility of administration, the potential for invasion of the privacy of our members, and legal requirements. The committee also spent much time and effort examining a variety of hypothetical alternative classification systems and the impact such systems might have upon the Club and its members.

It appears from our review that the dues rate currently charged for spouse associates is justified by the cost to the membership as a whole of providing services to this group. While we understand the desire of other groups to have available to them what has been commonly viewed as a discount, we believe that the existing method of allocating the cost of membership services according to usage is fair. The Automobile Club is organized on a not-for-profit basis. The dues we charge our members must be adequate to cover the services rendered to our members. If public policy considerations were such as to lead to a law prohibiting a differential in dues between spouse associates and others, the Club's only financially responsible course of action would be the elimination of the spouse associate discount, not the extension of the discount to non-spouse household members. We believe this would be unfairly discriminatory as to the more

than two million Automobile Club members and associates who now justifiedly enjoy the spouse associate rate.

Thank you Mr. Chairman and members. I would be pleased to respond to any questions or comments.

RMW:ilo