Fireman's Fund

Fireman's Fund
Insurance Company

N. Douglas Martin, Jr.
Vice President & Counsel

October 1, 1992

Thomas F. Coleman
Law Office of Thomas F. Coleman
P.O. Box 65756
Los Angeles, CA 90065

Dear Mr. Coleman:

Enclosed find our response to the Task Force survey. We have responded to the sections concerning Auto Insurance, Homeowners, Umbrella Liability Insurance, Other Use of Marital Status, and Zip Codes. Fireman's Fund does not write Health, Dental or Life coverages and we have not responded to the particulars in the survey within those sections.

We note the inclusion of a survey question regarding marital status in underwriting for Umbrella coverage. As you can see, Fireman's Fund does consider the marital status of couples who are applying for joint Umbrella coverage. However, Fireman's Fund Umbrella underwriting practice is consistent with California law as articulated in Beaty v. Truck Insurance Exchange, 8 Cal.Rptr.2d 593 (Cal.App. 3 Dist. 1992).

The court states clearly in Beaty that "the Unruh Act makes no mention of discrimination on the basis of "marital status." The Beaty court goes on to state "no court has extended the Unruh Act to claimed discrimination on the basis of marital status and we shall not be the first to do so."

In light of existing case law and, as articulated by the Beaty court, "[its] recognition of a strong public policy favoring marriage. [Citation]" Fireman's Fund feels this survey's questioning of the use of marital status as an underwriting criterion is inappropriate and misplaced.

We are pleased to have responded and value the opportunity to participate in the Department of Insurance Anti-Discrimination Task Force.

Very truly yours,

N. Douglas Martin, Jr.
Vice President and Counsel

Enclosure
NDM/ed

777 San Marin Drive, Novato, CA 94998 415 899 3414

Law Office of Thomas F. Coleman

Post Office Box 65756, Los Angeles, CA 90065
(213) 258-5831 / Fax 258-8099

October 5, 1992

Mr. N. Douglas Martin Jr.
Fireman's Fund
777 San Marin Dr.
Novato, CA 94998

Dear Mr. Martin:

Thank you for responding to the survey conducted by the Workgroup on Marital Status and Sexual Orientation Discrimination.

It was nice of you to enclose a copy of the Court of Appeal decision in *Beaty v. Truck Insurance*. I am well aware of the case inasmuch as I was the attorney who petitioned the Supreme Court for review and/or depublication on behalf of the plaintiffs.

I think you overstate your point when you say that including umbrella coverage in the survey was "inappropriate and misplaced." The *Beaty* case decided one issue only: that marital status discrimination in umbrella coverage did not violate the Unruh Act. The court had no occasion to decide whether such discrimination would be a violation of any provision of the Insurance Code (e.g. 679.71 or 1861.05). Although the plaintiffs in *Beaty* lost on those grounds in the trial court, they did not appeal on those issues. As you know, a trial court decision is not binding on anyone other than the immediate parties. Other consumers are free to challenge such discrimination in future administrative or judicial fora. Furthermore, marital status discrimination in umbrella coverage may constitute an unfair business practice in violation of the Business and Professions Code. Additionally, the Insurance Commissioner may decide to issue regulations dealing with discrimination in umbrella coverage. All of these issues remain to be explored.

The mandate of the Insurance Commissioner's Anti-Discrimination Task Force is not limited to a study of insurance practices that violate existing law. After reviewing our report, the Commissioner may want to propose new legislation. Umbrella coverage may fall into this category.

There was a time in history that sex discrimination was not only tolerated but promoted. Race discrimination was codified in law and court cases. I wonder whether in that previous era, Fireman's Fund would have felt that a survey about such discrimination would have been "inappropriate and misplaced." Society is changing. Public policies are also changing. I hope that Fireman's Fund is not locked into any status quo of discrimination simply because it is the status quo.

Again, thank you for responding to the survey. I hope that Fireman's Fund is interested in providing fair rates to unmarried adult consumers, a constituency that comprises over 43% of the adult population of California a majority of adults in most metropolitan areas in this state.

Very truly yours,

THOMAS F. COLEMAN

RESPONSE BY

PROFESSIONAL INSURANCE AGENTS ASSOCIATION

TO SURVEY CONDUCTED BY THE

WORKGROUP ON MARITAL STATUS AND

SEXUAL ORIENTATION DISCRIMINATION

Law Office of Thomas F. Coleman

Post Office Box 65756, Los Angeles, CA 90065
(213) 258-5831 / Fax 258-8099

August 11, 1992

Ms. Pamela Weddertz
Professional Insurance Agents
P.O. Box 2557
Santa Rosa, CA 95405

RE: Anti-Discrimination Task Force
Workgroup on Sexual Orientation
and Marital Status Discrimination

Dear Ms. Weddertz:

I would like to thank your association for the offer to assist the Insurance Commissioner's Anti-Discrimination Task Force. I hope that some of your association's members can provide information to document sexual orientation and marital status discrimination.

In particular, my workgroup would be interested in examples of discrimination, such as:

* **Auto Insurance Discrimination**: (1) refusal to provide coverage to unmarried persons or unmarried persons under a certain age; (2) charging higher rates to unmarried persons than to married persons with similar driving record; (3) instructions to agents not to write coverage to more than a certain % of unmarried clients; (4) refusal to issue a joint policy to an unmarried couple with multiple-car discount, even though both cars are owned jointly; (5) adding a marital status surcharge for motor homes if owned and operated by an unmarried person; (6) other forms of discrimination like these.

* **Joint Homeowners / Renters Policy:** refusal of a company to issue a joint policy to an unmarried couple who live together and jointly own a house or rent an apartment.

* **Joint Umbrella Liability Policy:** refusal of a company to issue a joint umbrella policy to an unmarried couple who live together and jointly own property, e.g., cars, house, etc.

Ms. Pamela Weddertz
August 11, 1992
Page 2

* **Life Insurance Beneficiary Designation:** refusal of a company to allow an applicant-owner of a life policy to designate an "unrelated" adult as a beneficiary, on the theory that the unrelated adult does not have an insurable interest in the life of the owner-applicant of the policy.

* **Health and Dental:** (1) refusal of a company to provide coverage under a "family" plan to an unmarried man and woman and their biological child, all in one policy; (2) refusal of a company to provide coverage for a domestic partner of an employee, even though the employer would like to have domestic partner coverage.

* **Redlining for Singles and Gays:** (1) any methods used by companies for any type of insurance to limit the number of policies they issue to singles or gays; (2) any threats or retaliation against agents who write too many policies to singles or gays.

I would very much appreciate receiving information on these topics before mid-October so that I can write my report on sexual orientation and marital status discrimination before November 1. Thanks for your help.

Very truly yours,

Thomas F. Coleman

THOMAS F. COLEMAN

December 3, 1992

ALLIED GROUP

Insurance

ALLIED Group
Don W. Beal Agencies
2312 Bethards Drive, Suite #8
M/A P.O. Box 2557
Santa Rosa, CA 95405
Phone: 707-526-6060
Fax: 707-526-4077

Mr. Thomas Coleman
P.O. Box 65756
Los Angeles, CA 90065

Suggested Responses for the Anti-Discrimination Task Force Workgroup on Sexual Orientation and Marital Status Discrimination

Item 1: AUTO INSURANCE DISCRIMINATION

1) Under proprosition 103, good drivers are defined as anyone who has three years driving experience and not more than 1 moving violation. This could be a 19 year old male or female. In the preferred markets, many companies are still reluctant to take drivers between the ages of 19 to 21 without supporting business from the parents. A non-standard market, however, will take these drivers and also give them a good drivers discount.

2) Statistics show that unmarried persons under the age of 30 utilize their vehicles more frequently for recreational purposes which may or may not include the consumption of alcohol. Whereas married persons in the same age group tend to stay home due to family constraints, thereby, lessening the exposure. Due to this perception by the insurance company, amiss that it may be, that there are two distinct groups within this age category and a rating discount is offered to the latter group.

3) Certain companies desire a properly balanced book of business. This minimizes their exposure to any one specific group.

4) As a general rule, most companies offer multi-discount if all autos in the household are registered to both parties.

5) I have not experienced this type of discrimination.

ITEM:2: JOINT HOMEOWNERS / RENTERS POLICIES

1) There is no difficulty as general rule with issuing a Joint Homeowners Policy as long as the Deed contains the names of both parties.

2) Until Insurable Interest can be better defined, Renters Policies are still issued on an individual basis by several companies. Handling the claim at the time of the loss is impacted by the difficulty of accurately determining the values of each persons loss.

ITEM 3: JOINT UMBRELLA LIABILITY POLICY

1) There is usually no problem in issuing a Joint Umbrella Policy for unmarried couples. The restrictive factor in the Umbrella Policy is that ALL covered properties MUST be held in both names, otherwise it may not be eligible for coverage.

ITEMS 4 & 5: LIFE INSURANCE BENEFICIARY DESIGNATION/HEALTH & DENTAL

1) We suggest that you contact the California Life Underwriters Association to obtain information on the above mentioned subjects. Since they deal with these types of coverages on a daily basis, they can provide a more detailed account of these types of discrimination.

ITEM 6: REDLINING FOR SINGLES AND GAYS

1) In the Property and Casualty side of the Insurance Business, there is no blatant discrimination against a person due to sexual orientation. However, there is a definite problem with the geographic location of a person, but this applies to all potential clients.

I hope the above will assist you in your written summary to the Insurance Commissioner's Office. If you need any further assistance, please do not hesitate to contact me.

Sincerely,

Pam Wedertz

Pam Wedertz

:apw

REFUSALS BY BY

INSURANCE COMPANIES AND

HEALTH CARE SERVICE PLANS TO

PROVIDE MEDICAL AND DENTAL COVERAGE

TO UNMARRIED PARTNERS OF EMPLOYEES

City of West Hollywood
California 1984

July 27, 1992

Thomas F. Coleman
EEO Seminars
P.O. Box 65756
Los Angeles, Ca.
90065

Dear Mr. Coleman

As you know, the City of West Hollywood is vitally interested in the area of domestic partnership. Our Ordinance banning discrimination based on sexual orientation or marital status has been in effect since 1985. In addition, the City has offered general registration to domestic partnerships since 1985, and health benefits to the domestic partners of City employees since 1989.

We know of at least fifteen other cities and counties across the country which also have some kind of domestic partner recognition, and another fifteen which are considering such recognition. Although these policies are welcome and certainly long overdue, we recognize that there are still many obstacles which must be overcome before domestic partners will be offered all of the same benefits now offered to spouses.

Among these obstacles, the most common is insurer refusal to provide group health plan enrollment to domestic partners. In addition, many people cling to the false notion that domestic partnership relationships exist primarily among homosexuals. Included with this belief is the common but unfounded fear that extension of health benefits to domestic partners will lead to costly AIDS claims.

The League of California Cities is having its annual conference at the Bonaventure Hotel in Los Angeles on Oct. 10-13 of this year. We have set aside two time slots on Sunday(Oct. 11) and Monday(Oct. 12), at which participants of the League Conference can focus on Domestic Partnerships and especially discuss insurance needs and opportunities for them.

The purpose of the meeting is to form a coalition of agencies and individuals, and devise a strategy to solve the problem. Ultimately we hope to turn the tide in the insurance industry, including the State Public Employees Retirement System (PERS), so that health benefits can be widely available not just to spouses, but to domestic partners, at rates affordable to employees and to employers.

The meetings will be Sunday from 5-6:30 pm, and Monday from 4:45-6:30 pm. Your participation is important and encouraged. If you are interested, please give us the name of a contact person in your organization who may suggest any issues, concerns, or strategies you would like to address. I have attached a list of the local governments which have received this letter. Please let me know of any other cities you think might be interested in this subject, and I will be sure to invite them to join us at the League Conference.

If you have any questions or comments, please do not hesitate to call me at (310) 854-7400. Thank you for your attention to this matter.

Sincerely yours,

Bob

Bob Edgerly
Assistant City Manager

The following is a list of cities and organizations which have been invited to attend the Domestic Partnership meeting at the League Conference in October:

City of San Francisco

City of San Jose

City of Pasadena

City of Long Beach

City of Palm Springs

Cathedral City

City of Fremont

Fremont Unified School District

Fremont Unified School District Teachers Association

City of San Diego

City of Los Angeles

City of Escondido

City of Oakland

City of Palo Alto

City of Berkeley

City of Santa Cruz

City of Laguna Beach

City of Sacramento

City of Santa Monica

Principal William M. Mercer

Thomas F. Coleman, Attorney at Law

Office of the Insurance Commissioner

City of
West Hollywood

Administrative Services
Human Resources Division

November 12, 1992

Thomas F. Coleman
Spectrum Institute
P. O. Box 65756
Los Angeles, CA 90065

Dear Mr. Coleman:

The City of West Hollywood has approached, through its brokers, between 16 and 20 indemnity insurance providers with a request for a group quotation including domestic partner coverage. In each case, the request for a quotation was denied. The City continues its interest in obtaining a fully insured indemnity plan to add to its domestic partner benefits program and will pursue the option as the market responds to this issue.

In addition, we have had ongoing discussions with our former HMO provider, Kaiser South, in which we requested provision of domestic partner benefits to our group subscription. This benefit has been provided to other Kaiser subscribers in northern California, including the City of Berkeley and the City of San Francisco. This request was also denied.

Please let me know if we can be of further assistance in your efforts. I look forward to cooperating with you on this issue of mutual concern.

Respectfully,

Kevin M. Fridlington
Human Resources Officer

KMF:bj
HI/ln

8611 Santa Monica Boulevard, West Hollywood, CA 90069-4109. TEL. (310) 854-7400. FAX (310) 652-9930

COALITION FOR DOMESTIC PARTNERSHIP BENEFITS —
LOS ANGELES COUNTY

• Service Employees International Union, Local 535
• Service Employees International Union, Local 660
• American Federation of State, County and Municipal Employees, Council 36
• Lambda Legal Defense and Education Fund

July 11, 1991

Mr. Michael Leggett, Division Manager
Kaiser Permanente
Walnut Center
393 East Walnut
Pasadena, CA 91188

Dear Mr. Leggett:

We were glad to have an opportunity to meet with you on June 11, 1991 regarding our interest in the establishment of domestic partner benefits for Los Angeles County employees. As we discussed in our meeting, the Unions which are part of the Coalition for Domestic Partnership Benefits represent nearly 50,000 County employees.

Insofar as we foresee ongoing discussion regarding this issue, we thought it would be helpful to memorialize the main substance of our meeting for future reference. Our meeting focused primarily on those concerns which Kaiser has regarding domestic partnership benefits and the response, if any, which we were able to provide.

Your primary concerns were as follows:

1. <u>Risk</u> -You explained that Kaiser is concerned that there is no valid experience at this time regarding domestic partners since only a small number of domestic partners have been covered through any kind of group health insurance program. You indicated that Kaiser would consider experience data for 1,000 domestic partners and their dependent children over a three-year period to be valid.

We suggested that Kaiser consider a pilot project with Los Angeles County and perhaps some other large employers to create a sufficiently large pool to generate statistically valid utilization information.

2. <u>Relationship to Other Providers</u> -You expressed concern over Kaiser taking the lead in providing domestic partner benefits prior to other health care providers. You questioned whether Kaiser should take the initiative of offering theqe benefits, absent a substantial groundswell of interest on the part of employers who contract with Kaiser. Your concern regarding Kaiser's

c/o SEIU, Local 535 • 548 South Spring Street, #630 • Los Angeles, CA 90013 • 213/622-5660 • FAX 213/622-1964

relationship to the other health care providers was related to a concern that, if Kaiser were to take the lead, Kaiser would attract a disproportionate share of the domestic partners in the community.

We pointed out that domestic partners may in fact be a better risk than other dependents and that, therefore, it might be financially beneficially for Kaiser to be ahead of the other providers. Domestic partners tend to deliver less children and to be younger than other dependents, and may be a better risk as a result. Regarding the degree of initiative which Kaiser should take, we proposed that Kaiser provide domestic partner benefits for those groups who desire it, without necessarily taking the proactive step of offering it to all groups.

3. Definition -You questioned the appropriate definition of a domestic partner. We advised you that there were various definitions which were in use elsewhere and that there would be no difficulty adopting an appropriate definition.

4. Scope of Expanded Definition -You raised the issue as to why it would be appropriate to expand the current traditional definition of dependent to include domestic partners and their dependent children without extending it even further to include a subscriber's parents, for example. We explained that the nuclear family is the basis for the current definition of dependent as including a subscriber's legal spouse and dependent children. The nature of the nuclear family in the United States has changed dramatically in the last two decades, creating many households comprised of domestic partners and the children of one or both partners. An expansion of the definition of dependent to include domestic partners would therefore be consistent with the traditional focus on employer-supported health insurance for an employee and his/her nuclear family. Though we would not necessarily oppose a further expansion, such an expansion is not before Kaiser at this time and is irrelevant to the question of domestic partner benefits.

5. Employer Contribution -You clarified that, if Kaiser were otherwise willing to insure domestic partners and their dependent children, Kaiser would require that an employer make the same contribution toward the cost of their coverage as for all other dependents.

We're pleased that Kaiser has taken the initiative to form the Domestic Partner Task Force. As we indicated in our meeting, we expect Kaiser to take the lead in this area because of its progressive history regarding health policy. We look forward to consulting with you further as your Task Force pursues its work. Please keep us posted of your progress.

Sincerely,

Phil Ansell

Phil Ansell
Senior Field Representative
SEIU Local 535

cc: Marilyn Lundstrom, SEIU 660
John Wyrough, AFSCME Council 36
Mary Newcombe, LAMBDA Legal Defense and Education Fund

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(29/cmm)

KAISER PERMANENTE
Kaiser Foundation Health Plan, Inc.
Southern California Region

AUG 1 . 1992

ALA..

August 10, 1992

Mr. Bud Treece
Vice Chair
Coalition of County Unions
828 West Washington Boulevard
Los Angeles, CA 90015

Re: Domestic Partner Dependent Coverage

Dear Bud:

Back in April, you indicated that the Coalition had a renewed interest in including domestic partners in the definition of eligible family dependents. Last week, your office asked me to provide our current thinking on this matter.

Last year, Kaiser Permanente in Southern California formed a Domestic Partners Task Force to study the possibility of revising our definition of eligible dependents to include domestic partners. After careful consideration, the Task Force reached the conclusion that our region should not expand or customize the definition of eligible dependents at this time.

There are a variety of dependent relationships that do not fall into our current definition of an eligible dependent. Examples include parents and other relatives, some children and significant others.

The current definition of dependents provides a predictable risk selection for rate setting, a common understanding of eligibility for administration and matches the criteria for almost all of our employer groups.

Our Individual Plan is available as an alternative for people who are not eligible for coverage on a Kaiser member's family account. I am sure that we could design a process that would assist your members in obtaining information about the Individual Plan and in submitting the necessary applications. If you would like to pursue this option for those members of the Coalition who may be interested, I would be happy to assist you.

If I can provide any additional information, please feel free to contact me at (818) 405-5526.

Sincerely,

Darleen Cho

Darleen Cho
Manager, Special Accounts

Walnut Center • Pasadena • California 91188

File: Cigna
DIST: CCH MS.

CIGNA Employee Benefits Companies

15260 Ventura Boulevard, Suite 2100
Sherman Oaks, CA 91403
(818) 907-3571
Fax (818) 990-8544

CIGNA

Kenneth R. Goulet
Senior Marketing Representative

August 7, 1992

Mr. Bud Treece
Vice Chair
COALITION OF COUNTY UNIONS
828 West Washington Boulevard
Los Angeles, California 90015

Dear Bud:

Re: **COUNTY OF LOS ANGELES**
DEPENDENT COVERAGE

DELIVERY VIA FAX (213) 747-2705

I am writing to confirm our prior conversations during which we discussed the Dependent criteria of our County of Los Angeles Group Medical Plan.

Under the provisions of the Group Medical Expense Benefits Plans through the County of Los Angeles, reimbursement is provided for medical services and supplies which are essential for the necessary care and treatment of an illness or injury. The County of Los Angeles group insurance contract defines that group insurance benefits are extended to all covered employees and their eligible dependents while their group insurance is in effect. The eligibility requirements for dependent insurance is delineated under the contract's Group Insurance Plan section, subtitled "Dependents". Subparagraph one (1) and two (2) of this provision define a dependent as

"o your lawful spouse; and
o any unmarried child of yours who is
  o less than 19 years old;
  o 19 years but less than 25 years old, enrolled in school as a full time student and primarily supported by you;
  o 19 or more years old and primarily supported by you and incapable of self-sustaining employment by reason of mental or physical handicap.

200 YEARS OF RESULTS

Under the terms of these provisions, coverage cannot contractually be extended to domestic partners.

Bud, while CIGNA understands your interest in expanding the contractual definition of Dependent to include a domestic partner, we regret to inform you that we are unable to accommodate this particular request. In general, we would not expand the definition of dependent unless required by law. As this is not required for the jurisdiction in question, we are unable to accommodate this request.

We are sorry that our decision could not have been more favorable. Should you have any questions concerning this matter, please do not hesitate to give me a call.

Sincerely,

Kenneth R. Goulet
Senior Marketing Representative

KRG:rj

Safeguard®
Safeguard Health Plans
505 North Euclid Street
Suite 200
PO Box 3210
Anaheim California 92803-3210
(714) 778-1005

RECEIVED
MAY 04 1992
ALADS

April 30, 1992

Department of Public Employee Unions
Coalition of County Unions
828 West Washington Boulevard
Los Angeles, California 90015

Attention: Bud Treece
Vice Chair

Re: Domestic Partner - Dependent Coverage

Dear Bud:

Thank you for your letter of April 27, 1992, concerning Safeguard's position regarding adding to the definition of a dependent, a Domestic Partner, for the dental programs sponsored by the County of Los Angeles. As you may recall when this issue was last discussed, Safeguard agreed that it would abide by any definition of a dependent, including that of a Domestic Partner, as may be established by the Coalition of County Unions and the County of Los Angeles.

Safeguard is pleased to repeat its position and agrees to cover as a dependent, a Domestic Partner if so indicated by its unions and the County.

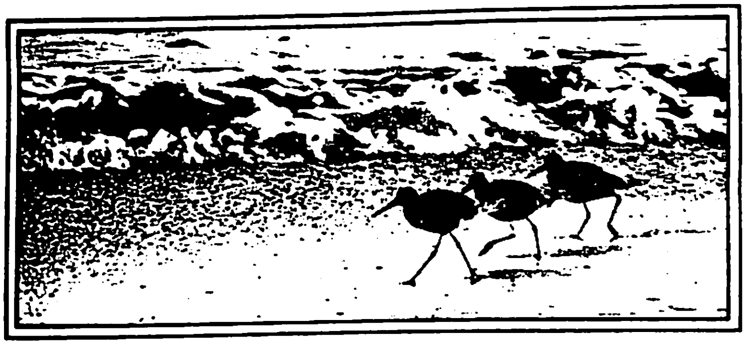
If you have any questions, please contact me.

Yours truly,

RONALD I. BRENDZEL
Senior Vice President

RIB:acm

cc: Edward Barrios
Director, RIMA



City of Santa Cruz

CITY HALL - 337 LOCUST STREET
SANTA CRUZ, CALIFORNIA 95060
PERSONNEL DEPARTMENT
TELEPHONE (408) 429-3616
FAX (408) 429-3133

November 4, 1992

Mr. Thomas Coleman
Spectrum Institute
P.O. Box 65756
Los Angeles, CA 90065

Dear Mr. Coleman:

I am responding to your letter of October 28, 1992 regarding the implementation of domestic partner benefits. The City of Santa Cruz has provided health insurance coverage for domestic partners since January 1987. The City is self-insured for medical, dental and vision coverage. I have attached a copy of an information sheet and a domestic partner affidavit.

If you require additional information, please do not hesitate to contact me directly.

Very truly yours,

Erwin H. Young
Director of Personnel

EHY:tg

Attachment

A PROPOSAL FOR UNIVERSAL HEALTH CARE COVERAGE IN CALIFORNIA

CALIFORNIA HEALTH CARE IN THE 21ST CENTURY

JOHN GARAMENDI, INSURANCE COMMISSIONER
STATE OF CALIFORNIA

1. The health care components of all insurance policies -- workers compensation, auto, and health -- would be consolidated into a single, unified health care system.

2. All Californians would be guaranteed comprehensive health care benefits.

3. All employers and employees would pay premiums into a single fund on an equitable basis. Small employers and low income workers would pay lower premiums.

4. Private/public Health Insurance Purchasing Corporations -- governed by employers and consumers and operating regionally throughout the state -- would collect all premiums and purchase private health insurance for all Californians. The purchasing corporation would certify health plans capable of delivering the guaranteed benefits and high quality care.

5. All consumers would have the right to enroll in any of the certified plans. There would be no pre-existing condition exclusions or waiting periods.

6. The purchasing corporation would pay each certified health care plan the same amount for each individual enrolled (with adjustments for such risk factors as age, sex, and family status).

7. At least two health plans in each region would charge consumers nothing for the state-guaranteed benefits. Other plans would also offer the guaranteed benefits, but could charge consumers a small additional amount for more amenities or flexibility (e.g. wider choice of providers). There would be a ceiling on the amount a health plan could charge consumers.

A SINGLE, UNIFIED SYSTEM FOR ALL CALIFORNIANS

- All Californians would obtain coverage from **one health care system** -- managed by a **public/private partnership** -- rather than through multiple employer systems that deliver coverage inefficiently and distribute it inequitably.

- A Health Insurance Purchasing Corporation (HIPC) would **certify private health plans** to offer coverage. **The plans would compete for enrollees on the basis of quality of service and price.**

- **The health care components of all private insurance policies -- workers compensation, auto, and health -- would be consolidated into a single, unified health care system.** Individuals would receive the same protection and the same care regardless of when, where, or why an injury or illness occurred.

- The system would **blend the best of regulatory and competitive features of health care reform approaches.** It does not make a final determination of the appropriate blend, instead allowing the mix to vary over time and across regions.

- The proposal would **keep California's strongest economic players in one health care system,** providing the impetus for them to make it work for everyone.

BUILT-IN MECHANISMS FOR CONTROLLING COSTS

- **An overall health care budget would provide restraint.** Public costs would increase faster than wages only if the state increased employer/employee premium rates, always a difficult political act.

- Placing **greater choice in the hands of consumers would encourage them to spend dollars more wisely.**

- Inefficient insurers that now compete on the basis of their ability to avoid high risk individuals would be **forced to compete on the basis of the value they offer to consumers.**

- Much of the **administrative waste in the current system would be eliminated:**

  - **Employers would no longer need to buy insurance,** a particularly important consideration for small businesses.

  - **Managed care plans -- which generally have lower administrative costs than traditional insurers -- would be promoted.** Inefficient insurers would be unable to compete.

- With a Health Insurance Purchasing Corporation providing consumers with better information and direct access to health plans, the overhead cost of insurance broker commissions would be unnecessary.

- It is expected that competition would drive health plans to become more integrated (i.e. that they would form networks of physicians, hospitals, and other providers). Through such integrated arrangements, the administrative costs associated with hospital and physician billing would be reduced dramatically.

24-HOUR CARE: THE CONSOLIDATION OF HEALTH COVERAGE

- The consolidation of the health care components of workers compensation and auto insurance would reduce the cost of such coverage for employers and consumers, as well as reduce the administrative costs involved in fighting over who pays when someone gets sick or injured.

- Preliminary estimates indicate that consolidation would save an estimated $2.8 billion in workers compensation costs (about 25% of total premiums), and add only an estimated $1.8 billion to health care costs.

- Under the proposal, employees would be accepting some limits on health coverage for work-related injuries (e.g. using only providers affiliated with their health plan). It is therefore proposed that a portion of the savings from consolidation be used to increase disability benefits under workers compensation -- California's temporary disability benefits are now ranked 35th in the nation -- and that the remainder of the savings accrue to employers.

ACCESS TO QUALITY HEALTH CARE FOR ALL CALIFORNIANS

- All Californians would be guaranteed access to comprehensive health care benefits.

- The benefits would be comparable to those now provided by HMOs, providing comprehensive medically necessary care (inpatient care, primary care, prescription drugs, inpatient and outpatient mental health care, home health care, etc.). Modest copayments would be required for some services, though they would be waived for low-income individuals. There would be no deductibles.

- **Cost-effective preventive care** would be encouraged, and would be provided with no copayments.

EXPANDED CONSUMER CHOICE

- The system would be managed by regional public/private sponsors -- Health Insurance Purchasing Corporations (HIPCs). The purchasing corporations -- which would be governed by employers and consumers -- would ensure that all health plans delivered quality care, and would assist individuals in choosing among plans by providing consumer information (e.g. complaints against plans, waiting times, etc.).

- Consumers would be able to choose from among all of the health plans certified by the purchasing corporation to provide coverage in their region. Health plans would include many of those providing coverage today (e.g. HMOs and insurance companies).

- All health plans would be required to accept any individual regardless of health status. There would be no pre-existing condition exclusions, no waiting periods, and no extra charges due to health status or age and sex.

- Health Plans would not be allowed to compete by avoiding high risk individuals.

- The purchasing corporation would pay each certified health plan the same amount for each person enrolled (with adjustments for such risk factors as age, sex, and family status).

- At least two certified health plans in each region would offer the state-guaranteed benefits at no additional charge.

- Other plans would also offer the guaranteed benefits, but could charge consumers a small additional amount for more amenities or flexibility (e.g. wider choice of providers). There would be a ceiling on the maximum amount a health plan could charge consumers.

- Consumer choice and continuity of care would be enhanced by removing the link between health coverage and a job. Changing jobs -- or becoming unemployed -- would not mean a loss of coverage, or even having to switch to a different health plan or doctor.

EQUITABLE AND AFFORDABLE FINANCING

All employers and employees would pay health care premiums based on ability to pay:

EMPLOYERS: Each employer would pay a premium based on payroll. The overall average premium would be 6.75% of payroll, which would include the current cost of health care under workers compensation. Small employers would pay less.

- A sizable majority of employers who now provide coverage would pay less. These firms now pay about 8% of payroll on average for health coverage.

- Employers who do not now provide coverage would begin paying their fair share, but the payment would be more affordable for small businesses than having to purchase coverage directly:

- Firms with fewer than 10 employees would on average pay 5.8% of payroll, and firms with fewer than 5 employees would pay 5.2% of payroll on average. This does not reflect savings of approximately 20% on average in workers compensation premiums from the consolidation of the health care component of such coverage.

- The existing health insurance tax credit for small businesses would apply, further reducing their premiums by about 25%.

- Employers would be freed of the responsibility for purchasing health coverage, a particularly important consideration for small businesses.

*EMPLOYEES: Each employee would pay a premium based on wages and salaries. **The overall average premium would be 1.0% of wages and salaries, with low-income workers paying less.***

- Consumers would pay on average $30 per family per month for the guaranteed benefits. This amount is less than what is now deducted from their paychecks for health insurance (about $45 per family per month on average).

- Paying in while employed would guarantee the same coverage while unemployed, in much the same way that unemployment insurance works today.

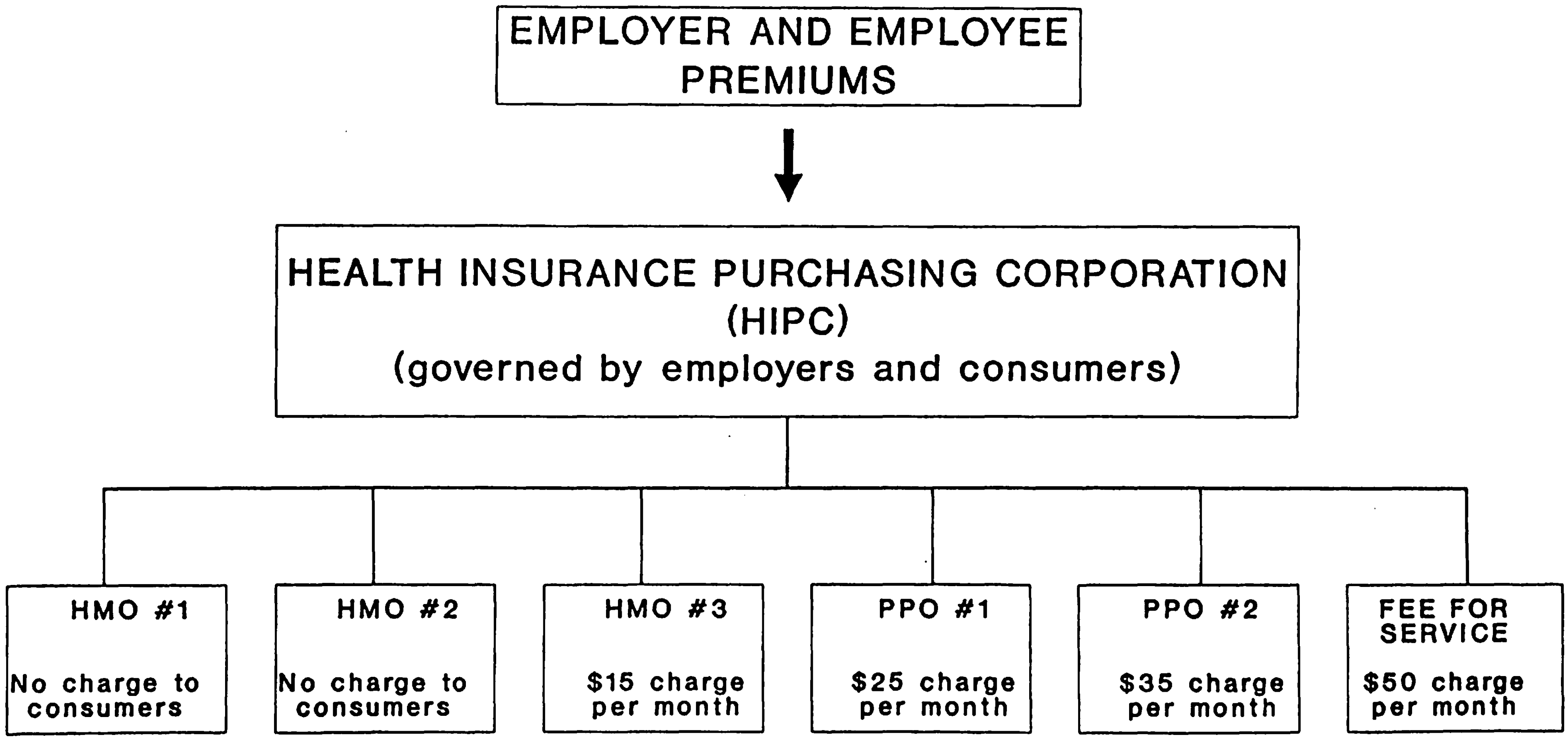
- There would be no additional charge for non-working dependents.

SELF-EMPLOYED: The self-employed would pay a premium based on earnings and reflecting the combined employer/employee premium.

The estimated $34 billion cost (based on state employment figures and the actual cost of coverage in HMOs today, as shown in the attached financial analysis) is less than what employers and employees are now spending on health insurance premiums. This amount would guarantee access for all Californians to comprehensive benefits. Total expenditures would ultimately depend on how much consumers chose to spend in addition to this (i.e. on their decisions about which plans to enroll in).

sum5.wp February 12, 1992

ILLUSTRATION OF A POSSIBLE REGIONAL HEALTH CARE SYSTEM



✓ The guaranteed benefits and copays would be identical across plans.

✓ Consumers would choose any plan.

✓ Figures are for illustration only.

hipc2.cht

A CALIFORNIA HEALTH CARE SYSTEM FOR THE TWENTY-FIRST CENTURY
FINANCIAL ANALYSIS

COSTS

Estimated California Population (1992)	31,200,000
Less Medi-Cal Enrollees (non-elderly)	3,400,000
Less Medicare Enrollees	3,600,000
Number of Individuals Covered	24,200,000
Estimated Cost of Guaranteed Benefits Package (per person per month, which is about 20% less than a normal single adult rate becuase the cost for children is averaged with the cost for adults)	$105.00
Total Annual Cost of the Guaranteed Benefits	$30,492,000,000
% of Individuals with Income Under 200% of Poverty (not including Medi-Cal enrollees)	20.0%
Additional Cost for Low-Income Individuals (per person per month)	$30.00
Total Annual Additional Cost for Low-Income Individuals	$1,742,400,000
Cost of Merging the Health Component of Workers Compensation	$1,800,000,000
Administrative Costs for Health Insurance Purchasing Corporations	$304,920,000

TOTAL SYSTEM COSTS = $34,339,320,000

REVENUES

Wages and Salaries	
Projected 1992 Wages/Salaries	$386,427,000,000
Projected 1992 Self-Employed Earnings	$64,763,000,000
Employer Contribution	
Total Wages/Salaries Exempted ($10,000 per firm; $150,000 cap on wages per employee)	$46,012,480,000
Net Wages/Salaries Subject to the Contribution	$340,414,520,000
Total Employer Premiums	$26,041,710,780
Average Employer Premium = 6.75%	
Employee Contribution	
Total Wages/Salaries Exempted ($5,000 per employee; $150,000 cap on wages)	$108,247,700,000
Net Wages/Salaries Subject to the Contribution	$278,179,300,000
Total Employee Premiums	$3,894,510,200
Average Employee Premium = 1.00%	
Self-Employed Contribution	
Self-Employed Earnings Exempted ($5,000 per person; $150,000 cap on earnings)	$15,808,626,395
Net Earnings Subject to the Contribution	$48,954,373,605
Total Self-Employed Premiums	$4,430,370,811
Average Self-Employed Premium = 6.85%	

TOTAL SYSTEM REVENUES = $34,366,591,791

6-Feb-92 cost3.xls

SAVE AT THE PUMP: A PROPOSAL FOR AUTOMOBILE INSURANCE REFORM

What's Wrong With Auto Insurance in California and How to Fix It

I. The Problem

California's auto insurance system is appallingly wasteful and inefficient. Of every dollar consumers pay in premiums, only 44 cents is used to compensate accident victims for lost wages, medical expenses and auto repair bills. The lion's share of our insurance dollar—56 cents—goes to pay insurance sales and underwriting costs, legal fees, pain and suffering awards, and other administrative and transaction costs.

As a consequence of this tremendous waste and inefficiency, policyholders pay too much for too little insurance; seriously injured auto accident victims are grossly under-compensated for their medical expenses and lost wages; and millions of people drive without insurance, placing themselves at risk and saddling motorists who pay for insurance with $1.2 billion a year in additional insurance premiums.

- **Bloated Premiums**

With so much unnecessary expense built into our premiums, it is little wonder that they are so high. According to a recent survey by the Department of Insurance, the statewide average premium for minimum liability and uninsured motorist coverage (no collision or comprehensive) for a 30-year old motorist with a clean driving record is $556. In Los Angeles, such a motorist pays $968 for this coverage ($15,000 bodily injury liability, $5,000 property damage liability, $15,000 uninsured motorist bodily injury and $3,500 uninsured motorist property damage).

- **Uninsured Motorists**

Inflated insurance costs lead millions of Californians to drive uninsured. Statewide, about 25% of all drivers have no coverage; and in urban areas like Los Angeles, more than half go without insurance. So in addition to paying an insurance premium bloated by legal, sales, advertising, underwriting and other expenses, policyholders also have to pay a hefty bill for insurance to cover losses caused by uninsured drivers.

- **Under-Compensation of Accident Victims**

While most of us buy insurance despite the outrageous cost, few of us can afford high-limits coverage. As a result, seriously injured accident victims are rarely compensated in full for their losses by auto insurance policies. According to a study by the Rand Corporation, accident victims incurring more than $100,000 in medical bills and lost wages are compensated on average for less than 10% of their losses. Those with medical and wage losses of between $25,000 and $100,000 receive compensation equal to only 78% of their losses.

On the other hand, those with relatively minor injuries often receive quite lavish compensation. Because the damages claimed by someone with a neck or back sprain are more likely to fall within the limits of the other driver's policy, these accident victims stand a good chance of collecting a generous payment for pain and suffering, in addition to compensation for medical bills, wage loss, and auto repair expenses. On average, claimants whose medical expenses and wage losses are under $2,000 receive about 2.75 times their actual losses. Not surprising, the prospect of receiving such windfall pain and suffering awards has given rise to an epidemic of fraud that is estimated to cost policyholders over a billion dollars a year.

- **In Sum...**

Our automobile insurance system is simply not designed to serve the true needs of policyholders. It fails to provide motorists with coverage for real losses, like medical and auto repair bills, at the lowest possible cost. Until the system is redesigned to put the interests of policyholders first, it will continue to function more as a welfare system for lawyers and insurance interests than a cost-effective benefit system for accident victims.

II. The Solution

The road to reform is clear: Eliminate those expenses in the system that do not benefit policyholders. Save-at-the-pump, no-fault auto insurance is the most promising framework for accomplishing this goal.

- **Save-at-the-Pump**

Instead of selling legally-mandated auto insurance one policy at a time, why not automatically issue every driver a basic auto insurance policy, and collect the premiums in a simple, hassle-free manner, such as by adding an insurance surcharge to the price of gasoline? Under "save-at-the-pump," the uninsured motorist problem would be solved instantly. Everyone would be automatically covered and there would be no way to escape paying. Best of all, the sales, underwriting, and other administrative costs that account for so much of our insurance premium would be eliminated.

- **No-Fault**

The basic save-at-the-pump policy would include extensive coverage of medical expenses and lost wages. If you were injured in an accident, you would receive compensation for these losses regardless of whether or not you were at fault—in the same way that you collect benefits under a health insurance policy. There would be no need to hire a lawyer and file a lawsuit to get your medical bills paid or your lost wages replaced.

That leaves the question of what to do about compensation for pain and suffering. Should people be allowed to sue for pain and suffering awards in all cases? Don't be misled by the arguments about our "right" to compensation for pain and suffering. This "right" is nothing more than an insurance benefit for which we pay dearly. Payments for pain and suffering, associated legal costs and the resulting fraud account for 25% to 30% of the present cost of auto insurance.

Also keep in mind that pain and suffering awards are rarely paid out to seriously injured victims, who generally don't even get fully compensated for their medical expenses and wage loss. In practice, the "right" to compensation for pain and suffering means that if you suffer a relatively minor injury, say a back sprain, then you get a shot at collecting a several thousand dollar windfall pain and suffering award. Considering how much this "right" costs you, is it really worth it?

Under a save-at-the-pump auto insurance system, lawsuits for pain and suffering could be eliminated altogether, or merely restricted to those cases involving serious injury.

Either option would result in significant cost savings, although eliminating these lawsuits would obviously save the most.

Answers to commonly asked questions about save-at-the-pump

Q: What is save-at-the-pump, no-fault insurance?

A: It is a new, more efficient auto insurance system in which every driver is automatically covered with a basic insurance policy that is paid for through surcharges on gasoline purchases, auto registrations, drivers licenses, and tickets for moving violations. Save-at-the-pump, no-fault is better than the present system because it eliminates the problem of uninsured motorists and slashes insurance and legal transaction costs, resulting in lower premiums for motorists.

Q: How much would the surcharge be on every gallon of gas?

A: The exact amount of the surcharge on gasoline purchases—and on drivers licenses and auto registrations—depends on what is covered by the basic policy that is provided to every driver. To give you some idea of what the surcharges might be, we have calculated the costs for a hypothetical basic policy that includes coverage for unlimited medical expenses, wage losses up $25,000 and property damage liability up to $5,000. For these coverages, the surcharge on gasoline would be 25 cents, the average surcharge on auto registrations would be $135, and the surcharge on licenses would be $10, with those who have points on their licenses paying an additional $50 for the first point and $100 for each additional point. Under this plan, someone who has no violations and drives 12,000 miles a year in a car that gets 18 miles per gallon would pay $311 a year.

Q: What would the basic save-at-the-pump policy cover?

A: At this point, there is no formal legislative proposal that spells this out. Commissioner Garamendi is advocating save-at-the-pump, no-fault as the framework of a new auto insurance system for California. Within this framework, there are a range of choices that can be made regarding what the basic policy should cover. On the one hand, there is clearly a need for motorists to have more extensive coverage for medical expenses and wage loss. But this need for improved coverage has to balanced against the equally compelling need for premiums to be reduced significantly.

Q: If the choices regarding coverage have not been made yet, how do we know save-at-the-pump, no-fault would save us money?

A: Save-at-the-pump, no-fault would save you money because it would eliminate many of the unnecessary expenses in the present auto insurance system, which are the reason you pay such high premiums now. By collecting premiums automatically at the pump and through the registration process, all kinds of insurance sales and administrative costs would be eliminated; and by making compensation directly available to claimants (like under health insurance policies) instead of forcing people to sue one another for benefits, legal costs would be slashed.

Q: Under this new system in which everyone is covered automatically, would some of the money I pay at the pump be used to subsidize insurance for those who don't have it now?

A: Absolutely not. Under save-at-the-pump, everybody who drives a car would pay his or her fair share, because it would be impossible to gas up without paying. For current policyholders, this would mean big savings because they would no longer have to buy insurance to protect themselves against uninsured motorists.

Q: Under save-at-the-pump, would insurance be provided by the government instead of private insurance companies?

A: No. Insurance services, such as paying claims, would be handled by private insurance companies. There are two ways the system could operate. One way is to divide the state's motorists into separate groups of several thousand policyholders and require the private companies to bid against each other for the right to service each of these groups. Premiums collected by the state would then be transferred to the private companies based on the number of groups that each had won the right to service. An alternative way to determine which companies would provide services to policyholders would be to allow each motorist to select the company of his or her choice, and then transfer to that company a specified amount of money out of the insurance fund for each policyholder the company had signed up.

Q: Wouldn't good drivers end up paying as much as bad drivers under pay-at-the-pump?

A: No. Drivers would be required to pay an insurance surcharge on tickets issued for speeding and other moving violations. So just as they now pay higher premiums depending on the number of points on their licenses, they would pay more depending on how many driving violations they commit. Also, higher risk cars would pay higher registration surcharges.

Q: What about motorists in rural areas who drive long distances? Wouldn't they be unfairly burdened with higher costs under save-at-the-pump?

A: No. Only a portion of your auto insurance bill would be collected at the pump. The rest would be collected through surcharges on auto registrations, drivers licenses and tickets for moving violations. These surcharges could easily be varied to compensate for factors such as long rural commutes.

For more information, write the
Department of Insurance
300 South Spring St.
Los Angeles, CA 90012

CALIFORNIA DEPARTMENT OF INSURANCE
CDI

WRITTEN OBJECTIONS TO THIS REPORT

SUBMITTED BY MEMBERS OF THE TASK FORCE

Allstate

725 W. Town and Country Rd.
Suite 400
Orange, CA 92668-0010

Chuck Martin
Regional Vice President
714 667-0955

January 25, 1993

Thomas F. Coleman
Post Office Box 65756
Los Angeles, CA 90065

Dear Tom:

Thank you for providing me the opportunity to give you some input on the issue of marital status discrimination. I have reviewed the report and would like to provide you with my initial impressions.

The report ignores a critical distinction. It speaks generally in terms of "discrimination," as opposed to "unfair discrimination." Insurance rating plans, by their very nature, "discriminate" between classes of risk based upon actuarial evidence which demonstrates that they present different levels of exposure to loss. It is this form of discrimination which is not only lawful, but prevents unfair and illegal subsidies. Unfair discrimination, on the other hand, results when similarly situated risks are treated differently, or underwriting or rating decisions are based upon factors which are not actuarially justified.

Thus, for example, Allstate's rating plan fairly and lawfully provides for different rates to be charged drivers based upon their marital status. Allstate's loss experience and data demonstrate that married drivers present significantly less risk to the company than do unmarried drivers. Indeed, in its Private Passenger Automobile Rating Factors regulations, the Department of Insurance acknowledged that marital status is an appropriate rating factor by including it among the optional factors which an insurer may utilize in its rating plan. Title 10, Chapter 5, Subchapter 4.7, § 2632.6(c)(22).

Accordingly, while we oppose unfair discrimination on any basis, Allstate strongly disagrees with the conclusions of the report that the Commissioner should issue cease and desist orders against companies that discriminate against unmarried individuals of couples, and that the Commissioner should issue regulations declaring rate discrimination on the basis of marital status to be an unfair business practice. Such measures would not address the problems of unfair discrimination which may exist, and would instead impose unfair cross-subsidies, resulting in higher rates for better risks.

I look forward to further discussion of these issues.

Regards,

Chuck

Chuck Martin
Regional Vice President

jm

PROCESS USED IN ADOPTING THIS REPORT

(1) The Anti-Discrimination Task Force met for the first time in June 1992. The group divided into Sub-Committees. Over 30 members joined the Underwriting Sub-Committee.

(2) The Underwriting Sub-Committee met twice in the fall of 1992. It subdivided into workgroups. Any member of the Sub-Committee was able to join one or more workgroups of his or her choice. There is a workgroup on women's issues and a workgroup on disability issues in addition to the workgroup on marital status and sexual orientation discrimination (referred to as the marital status workgroup). The Underwriting Sub-Committee members who joined the marital status workgroup are: Thomas F. Coleman, Laurie McBride, Christopher McCauley, and Mary Newcombe (replaced by Jay Fong).

(3) Each workgroup decided its own plan of action. The marital status workgroup conducted a survey of many companies in the insurance industry. The workgroup assigned the writing of its report to Thomas F. Coleman.

(4) Each workgroup made progress reports to the entire Underwriting Sub-Committee at its meetings in the fall of 1992. The marital status workgroup shared its preliminary research and its plans to do a survey and asked for input from any member who had information for the workgroup to consider.

(5) The marital status workgroup gathered materials from previous studies and analyzed the results of its survey. Thomas F. Coleman wrote the first draft of the workgroup report in December 1992. It was reviewed by each of the four members of the marital status workgroup. Each workgroup member made suggestions for revision. The report was revised and it was then adopted unanimously by the marital status workgroup.

(6) The marital status workgroup shared the draft of its report with all 32 members of the Underwriting Committee. The draft was mailed out to each member in early January 1993. A special meeting of the Sub-Committee was called to consider the draft.

(7) The Underwriting Sub-Committee met on January 24, 1993 to discuss the draft report on marital status discrimination. Members who met in Los Angeles were linked by telephone to another group of members in San Francisco. They discussed the draft of the report for more than two hours. The author of the report agreed to incorporate many of the general suggestions made by members of the Sub-Committee. It was agreed that if members had specific recommendations or criticisms, they should be put in writing and mailed to the author within two weeks. The author agreed that if the report was then not modified to accommodate such written criticisms or recommendations, that, at the very least, the written comments of Sub-Committee members would be included in the appendix of the report.

(8) Charles W. Martin (Allstate) was the only member of the Underwriting Sub-Committee who followed the procedure for submission of written criticisms and recommendations. A copy of his letter is included in the final draft of the report. (See pages 78-79)

(9) The next draft of the report was written in April 1993. It incorporated many of the general suggestions made by members of the Underwriting Sub-Committee at its meeting in January.

(10) The final draft of the report was mailed to all 62 members of the Anti-Discrimination Task Force on April 23, 1993. Each member received a ballot along with instructions. Members who approved of the report and its recommendations were informed that they need not return a ballot because their inaction would signal approval. Members who disapproved of the report or of any particular recommendation were asked to return their ballot with an indication of the source of their disapproval. Dissenting ballots were to be placed in the mail by May 7, 1993.

(11) Dissenting ballots were cast by Charles Martin (Allstate), Richard Suit (Mercury), Tom Conneely (Association of California Insurance Companies) and Pam Weddertz (Professional Insurance Agents Association). The specific focus of their dissent is summarized in the following pages. (See pages 82-87)

SUMMARY OF BALLOTS CAST BY DISSENTING MEMBERS

MEMBERS FILING DISSENTS:

Alice Bisnow (Automobile Club of Southern California)
Tom Conneely (Association of California Insurance Companies)
Charles W. Martin (Allstate Insurance)
Christopher V. McDowell (Allstate Insurance)
Richard Suit (Mercury Insurance)
Pam Weddertz (Professional Insurance Agents Association)
Brad Wenger (Association of California Life Insurance Companies)
Robb Greenspan (The Greenspan Company)

MEMBERS ABSTAINING FROM VOTING:

N. Douglas Martin (Fireman's Fund)

DISSENTING MEMBERS' VOTES ON SPECIFIC RECOMMENDATIONS:

1. Additional Resources. No current resources of the Department of Insurance are specifically focused on the problem of marital status discrimination even though such discrimination is unfair and pervasive. In order for the Department of Insurance to tackle the problem of discrimination against unmarried individuals and couples, the Insurance Commissioner should assign staff and direct resources to combat the problem. *(See page 15)*

approve: Pam Weddertz
Christopher McDowell

disapprove: Richard Suit
Tom Conneely
Charles Martin
Robb Greenspan

abstain: Brad Wenger

comment: Alice Bisnow
(She says the same level of resources should be allocated to all types of discrimination.)

2. Information Retrieval. The Department of Insurance is does not tabulate the number of complaints it receives each year about marital status or sexual orientation discrimination or categorize the types of insurance discrimination about which unmarried consumers are complaining. The Insurance Commissioner should direct his staff to study the data collection and retrieval systems of the Department of Fair Employment and Housing (DFEH) which has years of experience investigating complaints of discrimination. DFEH classifies each complaint according to context (housing, employment, public accommodations), the type of discriminatory action (refusal to rent, eviction, firing, verbal insult) and the basis of the claim (sex, race, marital status, age, disability). The Department of Insurance should do the same. *(See page 15)*

approve: Christopher McDowell
Alice Bisnow
Robb Greenspan

disapprove: Richard Suit

abstain: Brad Wenger
Pam Weddertz
Charles Martin
(Martin would object, however, to the gathering of information on lawful discrimination.)

3. Auditing. In addition to responding to complaints, the Commissioner should take a more aggressive stance toward solving the problem of marital status discrimination. The Department of Insurance should periodically audit the practices of a representative sample of insurance companies and agents to see if they are engaging in marital status discrimination. (*See page 15*)

approve: Christopher McDowell
Robb Greenspan

disapprove: Pam Weddertz
Richard Suit

abstain: Brad Wenger

comments: Charles Martin
Alice Bisnow

(Martin and Bisnow say audits should focus solely on unlawful discrimination.)

4. Education. Consumers, brokers, and agents are often unaware that marital status discrimination may violate constitutional protections, statutes and existing regulations. Education is often the key to reform. The Insurance Commissioner should initiate a campaign to educate consumers, agents, and insurance company executives about current legal protections against marital status and sexual orientation discrimination. The Department of Insurance should prepare a brochure advising consumers of laws and regulations against such discrimination and complaint procedures. The brochure should be distributed to civil rights groups, singles organizations, and outlets in the lesbian and gay community. (*See page 15*)

approve: Pam Weddertz
Richard Suit
Tom Conneely
Christopher McDowell
Alice Bisnow
Robb Greenspan

abstain: Brad Wenger
Charles Martin

(Martin says that any brochures should reflect actual law and not the biased and inaccurate view of the law as reflected in this report.)

5. Cease and Desist Orders. The freedom of choice to marry or not to marry is a fundamental right protected by the right of privacy in the California Constitution. The Insurance Commissioner should acknowledge the fundamental right of adult consumers to be married or single. To protect that right from unwarranted interference, the Commissioner should begin to issue cease and desist orders against companies that discriminate against unmarried individuals or couples. Such action would also be consistent with the Commissioner's authority to enforce the Unfair Business Practices Act, relevant sections of the Insurance Code, and departmental regulations. (*See page 16*)

approve: Robb Greenspan

disapprove: Pam Weddertz
Richard Suit
Charles Martin
Christopher McDowell
Alice Bisnow

(Bisnow says the Commissioner lacks clear authority to issue cease and desist orders of this type until a new law is passed or until a judicial decision gives him such authority.)

abstain: Tom Conneely
Brad Wenger

6. Litigation. Some existing statutes and regulations are vague and need judicial clarification. Others have loopholes that must be filled. The Insurance Commissioner can provide the necessary leadership to further strengthen protections against marital status and sexual orientation discrimination by participating in test cases when they come to the Commissioner's attention. To prevent future insurance discrimination cases from being decided by appellate courts without participation from the Department of Insurance, the Commissioner should request the Supreme Court and the Court of Appeal to notify him when cases involving discrimination are pending before those courts. Even though appellate judges are not required to honor such a request, they should know the Commissioner wants to be heard before precedents are created that may adversely affect insurance consumers. (*See page 17*)

approve: Christopher McDowell
Alice Bisnow
Robb Greenspan

limited approval: Tom Conneely
(He would support if the Commissioner did not request notice from appellate judges.)

disapprove: Pam Weddertz
Richard Suit
Brad Wenger

abstain: Chuck Martin
(Martin says that the Commissioner should limit his participation to cases in which unlawful discrimination is alleged.)

7. Omnibus Regulation. Existing regulations have not stopped discrimination against unmarried individuals and couples. Based on the right of privacy, Insurance Code Section 10140(d), and the Unfair Business Practices Act, the Insurance Commissioner should issue a new regulation specifically declaring rate discrimination on the basis of marital status to be an unfair business practice and prohibiting companies from refusing to issue joint policies to unmarried couples. The regulation should apply to all lines of insurance. (*See page 18*)

approve: Robb Greenspan

limited approval: Pam Weddertz
(She would approve if "domestic partners" were included in the regulation.)

disapprove: Richard Suit
Charles Martin
Christopher McDowell
Brad Wenger
Alice Bisnow
Tom Conneely
(Conneely would support an amended version if it were consistent with Prop 103.)

8. Auto Insurance Regulation. When the Commissioner issues permanent regulations on Private Passenger Automobile Rating Factors, the use of marital status should be prohibited. This would make auto insurance regulations consistent with other basic legal protections, such as the constitutional right of privacy and the Unfair Business Practices Act. It would also bring rating practices into conformity with the intent of Proposition 103 which was to base rating on factors related to individual responsibility and not class stereotypes. (*See page 18*)

approve: Christopher McDowell

limited approval: Pam Weddertz
(She would approve if "domestic partners" were included in the regulation.)

disapprove: Richard Suit
Tom Conneely
Charles Martin
Alice Bisnow
(Bisnow says the Commissioner lacks authority to issue cease and desist orders like this without a new statute or court decision.)

abstain: Brad Wenger
Robb Greenspan

9. Domestic Partner Coverage. The refusal of health insurance companies and Health maintenance Organizations to provide health coverage for the domestic partners of employees is a form of marital status discrimination. The Insurance Commissioner and the state Corporations Commissioner should take appropriate legal action to bring this discrimination to a halt. (*See page 11*)

approve: Pam Weddertz

disapprove: Richard Suit, Brad Wenger, Christopher McDowell, Robb Greenspan

abstain: Tom Conneely, Charles Martin, Alice Bisnow

10. New Legislation. In the next legislative session, the Insurance Commissioner should sponsor a bill prohibiting discrimination on the basis of race, religion, color, national origin, sexual orientation and marital status in all lines of insurance. (*See page 18*)

approve: Christopher McDowell, Robb Greenspan

disapprove: Richard Suit, Charles Martin, Brad Wenger

abstain: Pam Weddertz, Alice Bisnow, Tom Conneely

(Conneely abstained because he believes this duplicates existing law.)

11. Joint Renters Insurance. The Insurance Commissioner should issue guidelines to assist companies that issue renters insurance to issue joint policies to unmarried couples without violating statutes requiring consumers to have an insurable interest in the property to be insured. (*See page 20*)

approve: Pam Weddertz, Christopher McDowell, Alice Bisnow

disapprove: Richard Suit, Charles Martin, Tom Conneely

(Conneely would approve for domestic partners but not for casual co-tenants.)

abstain: Brad Wenger, Robb Greenspan

12. Actuarial Data. Some insurance companies have insisted that unmarried consumers constitute a higher risk than married consumers. However, they have not supplied statistics to the Insurance Task Force to support this claim. Any actuarial data that is eventually provided by companies to the Insurance Commissioner on this subject should be rejected unless the data is current, detailed, accurate, statistically representative and scientifically valid. (*See page 16*)

approve: Richard Suit, Charles Martin, Christopher McDowell, Robb Greenspan, Tom Conneely

(Conneely says the Dept. of Insurance has extensive data in its possession but is unwilling or unable to acknowledge it.)

disapprove: Pam Weddertz

abstain: Brad Wenger, Alice Bisnow

(Bisnow would approve if same standard is used to justify data on all subjects.)

13. "Save at the Pump." Save-at-the Pump is a new, more efficient auto insurance system in which every driver is automatically covered with a basic insurance policy that is paid for through surcharges on gasoline purchases, auto registrations, drivers licenses, and tickets for moving violations. Under the plan, everyone who drives must pay. Bad drivers pay more because they are surcharged when they renew their license and when they pay a traffic tickets. The plan also includes a "no fault" system which reduces lawyer's fees, agent's commissions, and unnecessary red tape. Senator Art Torres has introduced a Save-at-the-Pump bill in the Legislature. It is expected to fail due to strong opposition from trial lawyers and insurance agents. Therefore, an initiative drive is being launched. The Insurance Commissioner should support a ballot measure to codify a Save-at-the-Pump Auto Insurance Plan into law. (*See page 19*)

disapprove: Richard Suit
Tom Conneely
Charles Martin
Christopher McDowell
Pam Weddertz
Robb Greenspan

(Weddertz and Greenspan say this proposal is outside the scope of this Task Force and has nothing to do with the issues at hand.)

abstain: Brad Wenger

comment: Alice Bisnow

(Bisnow says that her company supports the "no fault" component of the save-at-the-pump plan and they do not oppose the concept of save-at-the-pump. However, they would need to see more details before they could decide whether or not to actively support such a plan.)

14. Universal Health Care Coverage. Our current health care system excludes too many people and is too costly to those who are covered. Many people are also excluded due to discrimination. Insurance Commissioner Garamendi has developed a proposal for universal health care coverage for California. Some states, such as Hawaii and Oregon are already implementing health care form plans. President Clinton is about to unveil a proposal for a national health care plan. It is time for society to recognize health care as a right for all rather than a privilege for those who can afford it. A plan for universal health care coverage should be enacted without further delay. (*See page 19*)

approve: Christopher McDowell
Alice Bisnow

disapprove: Pam Weddertz
Robb Greenspan

(Weddertz and Greenspan say this proposal is outside the scope of this Task Force and has nothing to do with the issues at hand.)

abstain: Richard Suit
Tom Conneely
Charles Martin
Brad Wenger

Summary of Other Criticisms by Dissenting Members

Tom Conneely
Association of California Insurance Companies

Mr. Conneely wants the public to know that this is not a "consensus document." He does not like the "silence is approval" approach to the adoption of the report and recommendations by the full Task Force.

Charles Martin
Allstate Insurance

Mr. Martin says that Allstate strenuously opposes the adoption of this report because it does not reflect a consensus of the members of the Underwriting Sub-Committee. He says that the report reflects the "obviously biased views of its author." He also feels that the report does not accurately reflect the state of current law. He also believes that the report inappropriately reaches conclusions about the validity of individual company practices. He says the report fails to make a critical distinction between "discrimination" and "unfair discrimination." He says that Allstate's current use of marital status in its auto underwriting practices is lawful. He says that Allstate opposes the issuance of cease and desist orders against companies that discriminate against unmarried individuals or couples or the issuance of new regulations to prohibit such discrimination because such measures would "impose unfair cross-subsidies, resulting in higher rates for better risks." He claims that he is unaware of any requests for actuarial data, and that, in any event, it would have been illegal or inappropriate for Allstate to have provided such data.

Brad Wenger
Association of California Life Insurance Companies

Mr. Wenger believes that existing law adequately protects consumers against discrimination in life and health insurance.

N. Douglas Martin, Jr.
Fireman's Fund

Mr. Martin says that his company is disappointed with the report and objects to its contents. He finds it hard to believe that the industry's input was seriously considered. He states that the industry's position was not presented in the report except in the most unflattering light. He is abstaining from voting because he does not approve of the report or any of its recommendations.

AUTHOR'S COMMENTS

All members of the Task Force were invited to join the Underwriting Sub-Committee. All members of that Sub-Committee were invited to join the Workgroup on Marital Status Discrimination. The Task Force members who dissented to this report chose not to join the Marital Status Workgroup.

The author of this report considered all verbal suggestions made by members of the Underwriting Sub-Committee. Many of these ideas are included in this report.

Written suggestions and criticisms were solicited from members of the Underwriting Sub-Committee after the first draft of this report was discussed for two hours at a special meeting. Only Charles Martin (Allstate) followed up with written comments (see pp. 78-79).

The dissenters did not submit any alternative written proposals for consideration of the Task Force. No insurance company has supplied the Task Force with any actuarial data to justify marital status discrimination.

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(continued from front cover)

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** *members of Workgroup on Marital Status and Sexual Orientation Discrimination*