

Guide to Removing Gender as a Rating Factor from Personal Auto Programs

This guidance is intended to assist insurers in complying with Title 10 California Code of Regulations (CCR) §2632.11(c)(1) et.al., the regulations that require a revised class plan to eliminate gender as an allowable optional rating factor in personal auto. It responds to questions the Department has received about implementing the regulations. This guidance is not intended to expand or otherwise abridge the regulations themselves. The relevant regulations can be found here:

<http://www.insurance.ca.gov/0400-news/0100-press-releases/2019/upload/nr003-18GenderNon-DiscriminatonAutoRating01-03-18.pdf>

No class plan which includes gender as a rating factor may be filed after January 1, 2019. Insurers currently using gender as an optional rating factor in their private passenger auto rating plan programs are required to file a revised class plan to remove that factor by July 1, 2019, in the manner specified by CCR §2632.11(c)(1). Insurers with currently pending class plan applications filed after January 1, 2019 that propose the removal of gender as a rating factor in a manner not specified by CCR §2632.11(c)(1) still must file the revised class plan application required by CCR §2632.11(c)(1).

Below is a non-exhaustive list of common ways insurers incorporate gender into their rating algorithms:

- (1) Use of a stand-alone factor for gender only;
- (2) Use of a factor for gender combined with years driving experience (YDE);
- (3) Use of a factor for gender combined with YDE and one or more other allowable optional rating factors;
- (4) Use of a stand-alone factor for YDE, *AND* another factor for gender combined with YDE;
- (5) Use of a stand-alone factor for YDE, *AND* another factor for gender combined with YDE and one or more other allowable optional rating factors;
- (6) Use of a standalone factor for YDE, *AND* another factor for gender combined with YDE, *AND* separately another factor for another allowable optional rating factor combined with YDE.

Overview of Method for Removal of Gender in Revised Class Plan Application

For insurers that do not combine gender with any other rating factors, the gender factor and its associated relativities are simply removed; the insurer may not change the relativities of any other rating factor. The factor weights for all remaining factors will be identical to those from the insurer's currently approved class plan.

If the insurer combines YDE with gender and any other rating factor allowed under CCR §2632.5(e) in a manner specified under bullets (2) through (6) above, or any other manner, the combined factor must be separated into its individual components to eliminate the gender factor and to appropriately calculate the factor weights of the rating factors remaining in the combination. The insurer must use *the same distribution* of vehicles as the most recently approved class plan for the factor weight calculation.

Special note for “Me-Too” Class Plans

In the event that the insurer’s most recently approved class plan was filed as a “Me-Too” of a competitor’s class plan, that “Me-Too insurer” has the following options:

- a. If the insurer copied the currently approved filing of the competitor that served as the basis for the “Me-Too” filing, wait for that competitor to file the removal of gender and submit a “Me-Too” filing of that revised class plan as their own. Caution: It is the responsibility of ALL insurers to submit a revised class plan removing gender from their rating plans by July 1, 2019. Revised class plans by the original competitor filed close to the July 1, 2019 deadline will not excuse the “Me-Too insurer” awaiting that submission from that deadline.
- b. Use the exposure distribution and the supporting individual factor weight calculations from the currently approved class plan filing to remove the gender factor and establish new factor weights for the remaining component rating factors in the combination.

After removal of gender, if the relativities of the component rating factors remaining in the combination result in factor weights that are out of compliance with CCR §2632.8, the relativities of these factors may be pumped or tempered to achieve compliance with the weight ordering requirements.

Order of Individual Rating Factors in a Combination

The insurer may use the same calculation for the individual rating factor relativities and weights as used in their most recently approved class plan. Alternatively, if gender was combined with YDE and at least one other optional rating factor allowed by CCR §2632.5(e), the insurer may change the order in which the optional rating factors are separated into their individual components, but YDE must be isolated first. Insurers may only change the relativities of those component rating factors that were combined with gender.

For example, if the insurer uses YDE as a stand-alone rating factor, YDE combined with marital status as one optional rating factor combination, and YDE combined with gender as another optional rating factor combination, as under bullet (6) above, the relativities associated with YDE combined with marital status may not change.

The link below provides examples of how removal of gender may be performed:

<http://www.insurance.ca.gov/0250-insurers/0800-rate-filings/upload/Gender-Removal-Examples-2.xlsx>

Revenue Neutral and Market Dislocation

All revised class plans must include the application pages and exhibits as specified in CCR §2632.11(c)(1)(G). All class plans filed to comply with the elimination of gender as an allowable rating factor shall be revenue neutral based on *the insurer’s current distribution* of vehicles. It should be noted that CP-10 Market Dislocation Summary and Exhibit 8 – Revenue Neutral are to be based on the current distribution of vehicles, and should provide the impact of the changes due to the elimination of gender

and the change in base rates required to offset those changes, both by coverage and overall. The requirement to submit a new Market Dislocation Summary and Exhibit 8 applies to *all* insurers, including those “Me-Too insurers” referenced above, regardless of the method used to remove gender. Further, the Market Dislocation Summary must illustrate the expected market dislocation due *solely* to the elimination of gender in the insurer’s rating plan.