Gender can no longer be used to calculate auto insurance rates in California and other states

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As rates go higher, insurers have other ways to calculate risk, including the monitoring of driving behavior. California has become the seventh state to ban auto insurers from using gender as a factor for calculating the rates customers pay. But as regulators push the industry toward formulas that have more to do with how a car is driven than by whom, the decision by the state's insurance commissioner, Dave Jones, to ban gender also carries a certain irony: In the name of equality, the change is likely to result in cheaper insurance premiums for young male drivers — who are statistically riskier to insure — at the expense of young female drivers, who are statistically less risky but now will likely pay more. The difference could be as much as $500 — and that's if insurers split the difference between what male teenagers and their female counterparts pay now, said Penny Gusner, a consumer analyst with carinsurance.com, an online marketplace for car insurance. Nationwide, a male teen will cost about $7,400 to insure on average compared with $6,900 for a female teen, she said. "It's probably going to meet in the middle, which will probably hurt the female drivers and give the young male drivers a break," Gusner said. California's decision to ban gender, effective Jan. 1, comes as lawmakers and regulators increasingly pressure insurers to focus more on driving behaviors than criteria that seem less obviously related to assessing risks. The move also points up the complex and ever-shifting way in which insurers price auto insurance in general. A new report on auto insurance trends by TheZebra.com, an online search engine that allows consumers to compare car insurance policies, finds that the industry is rejiggering its analysis of risk by adopting technologies that monitor driver behavior on the road. These tools, known as telematics, can allow insurers to tailor insurance policies to customers based on how many miles they drive, how fast and other indicators of a driver's behavior. Insurers are also dinging drivers harder for dangerous behavior such as distracted driving. A ticket for distracted driving bumped insurance premiums up by $289, or nearly 20 percent, in 2018, compared with an increase of nearly 2 percent three years earlier. That’s still less than a speeding ticket for going 10 mph over the limit ($880) and way less than being arrested for driving under the influence (DUI), which can raise premiums by more than $1,000 on average. But the analysis suggests that insurers are responding to increasing evidence that smartphones and elaborate entertainment systems, among other distractions, could be having an impact on rising traffic crashes and fatalities. There’s some early evidence that crash rates — and thus car insurance premiums — have started to rise in states that legalized marijuana, researchers say. Whatever is going on, rates have jumped across the country. “It’s the highest it’s ever been nationally,” said Alyssa Connolly, Zebra’s director of market research. “Rates are up this year for 83 percent of Americans. And it’s erratic.” The Zebra’s 2019 report, based on more than 61 million rates, says premiums in some states rose almost 80 percent, while others saw declines of about 20 percent. Michigan topped out again as the state with the highest average ($2,693) while Maine reported the lowest ($896). The average premium in the United States has hit $1,470, an increase of 23 percent from the average in 2011. The data were drawn from 2011 to the third quarter of 2018. The report also looked at the impact that various individual rating factors, such as gender, can have on insurance premiums. In addition to California, six other states — Hawaii, Massachusetts, Montana, Pennsylvania, North Carolina and parts of Michigan’s market — now ban gender as a rating factor, according to the Consumer Federation of America. “Gender, at a national level, doesn’t really move the needle very much [for most ages],” Connolly said. “It does at younger ages, but for most people it’s 1 to 3 percent. For teens, it’s a little more. In some states it can get to 4 or 6 percent.” But here’s the thing: Those differences all but vanish among older drivers and caused women to pay more, Consumer Federation of America says. As the European Union found out years ago, it’s possible that gender was only a proxy for more justifiable risk factors that do have an impact on rates and a correlation to gender. This is one explanation for why the premium men paid for their car insurance, compared with women, increased fourfold after the E.U. banned the use of gender in setting insurance rates in 2012. “The continuing disparity between men and women could be linked to the fact that certain male-dominated occupations may have a poorer claims experience,” the Guardian quoted an analyst as saying. “Also, on average, men may tend to drive larger and more costly vehicles. The more expensive/high-spec the vehicle, the more likely it is that the cost of repairs will be higher, and therefore this is reflected in the premium charged.” In addition to banning gender, other states have moved to ban the use of educational status, marital status or credit scores. Insurance companies say credit scores help them gauge the likelihood of whether a person will file an insurance claim, but consumer advocates say they can unfairly push up people’s rates. “I think one of the things that gets people really fired up is credit ratings,” Connolly said. As other controversial risk factors are weeded out as unfair or irrelevant — marital status or credit scores, for example — some insurers are exploring other ways to assess risk, including people's social media and technology that monitors people's driving habits. Connolly said auto insurers may be tempted to monitor people's digital footprints when they set rates, as those have been shown to correlate nicely with other factors that have been banned in places, such as credit scores. And it's not just what you post. It's when you're online, what type of email you use, and even whether you have typos in your posts. But for now, many companies are content to focus on telematics, which receive data from participants' smartphones or devices plugged into cars. These allow insurers to monitor when, where and how a person is driving, including whether they're speeding, braking hard or accelerating too quickly. The Zebra's report says telematics programs make the most sense for people who do not drive a lot or generally travel on smooth, safe routes; at best, they still save only about 3 percent. But that could change as the programs become more common, as is likely. "If carriers could choose, they would want to monitor everybody's driving," Connolly said.

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