



# AMERICAN ACADEMY *of* ACTUARIES

---

May 15, 2009

The Honorable John Kerry  
United States Senate  
218 Russell Building  
Washington, DC 20510

Dear Senator Kerry,

On behalf of the American Academy of Actuaries'<sup>1</sup> Health Practice Council, I would like to offer a few general comments related to your recently introduced legislation, the *Women's Health Insurance Fairness Act*, which would eliminate gender as a rating factor for individual health insurance.

A fundamental principle of any viable private, voluntary individual health insurance system is to set premiums commensurate with the relative risk. By tying premiums to the relative risk involved, risk classification can help reduce adverse selection in a voluntary market and increase the number of individuals purchasing coverage. Incorporating risk characteristics, such as age, gender, and geographical location, has long been an integral part of calculating premium rates for voluntary individual health insurance.

There are potential adverse consequences of eliminating premium variations based on gender. Premium rates would on average decrease for women and increase for men prior to age 50. As a result, more men would be likely to forgo coverage, while women would be more likely to purchase coverage. As this adverse selection occurs, the system could experience an overall increase in premium rates. However, achieving universal health insurance coverage would eliminate the adverse selection in the system as a whole and reduce the need to charge different premiums based on gender or other characteristics.

Understanding the market and premium rate implications of eliminating gender as a rating factor in the voluntary individual health insurance market is crucial. Enclosed you will find two recent Academy publications that address these and other issues in more detail: *Critical Issues in Health Reform: Gender Considerations in a Voluntary Individual Health Insurance Market* and *Risk Classification in the Voluntary Individual Health Insurance Market*. We would welcome the opportunity to discuss this with you further.

We would welcome the opportunity to discuss this with you further. If you have any questions, please contact Heather Jerbi, the Academy's senior health policy analyst, at 202.223.8196 or [Jerbi@actuary.org](mailto:Jerbi@actuary.org).

Sincerely,

Alfred A. Bingham, Jr., MAAA, FSA, FCA  
Vice President, Health Practice Council  
American Academy of Actuaries

---

<sup>1</sup> The American Academy of Actuaries is a professional association with over 16,000 members, whose mission is to assist public policymakers by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.