



Aging and Retirement Issues for LGBTQ+ People

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This call for essays was issued by the Society of Actuaries Research Institute in collaboration with the Sexuality and Gender Alliance of Actuaries (SAGAA).

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Introduction

The Society of Actuaries (SOA) Research Institute Aging and Retirement Strategic Research Program in collaboration with the Sexuality and Gender Alliance of Actuaries (SAGAA) is pleased to present this collection of essays that explore aging and retirement issues for LGBTQ+ people. This collection continues the Program's dedicated effort to further advance the SOA's organization-wide Diversity, Equity and Inclusion initiative. This includes its 2021 [companion essay collection on aging and retirement issues for people of different races and ethnicities](#).

Our sincerest thanks to SAGAA for the participation of their representatives and support for this effort. SAGAA is a professional networking community for LGBTQIA+ actuaries and allies. SAGAA aims to create a forum for dialogue, community, and career networking, while educating the broader actuarial profession. SAGAA has three pillars: networking, professional development, and company education. Since its founding in 2020, SAGAA has delivered company education both virtually and in-person to several of its sponsoring companies and firms. SAGAA has been a presence in the industry partnering with multiple actuarial societies including the Society of Actuaries through partnerships, virtual townhalls, and presentations at annual meetings.

This effort aimed to explore how differences in retirement security and outcomes are experienced by LGBTQ+ people to promote a better understanding of the underlying issues surrounding the differences. A panel of judges from both organizations did a blinded review of the essays for publication and awards. The judges selected one essay for top prize. Consideration was given to creativity, originality and the extent to which an idea could contribute to furthering the conversation on these issues.

TOP PRIZE WINNER: *A Glimpse at the Financial Journey to Retirement for LGBTQ+ People in the United States* by Alfonso Carrillo

This prize-winning essay seeks to help further understanding and identification of opportunities to support different segments of the population as they progress through their financial journey with particular examination of LGBTQ+ people. The essay describes the unique priorities and obstacles that can be faced at each stage leading to financial independence. A primary objective of the essay is to highlight some of these challenges and help the reader be better equipped for deeper insights into these obstacles and ignite curiosity and creativity to find opportunities to better serve the LGBTQ+ population.

My Observations on Retirement Issues for Transgender Women by Cynthia Edwalds

This essay provides an insightful personal narrative on the author's experiences as a transgender woman and challenges faced by those transitioning while maintaining their career and pursuing financial security. The author presents alarming data on the health and safety of transgender individuals. The essay also presents thoughtful ideas for future study on the challenges faced by transgender individuals in accessing retirement and insurance products.

Aging and Retirement Issues for LGBTQ+ People by Paulina Schau

In this essay, the impact of discrimination on the efforts of LGBTQ+ individuals to achieve a financially secure retirement is explored from the aspects of the workplace, healthcare and education. Numerous statistics are cited to support the author's observations along with thoughts for how to address discrimination in the future. Among

these suggestions for the future include greater transparency and annual data-driven assessments to eliminate pay inequality.

Beyond the Binary – How Insurance Companies Can Adapt to Meet the Needs of Transgender, Non-binary, and Intersex Individuals by Jonah von der Embse

This essay is a comprehensive look at how the traditional two gender paradigm fails and creates barriers to accessing the insurance/retirement services marketplace for millions of Americans. The essay provides a commentary on the LGBTQ+ community, the importance of clarifying sex vs. gender, and the limitations of a binary classification system. The author also provides consideration for future study and discussion for how insurance companies can adapt to meet the needs of this marginalized community

Thank You

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PRIZE WINNER: A Glimpse at the Financial Journey to Retirement for LGBTQ+ People in the United States

Alfonso Carrillo

Statements of fact and opinions expressed herein are those of the individual author and are not necessarily those of the Society of Actuaries or the author's employer.

Every person dreams of being able to retire with financial security, but without a strong foundation supported by products, benefits, policies, and strategies designed to build and protect wealth, this dream is difficult to attain. Figuring out how to cover everyday basic financial needs, build financial resiliency, strategize for future life goals, accumulate and protect wealth, find financial independence, and provide for loved ones upon passing are barriers every aspiring retiree needs to resolve as part of their financial journey. To identify opportunities to support different segments of the population through their financial journey, it is important to understand the unique priorities and obstacles they could face at each stage leading to financial independence.

The LGBTQ+ population is growing: the share of the US population who identifies as LGBTQ+ has increased from 3.5% to 7.1% over the last ten years, with more than 1 in 5 Gen Z individuals identifying as LGBTQ+, a figure that is nearly twice compared to Millennials and eight times higher than baby boomers.ⁱ The economic strength of the LGBTQ+ population in the US is remarkable, with an estimated buying power close to \$1 trillion and with LGBTQ+ owned businesses contributing about \$1.7 trillion to the economy.ⁱⁱ

When we focus on the financial outcomes of LGBTQ+ individuals, their diversity makes it difficult to comprehensively approach all the challenges they face in their journey to retirement. This essay is not intended to be an exhaustive collection of such obstacles, rather it's an attempt to present a small sampling of unique hurdles that LGBTQ+ couples and individuals may face. My hope is that highlighting some of these challenges will help the reader be better equipped to seek deeper insights into these obstacles and ignite curiosity and creativity to find opportunities to better serve this important and growing population.

Understanding LGBTQ+ Financial Journeys: Data is Lacking, But Available Information Suggests that Gaps Exist

The first time the US Census Bureau collected data related to sexual orientation and gender identity (SOGI) was in 2021. Surveys like the *Survey of Household Economics and Decisionmaking* from the Federal Reserve also started collecting data on SOGI in 2019. The momentum in recent years is encouraging, but more extensive and continuous data collection is needed to improve insights.

What we can see from data that currently exists is that LGBTQ+ individuals face more challenges financially compared to their cisgender and heterosexual (referred to as "straight" throughout the rest of this essay) counterparts. For example, 33% of LGBTQ+ individuals claim that, financially, they are either finding it difficult to get

by or are just getting by compared to only 20% of straight folks. LGBTQ+ people are also 36% less likely to be homeowners and 61% less likely to own a home mortgage-free. Regarding retirement, while 42% of straight working-age people believe their retirement savings are on track, only 30% of LGBTQ+ individuals feel the same way.ⁱⁱⁱ

Beyond acknowledging the existence of these challenges, it is key to seek to understand why financial outcomes differ between straight and LGBTQ+ individuals. These outcomes may be influenced by a combination of factors including wage gaps, discrimination, financial priorities, and social determinants of health, among others. Understanding the prevalence and impact of these and other factors requires further data collection and analysis.

With that being said, let's use some of the data and anecdotes available to learn more about the obstacles that LGBTQ+ individuals and their families may encounter through their financial journeys.

Meeting Basic Everyday Needs: Navigating Obstacles on Housing

Twenty-three percent of LGBTQ+ individuals are spending more than they earn, a figure that is 9 percentage points higher than their straight counterparts.ⁱⁱⁱ Discrimination in job hunting and an earnings gap^{iv} impact the income that LGBTQ+ individuals have to meet their needs. An intuitive response to reduced earnings is to adjust spending accordingly. However, the fact that LGBTQ+ people are two times more likely to skip healthcare due to affordabilityⁱⁱⁱ points to challenges beyond budgeting and managing spending. To learn more about some of these challenges, let's focus on what most individuals cite as their most significant expense (and an essential human need): housing.

The headline we generally hear related to LGBTQ+ individuals and housing security typically revolves around unhoused youth. LGBTQ+ youth are more likely to be rejected by their families and/or flee abusive homes, which leads to a disproportionately high incidence of housing insecurity: in the US, it is estimated that around 20% to 40%^v of unhoused youth identify as LGBTQ+. This group is particularly vulnerable to mental and physical health risks, including exposure to violence, trauma and substance abuse. LGBTQ+ youth are also more prone to drop out of school due to unsafe environments; a lack of family support limits intergenerational wealth transfer and reduces the amount of financial resources that youth have available in order to afford basic and higher education, which may explain, in part, why the LGBTQ+ population is twice as likely to carry a student loan debt balance.ⁱⁱⁱ

Housing insecurity is not exclusive to LGBTQ+ youth, however, and it is not exclusively driven by family rejection. LGBTQ+ individuals are 1.6 times more likelyⁱⁱⁱ to be unable to afford to pay for housing. The affordability barrier can be explained in part by factors stemming from discrimination:

- LGBTQ+ individuals are more likely to migrate to urban centers due to increased tolerance and diversity, but these areas are also more costly.
- The LGBTQ+ community is 3.6 times more likely to face discrimination on housing, in part because there are no robust federal protections outlawing this. Only 21 states plus D.C. explicitly prohibit discrimination on housing based on SOGI, and Wisconsin only protects against discrimination based on sexual orientation (not gender identity). This reduces the national supply of housing available to LGBTQ+ individuals, and lesser supply leads to increased costs.
- Additionally, there are also no robust federal protections against discrimination in credit; only 16 states have explicit protections against discrimination on lending. Various studies have concluded that same-sex couples applying for a mortgage are more likely to be denied or to be charged higher financing costs^{vi} than straight applicants.

Housing is just the tip of the iceberg: higher costs of food, medical care and transportation in urban centers compound the challenges. When looking at whether people are able to pay their bills, one in five LGBTQ+ individuals encounter challenges to pay all their bills versus one in eight of their straight counterparts.ⁱⁱⁱ Particular medical needs of the community and other social determinants of health also have a significant impact from the LGBTQ+ lens. Close to one quarter of the LGBTQ+ population defer seeing a doctor or specialist because they cannot afford it.ⁱⁱⁱ

The first roadblock in every person's financial journey is being able to meet basic financial needs. Higher costs faced by the LGBTQ+ community combined with more limited income ultimately make saving more difficult. The difficulty to meet financial needs is exacerbated by discrimination. And even those who are able to meet their basic needs will encounter more obstacles down the road in their financial journeys.

Building Financial Resiliency: Navigating with a Looser Safety Net

Thought as the capacity to bounce back from unexpected setbacks, financial resiliency is an important foundation that allows people to build wealth and plan for long-term financial independence. One way to gauge an individual's financial resiliency is to ask: if you were to encounter an unexpected cost, would you still be able to meet your basic needs? A \$400 unexpected emergency would cause 11% of straight people to not be able to pay all their bills compared to 19% of LGBTQ+ folks.ⁱⁱⁱ

We frequently hear advice inviting people to save anywhere from three to six months of expenses to sustain them during financial shocks, but LGBTQ+ individuals are less likely to have any savings (48% compared to 57% of their straight counterparts). Of the people who have emergency savings, roughly only one in three have sufficient savings to cover three months of expenses,ⁱⁱⁱ regardless of SOGI. Intuitively, the savings gap is influenced by challenges meeting basic needs, but there are other factors creating additional hurdles for LGBTQ+ individuals:

- Access to banking is a likely factor that drives some of the difference in the portion of the population with savings. LGBTQ+ households are 1.25 times more likely to be unbanked or underbanked.^{vii}
- More limited access to banking complicates the ability for LGBTQ+ individuals to meet unexpected expenses. LGBTQ+ individuals facing an unexpected \$400 expense are more likely to use alternative ways to finance (e.g., selling something, borrowing from friends or family) or incur high-cost credit (e.g., using credit cards, payday loans, overdrafting), and, ultimately, 15% would not be able to afford any emergency expense, compared to 10% of straight individuals.^{vii}

On top of the challenge to meet basic needs, the lack of access to fair-cost financial products makes it particularly challenging for LGBTQ+ individuals to establish a solid foundation that can lead towards financial independence. And even for those LGBTQ+ individuals with a strong foundation, the path ahead to build wealth and meet important life and financial milestones is complex.

Building and Protecting Wealth: Navigating towards Uncharted Objectives

After meeting basic financial needs and building a resilient foundation, individuals generally turn towards building wealth, planning for the future and charting a path to financial independence. Let's explore three different sample personas within the LGBTQ+ population:

- *The same-sex family builder:* building a family is costly for everyone, but the price tag is higher for same-sex couples. For reference here, it is important to note that the US is one of 83 countries that does not provide paid paternity leave, one of six countries that doesn't provide paid maternity leave and the only Organisation for Economic Co-operation and Development (OECD) member that does not guarantee paid family leave on a federal level. That means that new parents may have to rely on paid child-bonding leave offered by their employers.
 - Consider a same-sex male couple: to build a family, they will need to consider alternative routes like adoption (which can cost upwards of \$40,000 and carry an additional average cost of \$3,000 for a second parent adoption, typically a necessity for LGBTQ+ couples) or surrogacy (which typically ranges from \$120,000 to \$150,000). Compared to employer-provided paid maternity leave, paternity leave, if offered, tends to be shorter. As a result, same-sex male couples need to budget for additional caretaking expenses.
 - Turning to same-sex female couples: even though it is possible that they are capable of pregnancy, the path is not much simpler if they decide to build their families through birth. Couples who have access to fertility benefits may experience gaps in coverage, particularly when coverage is conditioned to prove the couple cannot get pregnant naturally for a number of cycles. Even with potentially longer child bonding paid leave compared to same-sex male couples, same-sex female couples are doubly impacted by the gender earnings gap, meaning a larger portion of their household income may have to be devoted to family raising costs.
- *Reaffirming gender:* protections against discrimination for transgender individuals are weaker compared to LGB individuals, and financial insecurity is also more prevalent. The systemic barriers described throughout are further exacerbated for this segment of the community, especially regarding healthcare. Only 24 states and DC provide protections against insurance exclusions with studies showing that 19% of trans individuals are refused care outright, 28% of trans individuals postpone medical care when sick or injured due to discrimination and past harassment, and 50% report medical providers don't even have basic knowledge about transgender care. Additionally, trans people may undergo gender-affirming care, which can include voice modification therapy, cosmetic feminization/masculinization procedures, and transition surgery, in addition to associated travel expenses in order to access care when it is not available locally. It's also important to note that not all of these patient-centered treatments are typically covered by insurance. Comprehensive health care insurance coverage is a privilege that many employed individuals may have, but 30% of transgender people do not participate in the labor force and are twice as likely to be unemployed.^{viii}
- *Financial independence for the expected future lifetime:* when thinking about retirement, individuals have two big questions to answer around their financial needs: how long do I expect to live and how much will I be spending during that time? Thinking back to the AIDS epidemic that ravaged the gay community at the end of the 20th century, advances in medicine have been remarkable at mitigating the impact and extending the lives of those who live with HIV. Those who were infected with HIV and AIDS before the 21st century likely saw friends die at a young age and considered their future lifespan to be less than half a decade, if they were lucky. As a result of the myriad of recent medical advances, life expectancy may have been extended. Despite the improved health outcome, this means that survivors now have to finance needs for an unexpectedly longer future lifetime with additional medical costs to manage their condition chronically.

These three examples are just a few significant life events that may be found among members of the LGBTQ+ community, but there are many others creating different and unique needs, aspirations and challenges. To figure out ways to help the LGBTQ+ community financially prepare for the future, it's important to recognize these different needs and financial priorities and identify areas where conventional thinking will fall short in helping LGBTQ+ individuals chart their financial paths.

Financial Independence and Legacy: Navigating through a Different Retirement Journey

Factors outlined earlier have included the higher challenge to meet financial needs, more barriers to build financial resiliency, and specific considerations on financial goals and priorities. When it comes to attaining financial independence, these all compound to create additional barriers; SAGE, a nonprofit organization for the Advocacy and Services for LGBTQ+ elders, estimates that 50% of LGBTQ+ people are likely to work past retirement age compared to only 27% of straight people.

Let's think about some ways LGBTQ+ individuals and families may be looking at retirement, financial independence and legacy differently:

- Currently, elder LGBTQ+ people in the US are more likely to face retirement with less support and less resources. LGBTQ+ elders are two times more likely to live alone, are four times less likely to have children, and are more likely to live in poverty, to be unhoused and to experience poor physical and mental health.^{ix} Looking at the resources of future retirees, 42% of LGBTQ+ employees feel their retirement savings are not on track (1.39 times more likely than straight people), 43% do not have access to an employer retirement plan (1.25 times more likely) and 82% do not have access to an employer provided defined benefit pension plan (1.12 times more likely).ⁱⁱⁱ
- LGBTQ+ individuals tend to be the caregiver for elder family members but are less likely to receive caregiving from their legal family. The burden of caregiving tends to fall disproportionately on LGBTQ+ family members, with 22% being expected to provide financial support to their parents for retirement (compared to 15% of straight workers). However, upon retirement, LGBTQ+ individuals tend to rely more on chosen families and caregiving support networks than their legal family; for example, 21% of LGBTQ+ elders care for friends compared to 6% of straight elders.^{ix} Given these differences, financing and planning for long-term care poses additional challenges and considerations.
- Thinking about legacy planning and tax consequences, it is important to acknowledge some of the uncertainties LGBTQ+ families face. US Supreme Court Rulings in *US vs. Windsor* and *Obergefell vs. Hodges*, have created a framework that has strengthened protections of the LGBTQ+ family. However, the recent legality of same-sex marriage creates uncertainty and barriers. For instance, for older generations, eligibility for certain benefits, including Social Security survivor benefits, depend on legal recognition of the spousal relationship, which creates challenges in cases where older couples have not married. It also poses unintended barriers for certain retired LGBTQ+ immigrants that did not enjoy legal recognition of marriage while they worked in the US and contributed to Social Security. Even for married LGBTQ+ couples, the possibility of a rollback of federal recognition of same-sex marriages could create significant complexity on taxation, estate planning and eligibility for Social Security survivor benefits and spousal benefits under ERISA plans. An uncertain and relatively young legal framework multiplies the "what ifs?" and makes planning around retirement and legacy more complex.

Legacy and financial independence mark the end of the financial journey. Looking back, it is clear that the obstacles LGBTQ+ people and their families face along the way create unique challenges and experiences. Looking at priorities and needs, it becomes evident that LGBTQ+ individuals need to think about certain life events differently. Thinking about the idea of retirement and the financial needs associated with it, there are clear differences on the post-retirement experience of LGBTQ+ elders. On top of all of that, a complex and quickly evolving legal framework around LGBTQ+ families can become a stumbling block to consider when navigating towards a financially secure retirement.

A Brief Word on Intersectionality

As we think about the LGBTQ+ financial experience, we should not ignore the role of intersectionality. For example, we talked about how family rejection increases likelihood of unhoused LGBTQ+ youth and decreases the likelihood of benefiting from generational wealth transfers, but for segments of the population where wealth accumulation is already impaired (e.g., for racial and ethnic minorities who also identify as LGBTQ+) the impact of these different disadvantages is compounded.

Consider this: It was noted earlier that 33% of the LGBTQ+ population are either finding it difficult to get by or are just getting by financially. That figure jumps to 40% when looking at the Hispanic/Latino LGBTQ+ population and 45% when looking at the Black/African American LGBTQ+ population. It goes as high as 64% for transgender people from racial and ethnic minorities. ⁱⁱⁱ

While intersectionality presents more nuanced challenges, it also expands the ways disadvantaged segments of the population can be helped. For instance, solutions that seek increased access to banking and financial education can address challenges not only for LGBTQ+ individuals but can also support other underserved segments such as underserved racial and ethnic groups.

In Conclusion

Through examining the financial journey from the various vantage points of members of the LGBTQ+ community, my hope was to provide a small window into a complex picture. Even through this limited scope, there are several conclusions we can draw:

- **More data is a catalyst to better understanding:** The literature and understanding of LGBTQ+ issues around financial security and retirement suffers from the limit on available data and the quality of such data, which typically relies on self-identification. More conscious efforts to collect data on a safe environment for members of the LGBTQ+ community is necessary.
- **Protection against discrimination facilitates building long term wealth:** Societal attitudes have an impact on the financial security of the community. Added to that, limits on legal protections exacerbate the problems. A framework with robust legal protections against discrimination would improve LGBTQ+ financial and retirement outcomes.
- **Societal and family acceptance strengthens the foundation:** LGBTQ+ retirees have relied on chosen families more than nuclear and legal families for support for retirement. As more LGBTQ+ families start to exist and public acceptance of the LGBTQ+ community increases, it will be interesting to see how the evolution leads to different outcomes for the community
- **Different needs call for different support:** The needs of the LGBTQ+ community to attain a secure retirement are different. Lower likelihood to afford basic needs, barriers to banking and savings, unique financial priorities and needs during life through retirement: all these factors impact financial outcomes and call for innovative solutions that can better meet needs and address the gaps that LGBTQ+ people experience when planning for retirement.
- **Reducing the uncertainties simplifies the path:** Financial, estate and retirement planning for LGBTQ+ people is complicated even further by uncertainty on the legal framework. Policymakers, financial professionals advising members of the LGBTQ+ community, and professionals designing financial products and employer benefits need to understand these complexities and how it all impacts their work.

- **Education and access to financial services and benefits reduce the burden:** Access to financial services and literacy can be a powerful tool. Financial products, tools and communication geared to engage and serve the LGBTQ+ community will add value to the community and society.

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Appendix: Selected Data from the 2021 Survey of Household Economics and Decisionmaking

Since 2013, the Federal Reserve Board conducts the Survey of Household Economics and Decisionmaking (SHED). SHED provides insights on the economic wellbeing of US Households. Since 2019, SHED has been collecting information on SOGI as part of the survey. To learn more about SHED, please visit:

<https://www.federalreserve.gov/consumerscommunities/shed.htm>

The 2021 survey had 11,874 responses. When asked about their gender identity, 10,975 (92.4%) of respondents said they are cisgender, 132 (1.1%) of respondents said they were either transgender, nonbinary or other and 767 (6.4%) did not respond. When asked about their sexual orientation, 10,231 (86.16%) said they were straight, 871 (7.3%) said they were gay, lesbian, bisexual or identified with a different non-straight orientation and 772 (6.5%) did not respond. The figures used in this essay divide the respondents among the following categories:

LGBTQ+: Those whose gender identity is not cisgender and who are not straight. They represent 972 of the respondents. Using the weights provided in the raw data to best match the US population, this is equivalent to 963 responses (or 8.1%)

Straight: Those whose gender identity is cisgender and whose sexual orientation is straight. They represent 10,165 of the respondents. Using the weights provided in the raw data to best match the US population, this is equivalent to 10,054 responses (or 84.7%)

No response: Those who did not respond to the SOGI questions. They represent 797 of the respondents. Using the weights provided in the raw data to best match the US population, this is equivalent to 857 responses (or 7.2%)

In writing this essay, for the figures provided that use SHED data and the selected data below, the focus was on the LGBTQ+ and Straight groups. The weights used to represent the US population were provided in the SHED data and no analysis was performed to assess other weights which may have been reasonable for the figures presented.

Figure 1
HOW IS THE U.S. POPULATION MANAGING FINANCIALLY?

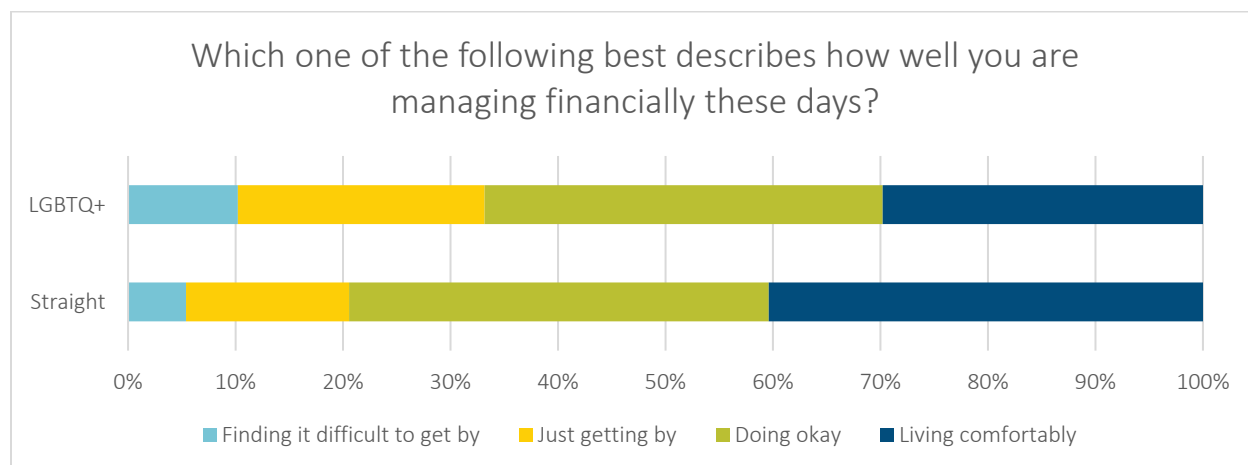
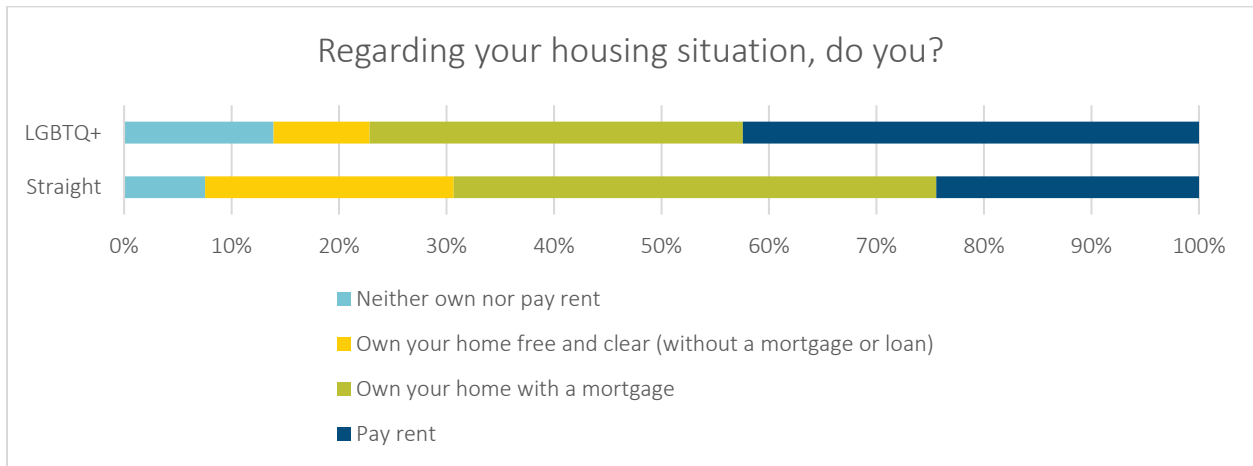


Figure 2
HOUSING ARRANGEMENTS



Note: A disproportionate amount of LGBTQ+ individuals neither own nor pay rent. A potential explanation could include the fact that living with legal or chosen family is more common for younger Americans, and young Americans are more likely to identify as LGBTQ+.

Figure 3
OF THOSE WHO ARE NOT YET RETIRED (8,643 OUT OF 11,874), ARE THEIR RETIREMENT SAVINGS ON TRACK?

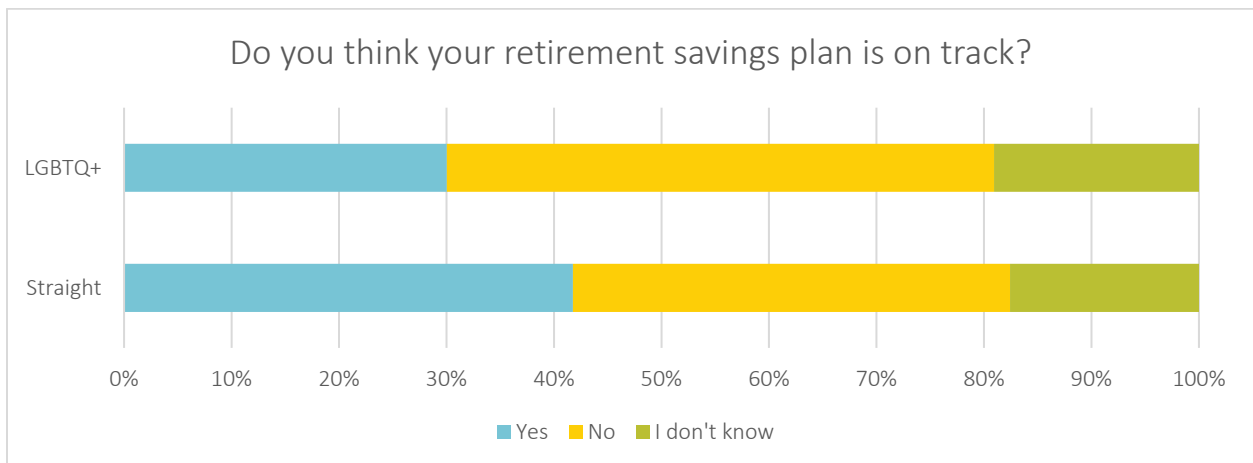


Figure 4
COMPARING HOUSEHOLD SPEND AND INCOME

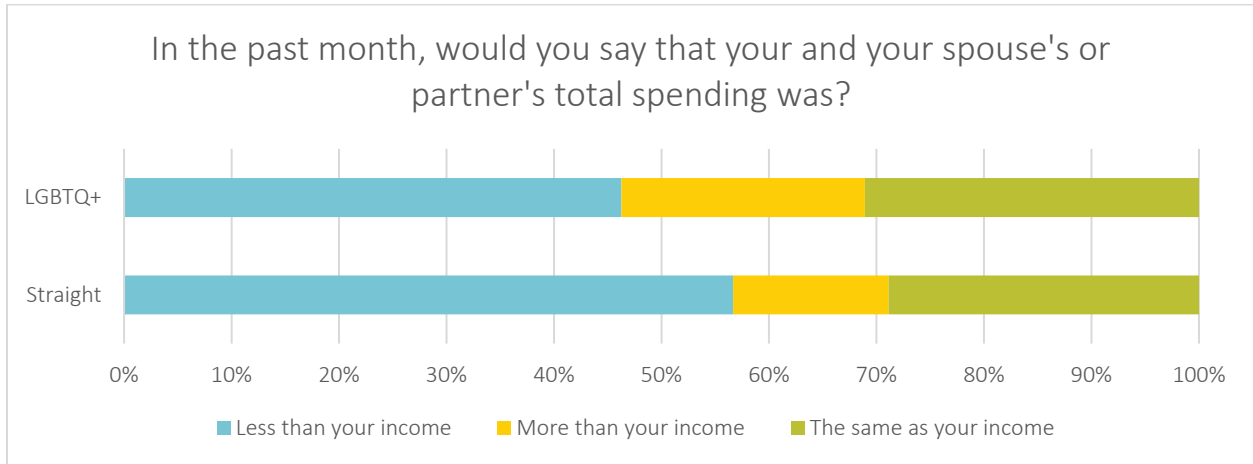
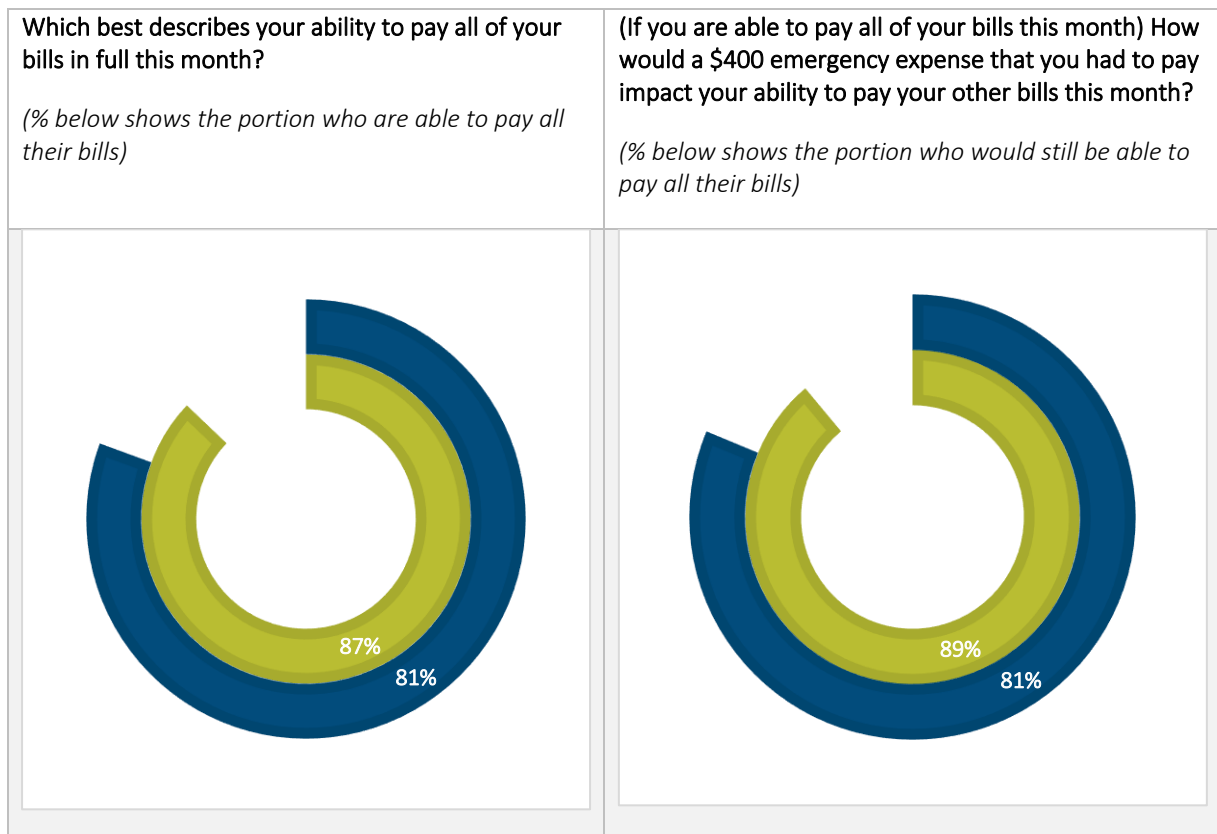


Figure 6
ABILITY TO COVER NEEDS



- **81%** of **LGBTQ+** are currently able to pay all bills; of those, **81%** would still be able to pay their bills after a \$400 emergency
- **87%** of **Straight** are currently able to pay all bills; of those, **89%** would still be able to pay their bills after a \$400 emergency

Table 1

AFFORDABILITY – WHAT BILLS ARE YOU UNABLE TO PAY?

Are you expecting to be unable to pay or only make a partial payment on each of the following bills this month?

	Straight	LGBTQ+	Index LGBTQ+ to straight
Rent	3.45%	5.52%	<i>(160)</i>
Credit Cards	5.27%	10.66%	<i>(202)</i>
Water/Gas/Electricity	4.38%	5.93%	<i>(135)</i>
Cable/Phone	4.26%	3.94%	<i>(93)</i>
Car Payment	2.38%	3.65%	<i>(153)</i>
Student Loans	1.36%	2.29%	<i>(159)</i>
Others	4.00%	6.23%	<i>(156)</i>

Table 2

AFFORDABILITY AND HEALTHCARE – HAVE YOU SKIPPED CARE DUE TO AFFORDABILITY?

During the past 12 months, was there a time when you needed each of the following, but went without because you couldn't afford it?

	Straight	LGBTQ+	Index LGBTQ+ to straight
Prescription medicine	7.18%	14.02%	<i>(195)</i>
Seeing a doctor or specialist	11.19%	23.86%	<i>(213)</i>
Mental healthcare or counseling	6.33%	20.76%	<i>(328)</i>
Dental Care	15.85%	25.52%	<i>(161)</i>
Follow-up Care	6.85%	14.65%	<i>(214)</i>

References

ⁱ Jones, Jeffrey M. LGBT Identification in U.S. Ticks Up to 7.1%. *Gallup*, February 17, 2022, <https://news.gallup.com/poll/389792/lgbt-identification-ticks-up.aspx>.

ⁱⁱ America's LGBT Economy Report. *National LGBT Chamber of Commerce*. <https://nglcc.org/press-media/reports/>.

ⁱⁱⁱ Figures are based on data from the 2021 Survey of Household Economics and Decisionmaking conducted by the US Federal Reserve. See Appendix for more details.

^{iv} Several studies point to a wage differential for gay/bisexual males. Klawitter (2015) found in a meta-analysis that on average gay/bisexual men earned 11% less than their straight men counterparts. Studies about the wage gap for lesbian and bisexual women compared to straight women are not conclusive, with some showing a premium and some showing a gap. This could be in part a result of the challenge to account for labor force participation to credibly compare outcomes for straight and lesbian and gay women.

^v *Learning from the field: Programs serving youth who are LGBTQI2-S and experiencing homelessness*, a report from the Substance Abuse and Mental Health Services Administration of the U.S Department of Health Services: https://www.samhsa.gov/sites/default/files/programs_campaigns/homelessness_programs_resources/learning-field-programs-serving-youth-lgbtqi2s-experiencing-homelessness.pdf

^{vi} For example, see Sun e. a., *Lending practices to same-sex borrowers* <https://www.pnas.org/doi/10.1073/pnas.1903592116#sec-4>

^{vii} *The Economic Well-Being of LGBT Adults in the U.S. in 2019* from the Center for LGBTQ Economic and advancement Research: <https://lgbtq-economics.org/wp-content/uploads/2021/06/The-Economic-Well-Being-of-LGBT-Adults-in-2019-Final-1.pdf>

^{viii} *Transgender people twice as likely to be unemployed* published by McKinsey & Company: <https://www.mckinsey.com/featured-insights/coronavirus-leading-through-the-crisis/charting-the-path-to-the-next-normal/transgender-people-twice-as-likely-to-be-unemployed>

^{ix} Infographic on *Facts on LGBT Aging*, published by SAGE: <https://www.sageusa.org/wp-content/uploads/2021/03/sage-lgbt-aging-facts-final.pdf>



My Observations on Retirement Issues for Transgender Women

Cynthia Edwalds, FSA, ACAS, MAAA

I am a transgender woman. I am also a white baby-boomer actuary with considerable research experience. I recently retired after a 43-year career, including 36 years in the insurance industry and seven years in academia.

In this essay, I will share hearsay and anecdotal observations about retirement issues for transgender women. None of these observations have been supported by actual research, but any of them could provide the basis for a research study.

The first issue is the likelihood of survival to retirement age. The risk of death by suicide or transphobic violence is high for young transwomen. According to Equality Illinois, young transwomen of color are at a substantially higher risk of transphobic violence, accounting for 80% of deaths due to transphobic violence. Equality Illinois also claims that the median age at death for transwomen of color is 35, but I do not know what data supports this.

Lack of access to housing, employment, and health care all contribute to higher mortality, and these problems are considerably worse for transwomen of color as their families are more likely to disown them at a young age for being transgender.

Based on conversations that I have had with health care professionals working within the transgender community, there is a strong consensus that gender affirming care such as hormone therapy leads to significant health improvement. To the best of my knowledge, no data has been collected to measure this, and it would be very difficult to do so due to a lack of a control group.

Despite these issues leading to elevated mortality risk, many transgender women survive to retirement age. I am very grateful that I have a support group of older transgender women. The transwomen of retirement age that I know are Baby Boomers or older. Gen X transwomen are not yet of retirement age.

I believe that retirement issues for transwomen will differ significantly by generation. For the Baby Boomer transwomen that I know, nearly all of them worked as males for their entire careers. These transwomen earned salaries as males and accrued retirement benefits as males. Most receive defined benefit pension plan payments in addition to Social Security, and some also have 401(k)-type retirement savings. However, most are divorced, leading to a significant loss of both assets and retirement income. For some, this loss has forced them to postpone retirement.

In addition to the loss of assets and income, divorce means the loss of a partner, and for many transgender women it also is accompanied by estrangement from children and grandchildren. As a result, most of the transgender Baby Boomer women that I know are living alone. This becomes of greater concern as we age. Social interactions will become more difficult and less frequent as we attain advanced ages. Support groups play an important role in addressing this problem of loneliness but fall short regarding intimate relationships.

My assessment that retirement issues for transwomen will be significantly different by generation is based on the changes in both laws and culture since the new millennium began. For Millennial or Gen Z transgender women, resources are available to help explore and assess their gender identity and sexual orientation at or before the beginning of their careers. Rejection by parents and family of origin remains a significant problem, but adverse job action by an employer is unlikely and grounds for a lawsuit if it happens. It is now possible to talk openly about who you are when you are finding a potential life partner, so the risk of divorce is reduced, as is the risk of estrangement from children and grandchildren.

For Gen X transwomen, the retirement issues may be similar to those of the Baby Boomers, depending on the industry and employer they work for as well as their family situation. While it is theoretically possible to come out and transition at your current place of employment, in practice it may not be that simple. It is common for transwomen to work in male-dominated fields, and this can lead to subtle discrimination and an unwelcoming work environment, even if the employer does not take any overt job action against the transwoman.

Regardless of generation, gender affirming health care is expensive. Much of it is now covered by employer-provided health insurance, but the extent of coverage varies widely and wait times for certain procedures (such as vaginoplasty) from in-network providers are measured in years. Out-of-pocket costs are usually significant and can reduce or eliminate retirement savings.

At the start of this essay, I stated that my observations could provide the bases for research studies. In particular, the research questions that I have raised are:

- What is the mortality curve for transgender women? Can we differentiate it by race / ethnicity?
- For transgender women of retirement age:
 - What proportion are receiving (or will receive) defined benefit pensions?
 - What proportion have 401(k)-type assets, and what is the distribution of the amounts of those assets?
 - What proportion are divorced?
 - What proportion are living alone?
- What are out-of-pocket health care expenses for transgender women, differentiated by type of insurance coverage?

Studies to find the answers to these and other questions related to my observations can lead to better programs and better outcomes for transgender women.

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Aging and Retirement Issues for LGBTQ+ People

Paulina Schau

Q: What role has discrimination played in the efforts of LGBTQ+ individuals to achieve a financially secure retirement? (This could include discrimination in getting hired, getting promoted, finding jobs that offer benefits including spousal benefits designed to promote security, finding the advisors, caregivers, care facilities, etc., who will provide appropriate assistance, etc.)

Workplace Discrimination and Earnings

Discrimination, social stigma, difficulties in obtaining healthcare, and laws and regulations have impacted LGBTQ+ individuals' ability to achieve a financially secure retirement. When thinking about a lifetime of earnings, in 2022 the Human Rights Campaign Foundation (an LGBTQ+ advocacy group) found that on average LGBTQ+ individuals earn about 90 cents for every dollar of a typical heterosexual worker.ⁱ However, depending on where individuals find themselves on the LGBTQ+ spectrum, and taking race and gender into account, their experiences vary widely.

In terms of race, white LGBTQ+ individuals earn about 97 cents for every dollar (of a typical white heterosexual worker), Hispanic/Latino LGBTQ+ individuals earn 90 cents for every dollar, Black/African American LGBTQ+ individuals earn 80 cents for every dollar, and Native American LGBTQ+ individuals earn 90 cents for every dollar.

LGBTQ+ individuals' earnings also have an impact depending on their gender identity. Cis men (assigned male at birth and self-identify as men) in the LGBTQ+ community earn 96 cents for every dollar. Cis women (assigned female at birth and self-identify as women) earn 87 cents for every dollar. Gender non-conforming individuals (non-binary, genderqueer, genderfluid, agender, and two-spirit) earn 70 cents for every dollar. Transmen earn 70 cents for every dollar. And transwomen earn 60 cents for every dollar.

"Previous research has repeatedly found that LGBTQ+ people are more likely to be unemployed or underemployed relative to their straight and cisgender (identify with the sex they were assigned at birth) peers, and these economic disparities have grown even greater during the pandemic. Prior to the COVID-19 pandemic, almost one in 10 LGBTQ+ people were unemployed, compared to one in 20 heterosexual people. In 2021, HRC and PSB research [found](#) that unemployment among LGBTQ+ people increased to 22% of LGBTQ+ adults and 24% of LGBTQ+ adults of color. LGBTQ+ workers overall, and LGBTQ+ people of color, were also more likely to have had their hours cut due to the pandemic."ⁱⁱ

Discrimination very likely plays a role. "One-third (36%) of LGBTQ+ workers [say they have experienced](#) discrimination in the workplace, with 29% of LGBTQ+ people, 37% of Black respondents, and 54% of transgender respondents saying this discrimination had significantly impacted their financial well-being."ⁱⁱⁱ

In efforts to avoid discrimination, 35% of LGBTQ+ individuals looked for specific places to work and 58% of transgender individuals made decisions on where to work^{iv}. Thinking about job satisfaction and safety in the workplace, 54% of LGBTQ+ individuals have hidden a personal relationship and 73% of LGBTQ+ individuals had

experienced discrimination in the last year. Thirty-five percent of LGBTQ+ individuals and 66% of transgender individuals changed the way they dressed or their mannerisms to avoid discrimination.

In efforts to avoid discrimination, it's estimated that 46% of LGBTQ+ individuals are not "out" to their workplace. However, non-disclosure can cause an increase in anxiety and stress, reduces potential work and social connections, results in lower job satisfaction, and curtails career progression. College graduates who were closeted in either work, immediate family and/or social settings one year after graduation experienced 18% lower earnings and were 14% more likely to have mental health issues^v.

Healthcare

Health and wellbeing are very important to satisfaction in the workplace and in the ability to secure potential income. In seeking healthcare, 25% of LGBTQ+ individuals who faced discrimination in the previous year postponed or avoided receiving medical care for fear of further discrimination.

"Exploring the issue in more depth, 12% of respondents overall say they have had to teach their doctors or other providers about their community in order to get adequate treatment. Up to 14% of LGBTQ+ people have had other negative experiences, including a doctor or provider being visibly uncomfortable due to their actual or perceived sexual orientation (14%); harsh or abusive language (8%); doctors or providers intentionally refusing to recognize their family members (8%); or unwanted physical contact (7%)."^{vi}

The cost of obtaining healthcare also varies depending on generation. For example, Gen Z LGBTQ+ adults are three times more likely than Baby Boomers to have postponed necessary medical care in the past year due to costs (37% versus 14%).

While cost is a primary challenge, 68% of LGBTQ+ respondents said that it is very important to them that health care providers they see have nondiscrimination policies and specific training in working with LGBTQ+ people.

Education and Job Opportunities

LGBTQ+ students in the US are less likely in general to finish school and attend university. They experience poorer educational outcomes, including fewer credits obtained in high school, lower grade averages, and are less likely to apply for and then attend college. They're also less likely to be in full-time employment a year after graduation. These gaps are shown regardless of demographic characteristics, family background, US state, and school profile.^{vii}

29% of LGBTQ+ individuals aged 13-23 avoid a career in STEM because of fears that they would be discriminated against. There is a high concentration of LGBTQ+ workers in psychology, law, social work, and university teaching. These occupations share a need for a high level of social perceptiveness (the accurate anticipation and reading of others' reactions.) With LGBTQ+ individuals potentially experiencing discrimination from a young age, knowing how to read social cues can be an important acquired skill for these individuals. Occupational segregation can also be linked to an LGBTQ+ employee's desire for task independence, which makes concealing their sexual orientation easier in order to avoid discrimination. It's estimated that today's STEM industries have lost up to 120,000 viable candidates due to the cumulative effects of anti-LGBTQ+ bias.^{viii}

LGBTQ+ graduates are more likely to work in an occupation where there are also a higher percentage of cis women in hopes of finding a more comfortable work environment. These on average, tend to be occupations where salaries are lower. These choices have a cumulative impact on pay.^{ix}

What Can Be Done

- Support policy and legislation that will strengthen existing protections and further combat discriminatory practices.
- Include a zero-tolerance employment nondiscrimination policy that includes both “sexual orientation” and “gender identity” across all operations.
- Institute transparency policies on pay to further identify pay inequalities.
- Prevent benefit offering inequalities by ensuring benefits packages are inclusive of legal spouses and domestic partners.
- Complete annual assessments of collected pay data by sexual orientation, gender, and gender identity to ensure that companies use data to drive decision-making (e.g., formulation of leadership development programs and other policy development to combat the wage gap).
- Create workplace guidelines centered around gender transition which can help trans people feel more accepted, valued, and trusted and create a standard of accountability for co-workers.
- Work towards workers not needing to hide their sexual orientation or feel the need to give an explanation.^{x xi}

Big picture legal changes are one approach with a significant impact. “Research has shown that when laws change in favour of LGBTQ+ rights, social norms tend to follow,” according to Pawel Adrjan, Director of EMEA Economic Research at Indeed. “In the US, for example, in states that legalised same sex marriage, there was a positive impact on labour force participation of LGBTQ+ people – and the likely mechanism for that was less discrimination and less prejudice.”^{xii}

In action, creating anti-discrimination-based laws and policies can decrease the LGBTQ+ pay gap in the workplace. Research from the US in 2020 found that anti-discrimination laws cut hourly earnings penalties by 11% for gay men, compared to heterosexual men.^{xiii}

Final Thoughts

The pay gap due to one’s sexuality and gender is forged while individuals are still young, and has a lifetime effect on wellness, job earnings and satisfaction, and ultimately the ability to have a comfortable retirement. Reducing and eliminating discrimination calls for an all-hands-on approach to making the labor force a better place for everyone.

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Beyond the Binary – How Insurance Companies Can Adapt to Meet the Needs of Transgender, Non-binary, and Intersex Individuals

Jonah von der Embse

The views and ideas expressed in this essay do not represent the views or ideas of the author's employer, the Society of Actuaries, or any organization the author is involved in.

Male or female? The simple, seemingly innocuous question we all likely encounter throughout our lifetimes, right after asking for one's name. Life insurance applications are no different – in the U.S., companies currently ask individuals to select one of these two options. Although underwriting and risk classification can differentiate an individual's risk, and thus the price of the insurance product, the underlying cost structure and cash value is significantly influenced by this male/female classification. If only it was so clean-cut.

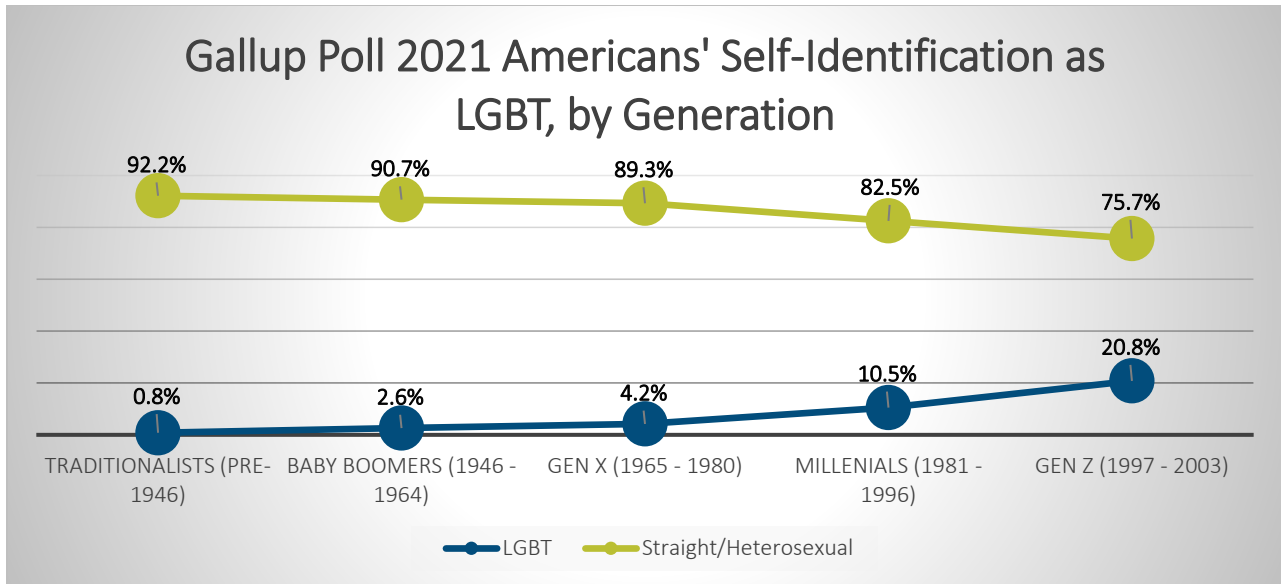
Transgender, non-binary, and intersex individuals have long been a part of society, and as they and younger generations challenge traditional ways of thinking about sex and gender, insurance companies will need to learn to adapt to a changing world. The use of sex, gender, or both is a good place to start, especially how it uniquely impacts the LGBTQ+ population and their ability to access fair and affordable insurance.

This essay is limited in scope to only a few of the myriad of issues faced by a segment of the LGBTQ+ population. However, it will give readers a brief education of the LGBTQ+ population, the importance of clarifying sex vs. gender, and how a binary classification system indirectly adds additional barriers to an already marginalized population. Finally, it will discuss what actuaries should consider for future research and discussion.

For the purposes of this essay, sex is biologically defined characteristics, while gender is a social construct, as defined by the Human Rights Campaign (HRC)ⁱ. The HRC defines transgender as an umbrella term for individuals whose gender identity differs from the sex assigned to them at birth. Some (but not all) transgender individuals undergo gender affirming surgery to align their sex with their gender identity. Non-binary is an identity used by individuals who do not identify as male or female. Although many non-binary individuals identify as transgender, not all do. Intersex people are born with a variety of differences in their sex traits and reproductive anatomy, and can identify as intersex, non-binary, male, female or a different gender.

The U.S. LGBTQ+ Population

A 2022 poll by Gallupⁱⁱ estimated the LGBTQ+ population in the U.S. is 7.1%, doubling in the last decade. Broken down by generation, more than one in five members of the youngest cohort (Generation Z) identify as LGBT, likely signaling future growth. A Pew research study in June 2022 further highlighted the gap based on age and generation, finding slightly more than 5% of adults aged 18-29 say their gender is different from their sex assigned at birth (including 3% who identify as non-binary).ⁱⁱⁱ



The intersex population can be difficult to quantify due to many individuals going through medical procedures early in life. However, the Center of American Progress^{iv} estimates up to 1.7% of the population has an intersex trait, and approximately 0.5% of people have clinically identifiable sexual or reproductive variations (an estimated 5.6 million and 1.6 million Americans, respectively).

Millions of Americans do not easily fall into the buckets of “Male” and “Female”, and this population is only likely to grow in the future. So why do insurance companies insist on this split?

A Brief History of Sex and Insurance

In the late 19th century, life insurance companies commonly charged different rates based on race or geographic location, but not sex (although females were often charged more, or offered lower payouts, for annuities). In 1955, Phoenix Mutual Life Insurance company became the first company to offer females lower premiums on life insurance.^v However, U.S. statutory reserve mortality tables were unisex. Many companies adopted a simplification for female mortality rates through an age set back, or, in other words, using rates of a younger male.

A Brief Timeline of Sex, Gender, and Insurance

1840s	• Insurance companies begin charging females more for annuities compared to similar aged males, despite using unisex life insurance rates
1880s	• Insurance companies begin charging different life insurance premiums based on race
1955	• Phoenix Mutual becomes first company to offer female rates for life insurance
1964	• The Civil Rights Act bans the practice of race-based insurance premiums
1975	• In <i>Weinberger vs Weisenfeld</i> , the Supreme Court mandates that social security benefits become gender-neutral
1980	• The 1980 CSO mortality table becomes the first to be split by sex (a unisex version was added after the 1983 court case below)
1983	• In <i>Norris vs Arizona Governing Committee for Tax-Deferred Annuities</i> , the Supreme Court mandates that there must be a gender-neutral retirement option for state employees when offered only a limited number of annuities. • Montana becomes the first (and only) U.S. state to mandate gender-neutral insurance. This law was repealed in 2021.
1988	• The Massachusetts Insurance commissioner mandates gender-neutral insurance. However, the mandate was overturned by the state supreme court in 1991 due to the way it was enacted
2012	• The European Union mandates all types of insurance become gender-neutral on a prospective basis
2014	• The Affordable Care Act creates gender-neutral health insurance
2017	• California becomes the first U.S. state to allow for gender X birth certificates
2020	• California and Michigan become the sixth and seventh states to mandate gender neutral auto insurance • In <i>Bostock</i> , the Supreme Court held that Title VII extends to sexual orientation and "transgender status"
2022	• New York mandates a Gender X option for Auto Insurance to go alongside male and female options • The U.S. issues its first gender X passport

Due to the uneven nature of the “mortality setback” and the rise of the feminist movement, state legislatures across the U.S. began to ban this practice. In response, the NAIC requested the Society of Actuaries to form a task force in the mid-1970s to study whether a new mortality table should be unisex or sex distinct (Special Committee to Recommend New Mortality Tables for Valuation). In the Record of Society of Actuaries VOL. 5 NO. 4 (1979)^{vi}, the moderator Charles Ormsby stated, “It is highly likely that ... adopting new mortality tables today will involve stronger political crosscurrents and more controversy than heretofore.”

Wilbur Bolton, a member of this committee, also recognized the complexity of the issue. He stated the difference in female vs. male mortality “cannot be rationally challenged” but admitted there were questions about the difference “outside the normal domain of actuarial investigations” and “anti-discrimination proponents claim it is morally indefensible for insurance companies to recognize differences based on past cultural influences or past patterns of employment.”

As anticipated, these sex distinct tables were challenged in the court system after their adoption. In *Norris* (1983)^{vii}, the Supreme Court held a state pension plan that allowed employees to choose retirement benefits from a list of companies selected by the employer, all of which paid lower benefits to women (due to sex distinct pricing), violated Title VII of the Civil Rights Act (which had previously banned race-based pricing). Although narrow in scope, the Court nonetheless explained “if it would be unlawful to use race-based actuarial tables, it must also be unlawful

to use sex-based tables” because race and sex distinctions stand on the same footing under the Civil Rights Act^{viii}. In response, the NAIC added a unisex version of the table.

However, for transgender and non-binary individuals, many legal questions remain. Most recently, in *Bostock* (2020)^{ix}, the Supreme Court analyzed several employment discrimination claims and held Title VII’s language prohibiting discrimination “on the basis of sex” included sexual orientation and “transgender status.” While the Court arguably expanded the scope of the term “sex,” it is yet to be seen if this will include gender identity and non-binary individuals and impact the insurance industry.^{**}

Current Practice and Guidance

The use of sex and gender varies by company, with vague regulatory and best practice guidance. The American Academy of Actuaries Risk Classification Working Group published a public policy monograph on risk classification^x in the fall of 2011. The Working Group stated desirable risk characteristics should have “objective determinability” and referenced gender as an example due to its “binary characteristic.”

In February 2021, the Society of Actuaries’ Emerging Issues in Underwriting Survey^{xi} had a question about what companies ask for on their application. As expected, responses showed a large variation in the use of sex or gender.

What does your company ask in its application?

Response	U.S.	Canada	# of Responses
Sex	12	6	18
Gender	10	3	13
Sex at birth	0	2	2
Both sex and gender	0	0	0
Total # of Respondents	22	11	33

Several states have limited the use of sex and gender in other insurance products. Eight states mandated auto insurance become gender neutral^{xii}, and in 2022, New York began requiring auto insurers to offer a gender X option.^{xiii} Meanwhile, Montana, which previously was the only state to be gender neutral since 1983, repealed its unisex mandate^{xiv} in 2021. Although all states allow for an individual to officially change one’s gender and the U.S. issues gender X passports, only 16 states allow for a gender X birth certificate^{xv}, which can make it difficult for some individuals to obtain what could be considered appropriate documentation before applying for life insurance.

Due to the varied guidance and regulations, LGBTQ+ consumers are left to bear the burden. Quotacy^{xvi} aggregated a list of companies on how they would rate a transgender individual and received answers ranging from “gender they identify as” to “birth sex,” with varying requirements on sex reassignment surgery. Non-binary individuals also face an uphill battle – as of today, no insurance companies offer a gender-neutral life insurance policy^{xvii}. These

additional barriers are potentially preventing millions of individuals from receiving the financial stability and security provided by life insurance.

Are There Other Models?

In 2012, the European Union, one of the largest insurance marketplaces in the world, went through a significant change due to a lawsuit over auto insurance rates. The entire insurance industry was mandated to become gender neutral.

The E.U. justices referenced the U.S. Supreme Court's decision to make Social Security gender-neutral on the basis of equal rights as a foundation to their decision^{xviii}. The advocate general stated the following in their arguments to the justices:

“There is a sweeping assumption that the different life expectancies of male and female insured persons... which merely come to light statistically – are essentially due to their sex... it is especially easy to implement distinctions on the basis of sex... correct recording and evaluation of economic and social conditions and of habits of insured persons is much more complicated... [use of sex] as a kind of substitution criterion for other distinguishing features is incompatible with the principle of equal treatment for men and women.”

After the ruling, the industry was given eighteen months to transition to gender neutral pricing. Hato Schmeiser and his coauthors put together a survey in the summer of 2012 to measure consumer attitudes in Europe about the use of risk factors and possible market implications^{xix}. First, they referenced a study that found a positive correlation between consumers' willingness to buy insurance and their perception of the fairness of premiums and benefits. Next, they designed a study to measure consumers' perception of what is fair and justified. The study found consumers perceived gender as either neutral or unagreeable to be used as a risk differentiation criterion, and the differences in price due to gender to be higher than “acceptable.”

The researchers then considered the market implications from the gender-neutral mandate. They estimated adverse selection effects and cross subsidization could increase, and in markets with low price elasticity and non-compulsory purchasing, this could cause the subsidizing policyholders to lapse, raise prices for remaining policyholders, and reduce demand. The decrease in demand could lead to future limitations on product offerings and a withdrawal of companies from different markets. Consumers might switch to alternative products or self-insurance solutions. The overall market could decrease in size along with the quality of insurance benefits, with the strongest impact likely to occur in life and annuity marketplaces due to the voluntary nature (compared to compulsory auto insurance).

However, the article also stated gender neutral insurance could spur positive consumer reactions. As their research showed, consumers were more inclined to buy policies they perceived as fair, and consumers currently view the use of gender as disagreeable (unfair). In the decade since the switch to gender neutral, the E.U. insurance marketplace has performed similarly to the U.S. market^{xx}, showing the worst fears of the authors had not come to pass.

Something to consider is gender neutral insurance does not mean all females and males pay the same rate, or even the average female pays the same as the average male.

Five years after gender-neutral auto insurance went into effect, an analysis by The Guardian^{xxii} confirmed two identical profiles that only varied by male and female received the same quote from several auto insurance

companies in the U.K. However, when aggregating data, the researcher found the difference in premium paid by the average male vs. the averaged female tripled compared to what it was prior to gender neutral pricing.

A common thought is making life insurance gender neutral would raise female rates and lower male rates (and the opposite for annuities) until the premiums paid between the two are the same. Although this would happen for policyholders with identical risk profiles, this may not necessarily be the case across a large population because a large difference in premium paid is attributable due to other risk attributes (smoking, medical history, etc.). In other words, although rates may not explicitly vary by male vs. female, they may implicitly vary through other pricing variables with a non-zero correlation to sex.

What Can Actuaries Do?

In a rapidly evolving world, it is worth pausing and viewing things comprehensively and fundamentally. Actuaries are essential in developing and managing risk classification systems that underpin the insurance industry to provide affordable and fair products. However, how to determine what is “fair” is hardly a straightforward process.

Gender and sex are far from “binary, objectively determinable” characteristics, and there will never be a clean-cut way to sort them into two buckets. Thus, actuaries should critically examine whether using sex or gender is a fair and accurate way to assess risk. Without even considering how difficult it is to sort transgender, non-binary, and intersex individuals into these pre-determined categories, we must consider whether this is the right way to assess risk fairly. The E.U. demonstrates a mature and developed marketplace could work effectively under a gender-neutral framework, but it’s not the only option.

If actuaries (and regulators) decide to continue using sex or gender to assess risk, the next step would be to settle on consistent use – should actuaries use sex, gender, or sex assigned at birth?

Gender expression would appear to be the most client friendly option, especially for transgender individuals. However, in a “male/female” world, this option would not work for non-binary individuals. Sex assigned at birth is another logical option, but this may be a challenging data point to collect from a privacy standpoint, and it may be hard to justify, for example, the use of male rates for a fully transitioned transgender female. Asking for a birth certificate may also not be a viable solution as most states allow for them to be amended for transgender individuals, in addition to more than a dozen states now allowing for gender X (both as an amendment and for newborns).

Yet another option could be the approach New York has taken with auto insurance: allowing for sex distinct rates, but also mandating a third, gender neutral option be available for all residents of the state. However, how companies create the assumptions and prices for a third, gender neutral option could be a complex process, and there is a risk consumers could anti select against companies. Yet another ethical quandary could occur if emerging experience warrants higher prices for the third option vs. male/female.

As confusing and difficult as this may seem for actuaries, it can be even more so for all the consumers on the other side of the equation. Every additional requirement placed on underinsured communities further hinders their ability to achieve financial stability and security. The Academy’s monograph on risk classification states classification systems should be acceptable to the public, recognize the values of society, and respect personal privacy. As societal values evolve, actuaries and insurance companies should evolve as well. Millions of individuals may depend on how actuaries and regulators approach and handle this in the years to come.

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Serving as the research arm of the Society of Actuaries (SOA), the SOA Research Institute provides objective, data-driven research bringing together tried and true practices and future-focused approaches to address societal challenges and your business needs. The Institute provides trusted knowledge, extensive experience and new technologies to help effectively identify, predict and manage risks.

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