



**FIREPAW**



THE FOUNDATION FOR INTERDISCIPLINARY RESEARCH AND EDUCATION PROMOTING  
ANIMAL WELFARE

## **An Analysis of Breed Discrimination of Domesticated Dogs among Insurance Companies**

### **EXECUTIVE SUMMARY**

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# **EXECUTIVE SUMMARY of: An Analysis of Breed Discrimination of**

## **Domesticated Dogs among Insurance Companies**

### **RESEARCH HIGHLIGHTS**

- Dog bites are a minor cost relative to many other homeowners insurance hazards.
- Even pit bulls, the most maligned breed, do not have a risk high enough to justify a premium increase of more than 5%-10%.
- The research most commonly cited by insurance companies to justify breed discrimination is *inappropriate* to be used for this purpose as indicated by the authors themselves.
- Applicable research studies show that "high risk" breeds have only 2 to 5 times the bite risk. When combined with insurance financial data, this implies these breeds only have a risk of 6 cents per dollar in premiums.
- Dog bites liability costs have increased less rapidly than insurance premiums.
- Insurance companies typically fail to address other equally important bite risks such as spaying/neutering of dogs or address some risks inappropriately (chaining).
- Although it may not seem logical for insurance companies to make poor economic choices, there are a number of possible explanations.

### **Overview**

Insurance companies are increasingly using breed of dog as a criterion in determining eligibility for homeowners/renters insurance coverage. However, there appears to be little data to support a specific premium for a specific breed, and even less evidence to justify outright denial of coverage based on this single risk factor. FIREPAW, Inc. conducted a study of these discrimination trends against homeowners and renters by insurance companies. Rather than focusing on whether certain breeds of dogs might or might not have increased bite risks, FIREPAW instead sought to answer the question, 'Does it make economic and financial sense for insurance companies to deny coverage or greatly elevate premiums based on dog breed?'

### **Faulty Foundation leads to Faulty Conclusions.**

A thorough review of the literature indicates that most studies conducted on dog bites that account for breed have used a methodology that did not include a comparison group of dogs from the general population. One important problem with these studies is that no statistical conclusions can be drawn. This shortcoming also exists in the most commonly cited public data used by insurance companies to justify breed discrimination—a study sponsored by the U.S. Center for Disease Control (CDC). One of the problems lies with the fact that the focus of the CDC study was only on *fatal* dog attacks. The authors themselves point out several reasons why their breed fatality statistics may be biased.

There are studies available which have used a comparison group from the general population. A matched survey of dog bites in Denver was conducted in 1991. This study included a comparison group from the general population which allowed the authors to do relevant statistical tests. The study found that German shepherds were 3.4 times as likely to bite and that Chow Chows were 5.5 times as likely to bite than other dogs. However, the authors also found that nonneutered dogs were 3.5 times as likely to bite and chained dogs were 2.4 times as likely to bite.

### **Putting it in Context**

Even if certain dog breeds could be shown to be higher risk across all geographic areas and points in time, the issue of risk by breed needs to be put into context.

According to the insurance industry's most recent estimate, insurance liability claims involving dog bites totaled \$345.5 million in 2002 while the net premiums written in 2002 for the property and casualty industry were \$369.7 *billion*. That's more than a

thousand times higher than claims involving dog bite-related injuries. Looking just at claims, only 1.6% at most of every dollar paid in homeowners insurance claims went to dog bite-related costs.

### **What this Means**

If one assumes based on the scientific research, that the highest risk breeds are about five times as likely to bite as other dogs, then the total added cost of a high risk dog for every dollar of total expenses for homeowners insurance is 5.9 cents. **In other words, the data suggest that the most insurers should reasonably be able to justify increasing premiums for a family with a high risk dog is about 6%.** This is less than the routine premium increase many customers already experience.

Although pit bulls are excluded from the Denver study, one estimation suggests that pit bulls are 5.3 times as likely as the average dog to be the cause of a fatal bite. This is consistent with the figure that was used in FIREPAW's analysis which concluded that keeping a "dangerous" breed justified only a 6% rate increase at most by insurance companies. (Note: there are many good reasons detailed in the FIREPAW study supporting the argument that this is an overestimate of the liability risk of pit bulls to insurance companies.)

Figure 1 helps to put the cost of dog bites to the homeowners insurance industry in perspective.

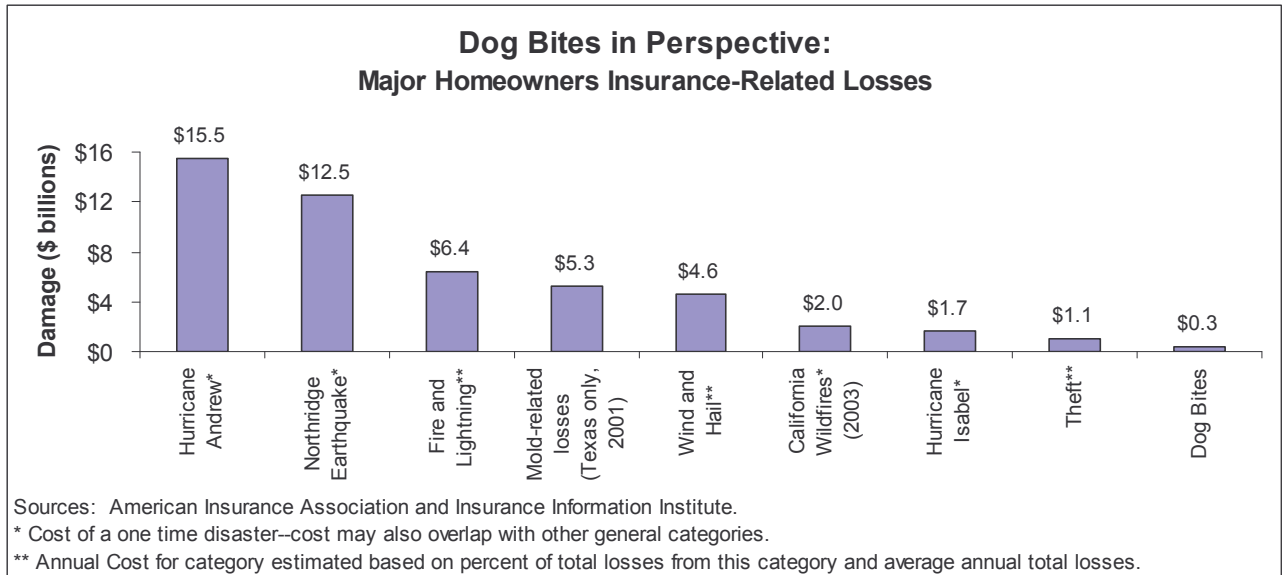


Figure 1

FIREPAW interviewed insurance company and industry representatives in an effort to obtain some reasonable economic basis for discrimination by dog breed. There was no evidence of valid data insurance companies use, which suggests that the actual expected cost of a high risk breed is much higher than our calculations. In fact, some industry and company representatives cited the CDC data on fatalities (a study that examined only the few dog bites that result in death and that did not include a control group) as their primary rationale for breed discrimination.

### **A Better Way of Controlling Risks from Dog Claims**

In addition to the cost of high risk breeds being relatively minor for insurance companies, it is also important to recognize that insurance companies can establish policies that mitigate the risk. There are at least two factors have been shown in previous research to be relevant and controllable: (1) chaining of dogs, (2) and spay/neuter status. It is important that they are controllable by the homeowner since this implies that no

homeowner need ever relinquish their animal if insurers base rates or insurability on these factors—the insured can simply adjust their behavior. Likewise, instead of advocating breed bans, requiring spay/neuter of certain “dangerous” breeds such as pit bulls may accomplish the same goals for many governmental bodies now considering such bans. It would greatly reduce the risk of bites from those dangerous breeds while reducing the future prevalence of a breed believed to have higher risk and reducing shelter intake of an overrepresented breed.

It is likely that even the highest risk breeds can reasonably justify only a modest premium increase (under 10%). Therefore, the practice of large premium changes or outright cancellation of insurance coverage over such a relatively minor risk is unreasonable and can have dire consequences for both consumers and their animals.

*The full report on the study's results is available on FIREPAW's website at*

<http://www.firepaw.org/research>