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US Supreme Court Justice

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82-52 Arizona Governing Committee v. Norris

MEMORANDUM TO THE CONFERENCE:

In response to changes in Thurgood's third draft circulated today, I have made some additions to footnote 7, p. 6-7.

As our days are running out, I enclose a typewritten copy of footnote 7 with these changes. Of course, I also have sent it to the print shop.

L.F.P., Jr.
Revision of note 7, pages 6-7:

Most state laws regulating insurance and annuities require that there be no "unfair discrimination between persons in the same class." Bailey, Hutchinson, & Narber, The Regulatory Challenge to Life Insurance Classification, 25 Drake L. Rev. 779, 783 (1976).

Arizona insurance law similarly provides that there shall be "no unfair discrimination between individuals of the same class." Ariz. Rev. Stat. Ann. §20-448 (1982). Most of these States, including Arizona, have determined that the use of sex-based mortality tables comports with this state definition of discrimination. Given the presumption of the McCarran-Ferguson Act that Congress intends to supersede state insurance regulation only when it enacts laws that "specifically relate to the business of insurance," see n. 6, supra, the Court offers no satisfactory reason for concluding that Congress intended Title VII to pre-empt this important area of state regulation.

The Court states that the McCarran-Ferguson Act is not relevant because the petitioners did not raise the issue in their brief. See ante, at 13, n. 17. This misses the point. The question presented is whether Congress intended Title VII to prevent employers from offering their employees actuarially sound, sex-based annuities. The McCarran-Ferguson Act is explicitly relevant to determining congressional intent. It provides that courts should not presume that Congress intended to supersede state regulation of
insurance unless the act in question specifically relates to the
business of insurance. See n. 6, supra. It therefore is necessary
to consider the applicability of the McCarran-Ferguson Act. This
presents two questions: whether the action at issue under Title VII
involves the "business of insurance" and whether the application of
Title VII would "invalidate, impair, or supersede" state law.

No one doubts that the determination of how risk should be
spread among classes of insureds is an integral part of the
"business of insurance." See Group Life & Health Ins. Co. v. Royal
U.S. 65, 73 (1959). The Court argues, nevertheless, that the
McCarran-Ferguson Act is inapposite because Title VII will not
supersede any state regulation. In the Court's view, "Arizona has
not purported to regulate the business of insurance, but has merely
created a deferred compensation plan for its employees in which
certain insurance companies participate." Ante, at 13, n. 17
(emphasis in original). This argument ignores self-evident facts.
State insurance laws, such as Arizona's, provide that there shall be
no unfair discrimination between individuals of the same class, and
employers have been allowed under these state laws to purchase sex-
based annuities for their employees. Title VII, as the Court
interprets it, would prohibit employers from purchasing such
annuities for their employees. It begs reality to say that a
federal law that prevents a purchaser of insurance from doing what
state insurance law allows does not "invalidate, impair, or
67. Because the Court seeks to extend Title VII in a way that would
pre-empt state regulatory authority, the commands of the McCarran-Ferguson Act are directly relevant to determining Congress' intent.