

# Use of Gender as a rating factor in insurance Developments across Europe

Jim Murphy, Life Strategies  
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# Agenda

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- EU Directive
  - Recap of key points
- Groupe Consultatif Survey
  - Opt-out clause
  - Data requirements
  - Pricing freedom v restrictions
  - Application of requirements
- What does the future hold?



# EU Directive - Key Points (1)

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- EU Directive specified implementation date of 21 December 2007
  - Opt out clause for member states regarding use of gender as a rating factor
- Unisex rates required but Member State opt out allowed
  - *“where the use of sex is a determining factor in the assessment of risk based on relevant and accurate actuarial and statistical data”*
  - Data must be compiled, published and regularly updated
- Applies to new insurance contracts concluded after 21 December 2007
  - where these are private, voluntary and separate from the employment relationship
- Pregnancy and maternity related costs cannot be reflected in premiums or benefits
  - but deferral of this clause allowed to 21 December 2009

# EU Directive - Key Points (2)

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- Review & Reporting Requirements
  - Member States must report to Commission by 21 December 2009
  - Commission must review Member States' practices and report to the European Parliament by 21 December 2010
    - *“Where appropriate, the Commission shall accompany its report with proposals to modify the Directive”*
  - Member states must review their decision after 5 years
- The Commission's review is already underway

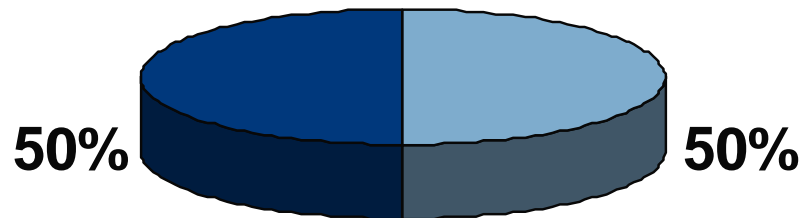
# Groupe Consultatif survey

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- 26 countries participated
- Survey focused on local implementation wrt
  - Opt-out clause
  - Data requirements
  - Pricing freedom v restrictions
  - Scope/application of requirements
- Based on member associations understanding of implementation – not legal interpretation

# Opt Out Clause

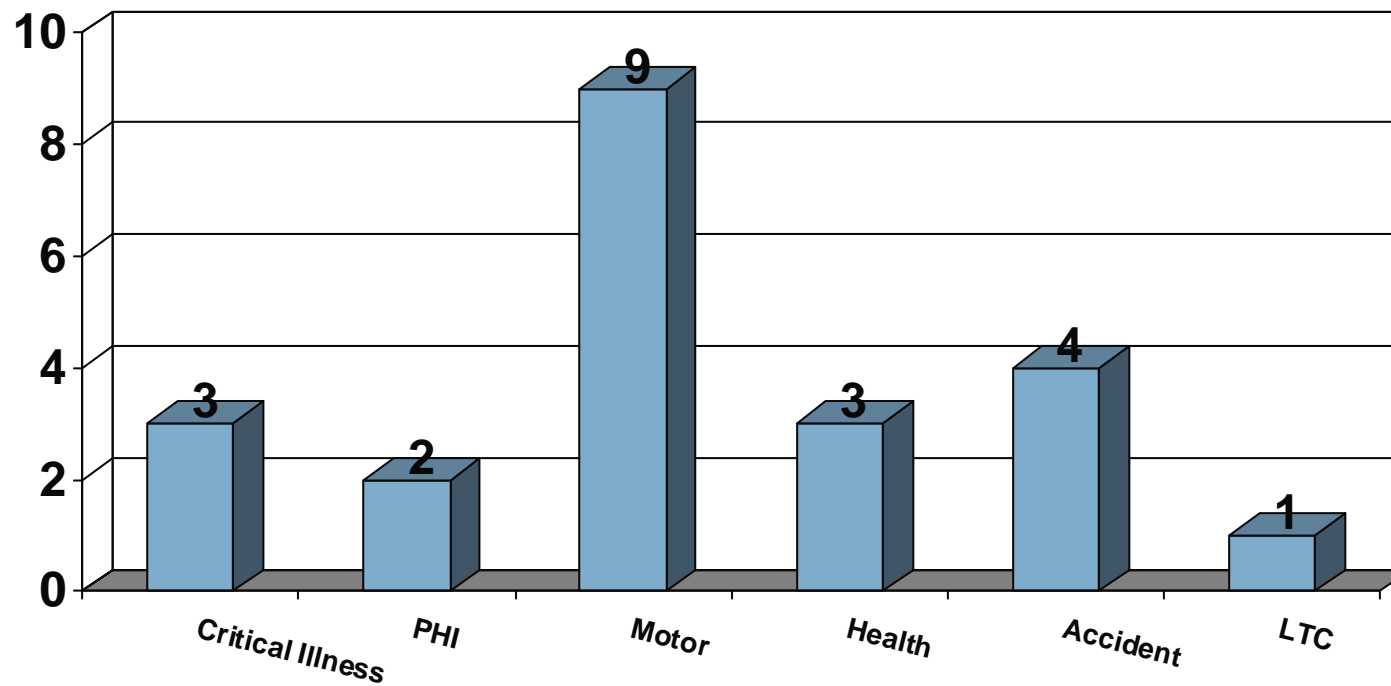


- All countries have availed of opt out for some insurance types at least
- 13 countries have availed of opt out for all types of insurance
- Application of opt out across insurances varies for other 13 countries

# Unisex Rates Required ...



- Of the 13 countries that have not availed of the full opt out, unisex rates are required for 6 types of insurance
  - e.g. unisex rates are required for Motor insurance in 9 of the 13 countries



# Policy Changes

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- 8 of 26 countries changed policy following implementation of the Directive
- Biggest changes have been in Belgium, Cyprus and the Netherlands
  - Belgium
    - Prior to Directive, gender rating factor allowed for all insurances
    - Post Directive, no longer allowed for motor, CI and PHI
  - Cyprus
    - As per Belgium, but gender rating factor not allowed for health insurance nor LTC in addition to the above
  - Netherlands
    - Post Directive, gender rating factor no longer allowed for motor, health and accident



# Pregnancy & Maternity Costs

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- Pregnancy and maternity related costs cannot be reflected in premiums or benefits
  - but deferral of this clause allowed to 21 December 2009
- 5 countries have chosen to defer this measure

# Opt Out - Ireland

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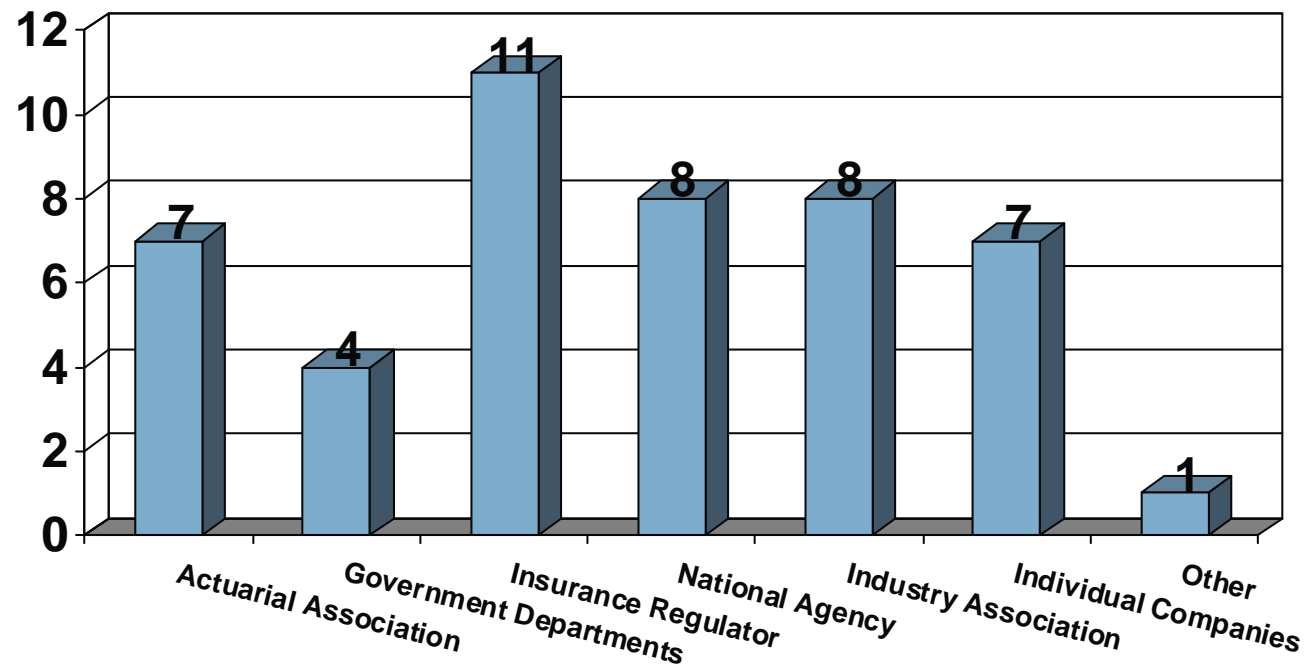


- **Ireland**
  - Unisex rates required for non-life Accident insurance
  - Legislation allows gender rating factor for all other types of insurance (separate legislation requires community rating for Health Insurance)
  - Ireland has deferred the Pregnancy & Maternity clause

# Data Requirements



- 24 countries have decided which bodies will be responsible for or be involved in compiling, publishing and regularly updating data
  - Multiple bodies in some countries
  - Insurance Regulators feature most -involved in 11 of the 24 countries
  - Degree of data specification and process for gathering data varies widely



# Data - Ireland

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- **Ireland**
  - Data published at national level
  - Official responsibility is with the Financial Regulator but regulations specifying form and frequency yet to be published
  - The Financial Regulator will likely look to industry for data but details including timescales have not yet been decided

# Pricing (1)

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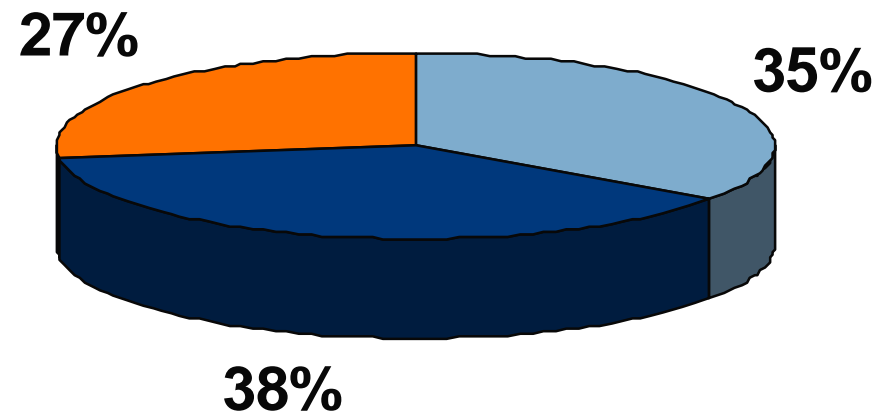


- The opt out clause allows Member States to

*“permit proportionate differences in individuals' premiums and benefits where the use of sex is a determining factor in the assessment of risk based on relevant and accurate actuarial and statistical data”*

- There are differing views on what this means for pricing across Member States
- Extent to which insurers will have freedom/flexibility in pricing across member states remains to be seen in practice
  - It seems likely from the responses received that different approaches will emerge in different countries

# Pricing (2)



- Pricing must be supported by published data
- Published data only required to justify opt out
- Not clear or undecided

# Pricing - Ireland

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- **Ireland**

- Legislation does not prescribe any relationship between published data and pricing
- It does specify however that pricing must be *“reasonable having regard to the data or other relevant factors”*

# Application of Legislation (1)

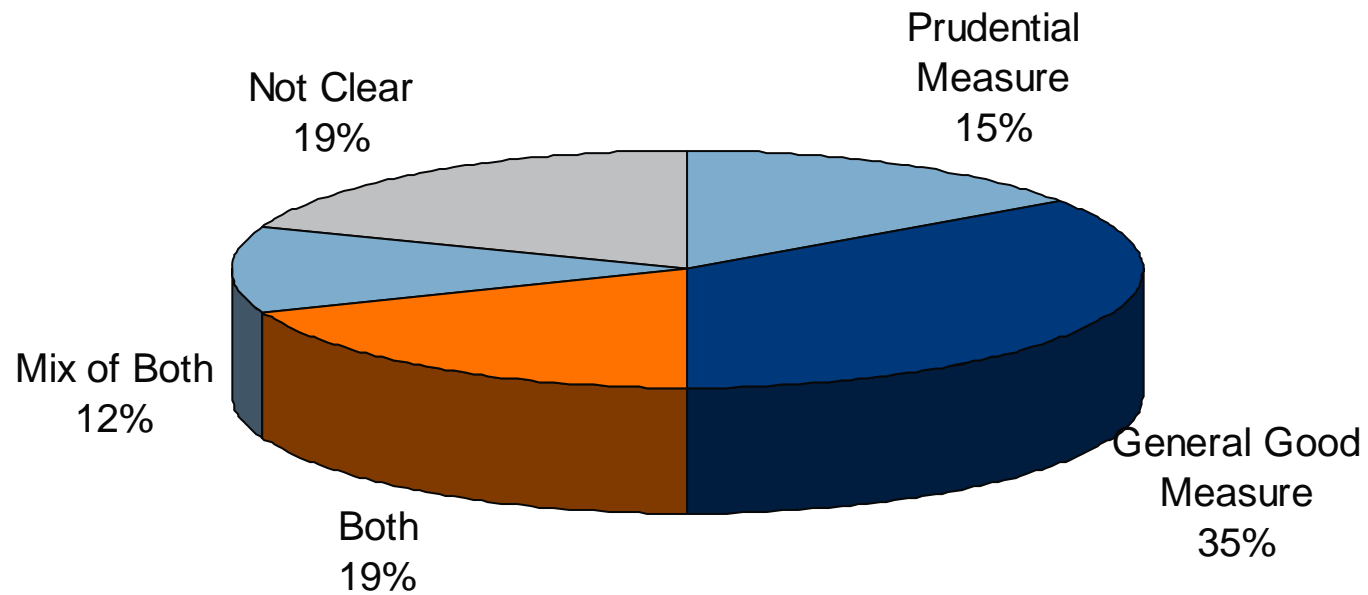
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- Survey explored whether Directive implemented as a
  - General Good (consumer protection) measure
  - Prudential Supervisory measure
  - Both
  - A mix of both
- Results show Directive has been implemented differently across Europe
- Interesting implications for cross border business and the Single Market



# Application of Legislation (2)



# Application - Ireland

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- **Ireland**
  - Legislation is not specific in terms of location or regulatory jurisdiction of the insurer
  - Silence in this regard suggests that the measure is both General Good and Prudential
  - Appears to apply to reinsurance also

# What does the future hold?

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- Directive has been implemented in different ways across Member States
  - ranging from limited change to considerable change
- Ireland is at the limited change end of the spectrum
  - Insurers can still differentiate premiums/benefits on gender grounds with the exception of non-life accident business
  - Insurers are expected to still have reasonable freedom in pricing
  - There may be additional overheads for industry in supporting the data requirements
- EU Single market is not a level playing field
- The required EU Commission review is already underway
  - Outcome could mean changes to the Directive in the medium to long term

# Questions

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[jim.murphy@lifestrategies.ie](mailto:jim.murphy@lifestrategies.ie)