

EU GENDER-DIRECTIVE – Client Briefing – Cost saving opportunities

What is happening ?

As you may know, from December 21st, 2012, the use of gender in calculating insurance premiums across Europe will be abolished, so unisex rates will soon apply across the board for all new policies taken out across the EU.

When the unisex rates are applied, pricing will change;

- Going up for men - Income protection costs & Annuity costs
- Going up for women - Life cover costs.
- Coming down for women - Annuity costs and income protection costs.
- Coming down for men - Life cover costs.



This creates windows of opportunity before unisex rates apply.

1. In life-assurance for women,
2. In Income protection
3. In annuities for men, before rates harmonise with female rates

In 1 & 2 this is because the price you pay on cover is fixed for the duration of the plan from the outset*, and rates have been decreasing so recent years, there is an ideal opportunity to review your cover before rates go up in the categories mentioned. In case 3 it's because annuity rates are set for life at the outset

** there has been some talk that existing policies may have to be re-visited, but it is hard to see how insurers could re-visit pricing on plans already in force.*

There are two reasons for this bulletin:

1. To highlight the changes arising, and the background to them.
2. To highlight cost-saving opportunities!!!

Particular groups who may see windows of opportunity

1. Women (mothers) between 25 - 45 years, considering life cover for mortgage or family protection should act sooner rather than later.
2. Men between 25 - 50 years, considering income protection, will pay more from Dec 21st.

Areas of difficulty

1. Women drivers, who are statistically safer than men, will have to pay more for their car insurance as it will not be permissible to charge them lower premiums than male drivers. As motor insurance policies have a validity of one year only, it will not be possible to secure long term-savings before the deadline

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Background

1. An **EU Gender Directive of 2004** implemented the principle of equal treatment between men and women in the access to and supply of goods and services, including financial services.
2. While the Directive banned the use of sex as an actuarial factor to determine insurance premiums, for policies issued after 21st December 2009, it left open an option for 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.'*
3. The Equal Status Act 2000 in Ireland was amended to avail of this opt out and hence different premium and annuity rates for men and women, have continued. But that it is about to change, very soon.
4. **Advocate General's Opinion September 2010** A Belgian consumer group has challenged the provision of the EU Gender Directive which allowed Member States to continue to use different premium & annuity rates for men and women.
5. The Case was referred to the EU Court, where an Advocate General published an opinion on the test case on 30th September 2010. The Advocate General's opinion was :

"The current provision in the Gender Directive allowing scope for the continued use of sex as a risk factor in determining insurance and annuity rates is invalid."

This was upheld by the ECJ, European Court of Justice and so becomes binding on all member States.
6. Therefore insurers must cease using sex as a risk factor in setting new premium and annuity rates, and will have to immediately adopt 'unisex' rates applicable to both men and women of the same age & cover.
7. Different premiums paid in the past by the sexes would not be open to challenge.
8. However it appears that *existing* insurance contracts after a three year transitional period would be required to *'adapt their products accordingly'* to reflect unisex rates! **It's not clear at this point how this could be implemented.**

For more information / assistance, contact Brian Murray, Brian@bmfs.ie

Sources

BIPRA PRESS –April 2012 – published by BIPAR - the *European Federation of Insurance Intermediaries*.

Industry Briefing - Technical Guidance /Tony Gilhawley

Sales Briefing - New Ireland Assurance Company