

FT MONEY

Brakes may go on premiums' sex factor INSURANCE: EU aims to end a known imbalance, writes Josephine Cumbo.

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Motor insurance has long been an area where discrimination has worked in favour of women, with females traditionally enjoying lower premiums than males.

This inequality has become entrenched in the UK because of the insurance industry's risk-based approach to pricing which means men, considered worse drivers, pay steeper premiums.

But the brakes may be put on cheaper deals for women in the near future as new laws seek to drive out gender discrimination in the provision of goods and services.

From December 21, the UK must apply a European Union directive which bans the use of sex as a factor in calculating premiums for insurance and related financial services.

The directive will affect not only car insurance but other areas where men and women typically get different insurance rates, from annuities to life assurance and pensions.

In practice, it is likely that the UK will adopt a watered-down version of the directive, with the EU giving members the option to continue quoting men and women differently as long as this is based on "relevant and accurate actuarial and statistical data available to the public".

"There are genuine - and marked - differences in the claims/convictions statistics regarding men versus women," says Asia Manzoor, communications officer with Sheilas' Wheels, the specialist insurer for women.

"The industry holds a wealth of data supporting these statistics. It is our view that this would allow insurance companies such as Sheilas' Wheels to continue to base premiums on risk-based pricing."

But while this "opt out" could allow insurers in the UK to continue to treat men and women differently, it is predicted to cause "significant" upheaval to premiums, which tend to give women better rates for motor and some protection products, but far worse for pensions and annuities, because of the fact they live longer than men. This is largely due to a key rider in the "opt out" which may force insurers to lay bare data they currently hold very close to their chests.

"The opt out will allow insurers to treat men and women differently provided there is published information on which this different treatment is justified," says Nick Kirwan, chairman of the Association of British Insurers' Protection Insurance Committee.

"Most claims data is not published and arguably there is a very good commercial and competitive reason why. Insurers have different claims experiences and treat risk in different ways and this is what makes the UK market competitive."

With individual insurers reluctant to publish past claims data, or more commercially sensitive assumptions about their future books, Kirwan believes it likely the industry may move to publish one "average" table for sectors, such as pensions and motor, which consumers would refer to.

This might be average mortality data for male and females for annuities or accident rates for motor. But he says the use of these tables of "averages" could mean less diversity in premiums. "The UK market is the most advanced and competitive," says Kirwan.

"But if an insurer strays too far away from the tables in terms of their rates then you are going to invite consumers to challenge you and I suspect this will make the market less competitive."

Another difficulty with the "opt out", according to some in the industry, is the EU requirement for any differences between published actuarial or statistical data and actual rates to be "proportionate".

This would mean, for example, if an annuity table showed women lived on average 6 per cent longer than men, then any differences in premiums between male and females should be "proportionate" to differences in the supporting data.

"But how proportionate is proportionate?," asks John Lawson, head of pensions policy with Standard Life, a leading pension provider. "The directive is not clear."

The government is expected to launch a formal consultation shortly.

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