

Gender and other risk factors in insurance pricing An insurers' perspective

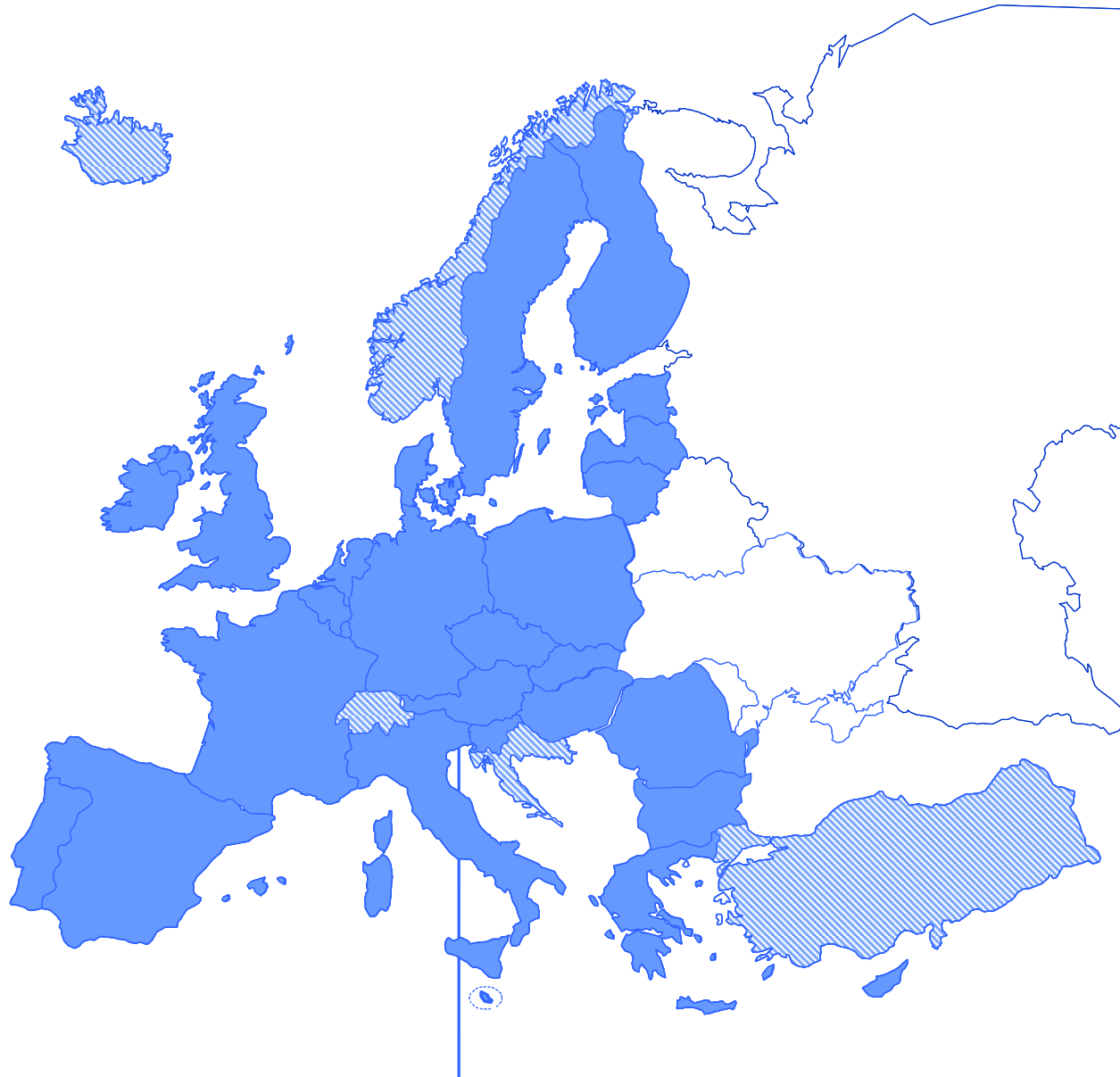
28 March 2011



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Comité Européen des Assurances

- European insurance and reinsurance federation, founded in 1953
- Committed to creation of favourable framework at European and international level
- Through 33 national member associations represents more than 94% of European insurance market by premium income

CEA's member associations



33 national member associations:

-  **27 EU Member States**

-  **+ 6 non-EU markets**
Croatia, Switzerland, Iceland, Norway, Turkey, Liechtenstein

-  **2 observers**
Russia, Ukraine

- Private insurance differs from social security
 - Voluntary vs compulsory
 - Mutualisation vs solidarity
 - Funded method vs PAYG
 - Market freedom, entrepreneurship & competitiveness

- Insurance pricing relies on a fair risk assessment, based on relevant factors

- Risk assessment does not constitute unfair discrimination

- Gender is simple, objective and readily available

- Gender is relevant where correlated with risks
 - Eg motor, life, accident, health
 - Gap in life expectancy in the EU: 6,5 years
 - Gender gap even with same behavioural factors
 - Some diseases are sex-specific (gender medicine)

- **Motor insurance**
 - Nb of years with a driving license, mileage, claims background, engine size, etc.
 - All things being equal, gender remains a key risk factor

- **Life/ health insurance**
 - Lifestyle (alcohol, smoking, nutrition, sport), income, place of residence, occupation, etc.
 - Challenges: not obvious, not stable, intrusive
 - All things being equal, gender remains a key risk factor

- Prohibition of gender-based differentiation in insurance pricing (Art.5§1)
- MS option allowing such differentiation (Art.5§2)

- Art.5§2 invalid with effect from 21 Dec 2012

- Implications
 - Technical challenge to adapt (deadline)
 - Legal certainty needed
 - Consequences for consumers
 - Risk inadequate pricing: risk of premium increase, withdrawal of products (adverse selection and moral hazard)
 - Reduced competition, innovation and consumer choice

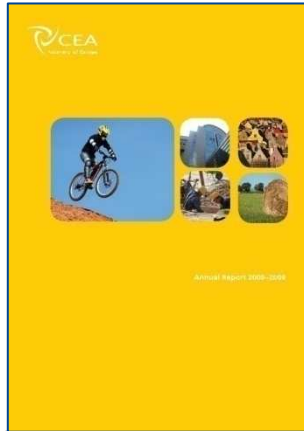
- Legitimate determining factors
 - Disability: underlying health condition
 - Age:
 - Life: mortality grows with age
 - Health: medical expenses grow with age (56-65y man = double than 26-35y man)
 - Travel: medical treatment costs grow with age (65+ = triple than 35y)
 - Motor: claims frequency/ costs vary according to age groups (18-24y)

- Implications of ECJ judgment?

- Differentiation according to risk exposure is not unfair discrimination

- ECJ judgment raises challenges
 - Current insurance business model at stake?
 - Benefits for consumers?

- Age and disability are relevant factors in insurance pricing



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