

Unisex insurance



At the end of last year, the European Commission issued its long-awaited opinion on the introduction of uniform insurance premium rates for men and women. In this document, the Commission seeks to clarify some open issues, such as to which contracts the rate unification will apply or in which circumstances insurance companies are able to collect and use gender information for internal purposes.

The Commission also expects insurance companies to have all necessary information and to unify their rates for men and women by December 21, 2012. Thus, local insurance companies have less than a year to introduce the unisex insurance premiums. In practice, this may mean that term life insurance premiums for women increase a lot.

Insurance companies should set up the new insurance premium value sensitively, review tens of their existing products and reset their IT systems. At the same time, insurance companies must prepare for the introduction of new solvency requirements (Solvency II). The unification of rates for men and women may be an opportunity for insurance companies to address clients whose insurance may become more expensive after the rates are unified later this year.

Although the European Commission's opinion provides relatively clear guidance on most issues, certain renowned sources have different opinions on some of them and certain issues may also be approached differently in individual countries owing to differences in their legal regulations. This includes, for example, the definition of "new contracts" or the effective date for rate unification. The method and timing of the implementation of these changes in Slovak

legislation is also important. A large number of possible problems thus remain open, which provides space for multiple interpretations and procedures.

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Impacts of Insurance Premium Rate Unification on the Slovak Market and Clients

In the Slovak market, gender is used as a factor predominantly in determining insurance premiums for life insurance, pension insurance, illness insurance and some types of accident insurance. Contrary to common practice in Germany and the United Kingdom, information on gender is usually not referred to in establishing car insurance premiums in Slovakia.

Given the different percentages of men and women among their clientèle and the additional risk to which insurance companies are exposed due to rate unification, we expect insurance premiums not to be unified at the average of the rates applied to men and women but rather to lean towards the higher of these two rates. In

term life insurance policies, which clients often obtain together with mortgage loans, we expect a significant insurance premium increase for women and a slight decrease for men. The price increase for women will be different at individual insurance companies and will depend on age. We expect that the price of term life insurance may rise by between 40 and 80%.

For women, the price of illness insurance and certain types of accident insurance will increase if their rates have been different so far. For men, only the price of commercial pension insurance, which is not a commonly-sold product on the current Slovak market, is likely to increase. It may, however, prospectively become an interesting alternative to Pillar II and III pension funds. However, the price increase will make pensions paid over the insured persons' lives less commercially attractive for men.

If an insurance premium is to be increased for current clients, they should consider buying the insurance coverage before December 21, 2012, for the original, often significantly lower, price even though they may be limited in future contract changes. Women may wish to consider buying term life insurance while men should consider purchasing commercial pension insurance as an alternative to future Pillar II and III funds.

Additional Information on Equal Treatment of Men and Women in the Insurance Business

Beginning December 21, 2012, uniform insurance premium rates for men and women must be introduced for new insurance contracts in accordance with last year's ruling of the Court of Justice of the European Union. The Court of Justice's ruling of March 1, 2011, in the case of the Belgian consumer association's complaint (the "the Test-Achats case") about the invalidity of one article of Directive 2004/113/EC on the equal treatment of men and women immediately attracted the attention of the media and insurance companies and raised many questions. The Court of Justice's ruling, however, only removed the Directive's article providing an exception to insurance and did not contain any further explanation. Towards the end of 2011, the European Commission, which welcomed the Court of Justice's ruling as ground-breaking through its Vice-President, Viviane Reding, issued more detailed information for insurance companies on the Court of Justice's ruling.

Although the rate unification relates to all 30 countries of the European Economic Area, the impact will be different in each country. For example, in Great Britain much attention is being paid to the expected increase in car insurance premiums for women, while in several other countries (for example, in Belgium), car insurance rates are already uniform.



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