

## **How insurance premiums are calculated will change in December 2012**

Many insurance providers in Ireland use your gender, as well as other factors, to help them work out the cost of your insurance. For example, your gender, age and whether you are a smoker are very important details which life insurance companies use to help them work out a quote for you if you are applying for life insurance.

Traditionally, gender has been one of the factors that insurance companies consider when calculating risk. Insurance companies have been allowed under equality law to apply different premiums and benefits to men and women. However, this is only allowed in a number of products and only where they can show that the difference in treatment is reasonable and justified by the risks involved. In Ireland, insurance companies have used gender to help price a number of different insurance products. These include **motor insurance, critical illness cover, life insurance, annuities and income protection**.

**Arising from a ruling on a case brought before the Court of Justice of the EU, from 21 December 2012 insurance companies will no longer be allowed to quote you a different price for your insurance based on your gender. Unisex premiums and benefits must be provided from that date.**

We have prepared a short set of Questions and Answers to help you understand how this change might affect you.

### **Which types of insurance policies will be affected?**

The change affects insurance policies that previously used a customer's gender when calculating premiums or benefits. These are policies such as motor insurance, annuities, life insurance, critical illness cover and income protection. The change will apply to new contracts and may apply to some current policies.

### **How will insurance premiums be affected?**

It is not possible at this stage to say with any certainty what will happen to different premiums. However, as insurance companies will no longer be allowed to quote different prices for insurance for men and women, the cost of premiums for some products may be affected. For example, at the moment women in general pay less for car insurance than men and may now see their motor premiums rise after 21 December 2012 while men may now see their motor premiums fall. Women also typically live longer than men and currently pay less for term life insurance policies which pay out on death. It is also likely that women will now pay more for life insurance policies. The extent of the changes will become clearer after the new rules take effect.

### **Will insurers still ask what gender I am?**

Yes. As long as it does not lead to differences in price or benefits based on your gender, insurers may still ask if you are male or female. Insurers may continue to store and use this information to help assess how much money they need to set aside to meet future claims.

### **Will current policies be affected?**

Unisex premiums and benefits must be provided in all new contracts agreed on or after 21 December 2012.

In general, existing policies agreed before that date will not be affected. However, certain kinds of changes to policies are viewed as taking out a new policy. So if you choose to make an adjustment to an existing policy, depending on the change the new rules may apply.

If you renew an insurance policy, it is a new policy. In general, non-life insurance policies such as motor insurance are renewed every year. Life assurance policies and annuities are longer term and, depending on the provisions of the policy, can last for many years or until you die. When you come to renew your motor insurance after 21 December 2012 you may notice a change in the cost as unisex premiums will have come into effect. Bear in mind that changing your motor insurance policy before your renewal date may mean losing the no claims bonus gained in that period.

If you are considering making any change to your insurance policies or if your policy renewal falls on or after 21 December 2012, you may want to shop around now to see what the best options are for you. Be aware that if you switch insurer before the end of the policy your old insurer may charge you a fee.

### **How will this affect my pension or annuity?**

The decision also affects certain annuities. An annuity is an insurance policy which converts your pension fund into an income in retirement. If you already have an annuity it will not be affected. If you are due to retire you should speak to your financial advisor to understand what your options are. You can also speak to your pension scheme trustee or administrator if you have any questions.

### **What if I am unhappy with an insurance quote?**

If you are unhappy with an insurance quote then you can reject the offer of the quote and not buy the insurance product from that insurer. As insurance markets change all the time and the National Consumer Agency advises shopping around for the best quote. You can also speak to a broker or independent financial advisor to understand what your options are.

### **Can I still make a complaint if I feel I have been discriminated against?**

If you feel you have been treated less favourably based on your gender, you should contact your insurer to discuss your concerns. If you are dissatisfied with their response you may make a complaint of gender discrimination to the Equality Tribunal under the Equal Status Acts 2000 to 2011. You may also contact the Equality Authority for more information and advice on your rights under equality law.

### **Why is this change being made?**

In 2007, a consumer rights group brought an action before the Belgian courts claiming that an exemption of EU gender equality law as it applied to goods and services was contrary to the principle of equality between men and women. The exemption allowed insurance companies to treat men and women differently when calculating insurance premiums and benefits, provided this was based on differences in risk and supported by evidence. The complaint was upheld by the Court of Justice of the EU in 2011. The Court decided that, as Directive

2004/113/EC (the EU Gender Goods and Services Directive) was intended to achieve equal treatment between men and women in insurance, the exemption must cease to be valid at the end of a suitable transitional period. The Court set 21 December 2012 to be that deadline. All EU Member States, including Ireland, are bound by this ruling.

***This note has been prepared by the Department to provide as much useful information and assistance to consumers as possible in understanding the impact for them of the decision of the Court of Justice of the EU. It does not purport to be a legal interpretation and the Department cannot offer legal advice.***

*Department of Justice and Equality, 31/10/2012*