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## NEWS



### New gender ruling could see insurance costs rocket

March 1, 2011 - 2:38pm | [Nathalie Bonney](#)

The European Court of Justice (ECJ) has revealed that insurers will no longer be able to use gender when setting insurance premiums – a move which will see costs rise for consumers.

Industry experts have slammed the ruling, which will come into force on 21 December 2012. However, they welcome the fact that it won't be effective straightaway, with one industry expert calling the transition period 'a victory for common sense'. The ECJ claims using gender as a risk evaluator is discriminatory and unlawful.

Previously the insurance industry had been able to opt out of the European Union's 2004 Gender Directive, but the new ruling means that from end of 2012 insurers will no longer be able to charge different prices or offer different products to men or women because of their sex.

This is likely to inflate insurance premiums across the board as the move could cost the insurance industry close to £1 billion collectively, according to think tank Open Europe.

While some consumers will benefit from the changes, experts believe that those benefits will be minor compared to the added cost the majority of policyholders will face.

Peter Chadborn, director of Plan Money, says: 'It is hugely disappointing that this illogical ruling has been upheld but I'm pleased that the industry has been given breathing space to adjust properly.'

Also commenting on today's announcement, Kevin Carr, chief executive of the Protection Review, says: 'Comprehensive insurance products can only exist if risks can be priced. If other factors such as age and disability were also to be outlawed, we would be left with highly expensive "one price fits all" products which come with a long list of exclusions.'

It's not expected that existing policyholders will be affected by this ruling. However, if your policy is due to expire it's worth looking for a new policy before the rules come into effect.

'There will be instances when consumers should consider the merits of reviewing their cover before it expires. For females, if your car insurance expires in December 2012 you might be better off reviewing in November; you'd pay one month's extra premium but may be better off for the next year,' explains Chadborn.

Currently, young male drivers pay higher premiums as they are regarded as riskier, with the average premium for comprehensive cover for 17 to 20 year-old men £2,976 compared to £1,694 for women. This represents a difference of 75 per cent. Young drivers will therefore be worst hit following the ruling.

'On the basis of averaging out the most recent premium index data, 17-20 year old women might anticipate rises of around 40 per cent if insurers equalised rates, with the increases being much higher still if, in the short term, insurers just moved female rates to equal male rates,' says Duncan Anderson, a motor insurance actuary.



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For example, a 17-year-old female driver will have to pay an extra £4,300 in insurance premiums by the time she is 26 as a consequence of the ruling, according to Open Europe. Conversely, the think tank calculates that a male driver would save £3,250 over the same period of time.

Simon Douglas, director of AA Insurance, says the announcement has come at a time when consumers are already struggling with rises in claims costs: 'Following the Court's Judgement, I fear that many insurers will find the young driver market too risky and pull out altogether. That would reduce competition, leading to higher prices.'

Speaking on the impact to the annuities industry, Tom McPhail, head of pensions research at Hargreaves Lansdown, calls the ruling a 'seismic event' that will reshape the retirement landscape:

'It is now imperative that every investor shops around with their pension fund at retirement; if they don't they risk ending up with a homogenised standard-issue annuity which is almost certain to be a poor deal for them.'

At the moment, women receive lower annuity rates because their life expectancy is longer than men's and they therefore have to receive payment for longer. McPhail expects annuity rates will even out with women benefiting from better rates. However, they will still be worse than the current male rates and, as a result, he expects that insurers will have to underwrite more policies on an individual basis.

Ros Altmann, director general of Saga, thinks that the middle classes will potentially be worst hit because current rules allow anyone with less than £18,000 in savings to opt out of getting an annuity.

'The worst affected are likely to be those with moderate amounts of pension savings, who do not have enough money to afford more flexible pension options but have saved more than the minimum £18,000 which would allow them to avoid buying an annuity.'

For life insurance, men taking out a policy after December 2012 can expect higher premiums.

'No immediate action will be necessary for anyone with life assurance, however; if you have a policy which expires after December 2012, which you think you might like to replace when it expires, it would be worth replacing the policy prior to December 2012,' advises Chadborn.

The majority of private medical insurers don't have different premiums for gender and where it is taken into account the difference in price is minimal, says the Association of Medical Insurance Intermediaries (AMII).

'However, there are a couple of insurers that have used gender pricing in the past and so have older policies on the books that would need to be adjusted from 21 December 2012. For those consumers, they should seek specialist advice on alternative options within the market, especially if continuous cover is required for previous medical conditions,' says AMII spokesperson Lindsey Joseph.

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