

Title: The Use of Gender in Pricing Insurance Policies	Post Implementation Review
PIR No: N/A	Date: 15/01/19
Original IA/RPC No: http://www.legislation.gov.uk/uksi/2012/2992/pdfs/uksieia_20122992_en.pdf	Type of regulation: EU
Lead department or agency: HM Treasury	Type of review: Statutory
Other departments or agencies: N/A	Date measure came into force: 21/12/2012
Contact for enquiries: Adam.David@hmtreasury.gov.uk	Recommendation: Keep
	RPC Opinion: N/A

1. What were the policy objectives of the measure?

This measure implements the European Court of Justice (ECJ) ruling that, from 21 December 2012, the use of gender as a risk factor by insurers should not result in individual differences in premiums and benefits for men and women. The Equality Act 2010 (Amendment) Regulations 2012 No. 2992 amended the Equality Act 2010 to reflect the change to EU law.

2. What evidence has informed the PIR?

Data regarding the impact of the ruling is scarce, both within the UK and across the EU. As found in the UK's original impact assessment of this measure, many of the factors are either incalculable or based on market sensitive information. The evidence disclosed in this is therefore largely qualitative, taken from interviews from a range of bodies, including several trade associations, one of them representing 250 companies, as well as individual firms and other intermediaries including price comparison websites.

3. To what extent have the policy objectives been achieved?

The lack of available data makes it difficult to complete an accurate assessment of whether the policy objectives have been achieved. However, interviews and discussions with insurance industry stakeholders indicate that it is highly unlikely that gender is used as a factor when pricing insurance policies in the UK. However, as highlighted by the European Commission Guidelines on the application of Council Directive 2004/113/EC, insurers can still use gender in the calculation of aggregate premiums and benefits (this includes reserving and internal pricing, reinsurance contracts and marketing and advertising) as long as this does not lead to differentiation in pricing for individuals.

SCS of Insurance and Pensions Markets Team

Signed: **Hannah Malik**

Date: **03/01/2019**

SCS of Better Regulation Unit

Signed: **Gemma Peck**

Date: **24/12/2018**

Sign-off for Post Implementation Review: Minister

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

Signed: **John Glen MP**

Date: **09/01/2019**

Further information sheet

4. What were the original assumptions?

The Explanatory Memorandum to the Equality Act 2010 (Amendment) Regulations 2012 No. 2992 highlighted that the impacts of this measure on the insurance industry are likely to be felt in the transitional period. Although uncalculatable, these were considered likely to include underwriting changes; marketing changes; sales changes; and losses as a result of changes to consumer premiums.

HM Treasury's Impact Assessment (IA) to this measure added that there may be some fluctuations in premiums as a result of the ruling. For example, the IA forecasted younger female drivers may see their premiums increase by up to 25% per year whilst male drivers could see a 10% reduction in their policies. These forecasts were due to the expectation of increased cross-subsidisation of premiums between genders.

However, the IA suggested that any rise in premiums was likely to stabilise over time due to the competitive nature of the insurance industry, and the motor insurance sector in particular.

The IA also highlighted other potential non-monetised costs resulting from the loss of a key risk factor. This included costs to insurers from more intrusive underwriting process that required new questions having to be asked of a customer.

The actual costs of the measure were considered too difficult to isolate given other significant changes to the UK's insurance regulatory regime occurring simultaneously.

5. Were there any unintended consequences?

Insurers price their products based on assessment of a range of risk factors and, since this measure was introduced, insurers have found new ways to determine levels of risk. As such, it is not possible to use the final prices charged to men and women for their insurance policies to assess whether this intervention in the market was successful. An example of the significant change that has been seen in the market would be the large-scale growth of telematic technology, allowing safer drivers to obtain lower premiums.

As highlighted in the original impact assessment, it is also difficult to identify if there were any wider impacts as a result of this measure given the scale of the legislative and regulatory changes that have taken place since it was introduced. Interviews with industry stakeholders have confirmed this.

6. Has the evidence identified any opportunities for reducing the burden on business?

Industry has reported that it is not possible for them to isolate impact of the measure on businesses. Some stakeholders reported that the industry felt high implementation costs at the time, as expected in the measures original impact assessment. However, industry report that the impact of these significantly diminished over time and that there are no significant ongoing costs arising from the judgement. As such, there are no clear opportunities for reducing the burden on businesses from this measure.

7. For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business?

The 2015 EU Commission report on the application of Council Directive 2004/113/EC suggests there were some initial compliance costs felt by all member states. However, the Commission noted the difficulty in providing reliable, quantifiable data and information on the overall impact. It is therefore difficult to compare the UK's implementation with that of other member states in terms of cost to business.

The 2017 European Implementation Assessment on the application of Council Directive 2004/113/EC makes no reference to the subsequent costs to insurers across the member states.

Recommended Next Steps (Keep, Amend, Repeal or Replace)

The Equality Act 2010 (Amendment) Regulations 2012 No. 2992 that amended the Equality Act 2010 to reflect the change to EU law should be kept. As a member of the European Union, this is a mandatory obligation.

Premiums have since stabilised over time and there are no significant ongoing costs for business arising from implementation.