

Title: The Use of Gender in Pricing Insurance Policies PIR No: N/A Original IA/RPC No: http://www.legislation.gov.uk/ukxi/2012/2992/pdfs/ukxieia_20122992_en.pdf Lead department or agency: HM Treasury Other departments or agencies: N/A	Post Implementation Review
	Date: 15/01/2024
	Type of regulation: EU
	Type of review: Statutory
	Date measure came into force: 21/12/2012
	Recommendation: Keep
	RPC Opinion: N/A

1. What were the policy objectives of the measure?

This measure implemented 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?

To understand the impacts of the ruling, the Government engaged with the insurance sector. HM Treasury drafted a questionnaire which an industry association sent out to their members to collect data on the impact of the ruling. When a low number of responses were received, HM Treasury re-sent the questionnaires to those who did not initially respond and sent follow-up questions to those who did. From the small number of responses received, firms have provided very limited data; most have highlighted that they have not been actively measuring the impact of a ruling which came into force 10+ years ago. Several firms noted they do not collect data relevant to measuring the impacts. Numerous factors are also either incalculable or based on market sensitive information. HM Treasury have also found limited results through desktop research. As such, data regarding the impact is scarce, as was found to be the case in the UK's original Impact Assessment (IA) of this measure and in the 2019 Post Implementation Review (PIR).

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

Where firms were able to provide data, they confirmed they do not use gender to price insurance policies in the UK. Gender is, however, used for reinsurance contracts, which as highlighted by the European Commission Guidelines on the application of Council Directive 2004/113/EC, firms are permitted to do as long as this does not lead to differentiation in pricing for individuals.

Long-term savings providers also confirmed they do not use gender for pricing purposes, but it is used to assess financial metrics on written business and as an influencing factor in the assessment of mortality across in-force annuity business. The Financial Conduct Authority (FCA) remains in place to enforce regulation if there are complaints on how this policy is being applied.

As such, the policy objectives have been achieved.

Sign-off for Post Implementation Review: Chief economist/Head of Analysis and 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: Bim Afolami MP

Date: 11/01/2024

Further information sheet

Please provide additional evidence in subsequent sheets, as required.

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 were likely to be felt in the transitional period. Although uncalculatable or based on market sensitive information, 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 IA to this measure added that there may be some fluctuations in premiums as a result of the ruling.¹ 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 underlined that male annuities could decrease by 13% per year.

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?

A publication by Post Magazine following a survey of 1,000 quotes, found that many firms immediately began narrowing the gap between male and female motor insurance premiums in 2012. Between September and December 2012, for instance, males saw a fall of nearly double-digit falls in some cases; the rates for females increased by 3.4% over the same months.² This impact, prior to the measure coming into force, was both unexpected and unintended.

Since 2013, firms have, in some cases, observed premiums which are now overall higher than before the ruling, as firms have sought to cover the risk of adverse selection. This could be an overall additional cost imposed by the regulation (rather than being a distributional impact as is the case with many of the other impacts of the regulation). Although this is an expected impact of the ruling, as per the IA, firms price their products on an assessment of a range of risk factors and as such, it is not possible to isolate this impact.

Firms have observed varying impacts on annuities. One long-term savings provider has noted the reduction in their male annuity rates by up to 13% since 2013, while another expects male annuity income on a single life basis to have increased by less than 2% with a corresponding decrease to female annuities of circa 3-4%.

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

¹ [Enactment Impact Assessment, The Equality Act 2010 \(Amendment\) Regulation 2012](#)

² Post Magazine, 2/10 January 2013

Firms have noted that it is not possible to isolate the impact of the ruling on businesses. As highlighted in the 2019 PIR, some stakeholders reported that the industry felt high implementation costs during the transitional period, as was expected and underlined in the IA. However, industry reported that the impact of these significantly diminished over time and that there were no significant ongoing costs arising from the judgement.

Since then, firms have confirmed they have not observed any additional costs in relation to annuity underwriting as there is no overhead for pricing gender. As such, there are no clear opportunities for reducing the burden on businesses from this measure.

7. How does the UK approach compare with the implementation of similar measures internationally, including how EU member states implemented EU requirements that are comparable or now form part of retained EU law, or how other countries have implemented international agreements? (Maximum 5 lines)

As noted in the 2019 PIR, the 2015 EU Commission report on the application of Council Directive 2004/113/EC, noted there were initial one-off compliance costs felt by all member states.³ Costs were estimated to be approximately €14 million for Spain and €7.7 million for The Netherlands. 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 made no reference to the subsequent costs to insurers across the member states.⁴

³ eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0190

⁴ [REPORT on the application of Council Directive 2004/113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services | A8-0043/2017 | European Parliament \(europa.eu\)](#)