

**Introduction**

When underwriting insurance policies, insurance companies base their premiums on a wide variety of factors that may affect the claims cost they observe among their customers. One factor is gender.

From 6 April 2008, the Sex Discrimination (Amendment of Legislation) Regulations specify certain conditions under which insurance companies are allowed to differentiate premiums based on gender. One condition is that the use of gender as a factor in the assessment of risk for individual policies is based on relevant and accurate statistical data. A second condition is that this data must be compiled, published and regularly updated in accordance with guidance issued by HM Treasury.

This bulletin illustrates differences in claim rates between men and women for critical illness insurance written in the UK.

**Data**

The table below shows the ratio of male to female critical illness claim rates based on insurance company data for 1999-2002. This data is explained in the subsequent notes.

<b>Age band</b>	<b>Ratio of male to female critical illness rate</b>
21-30	150%
31-35	102%
36-40	98%
41-45	108%
46-50	113%
51-55	125%
56-60	159%
61-65	215%

**Important notes:**

- 1 Insurance companies use critical illness claim rates to calculate the terms they offer for their products. They base their rates on the critical illness claims experience that they observe among their own customers, on collective industry data from bodies such as the CMI and also by inference from population data.
- 2 This table demonstrates a difference in male and female critical illness claim rates: females are less likely to be eligible to claim under their policy than males in most of the age bands shown. This is likely to mean that, on average, women will be charged

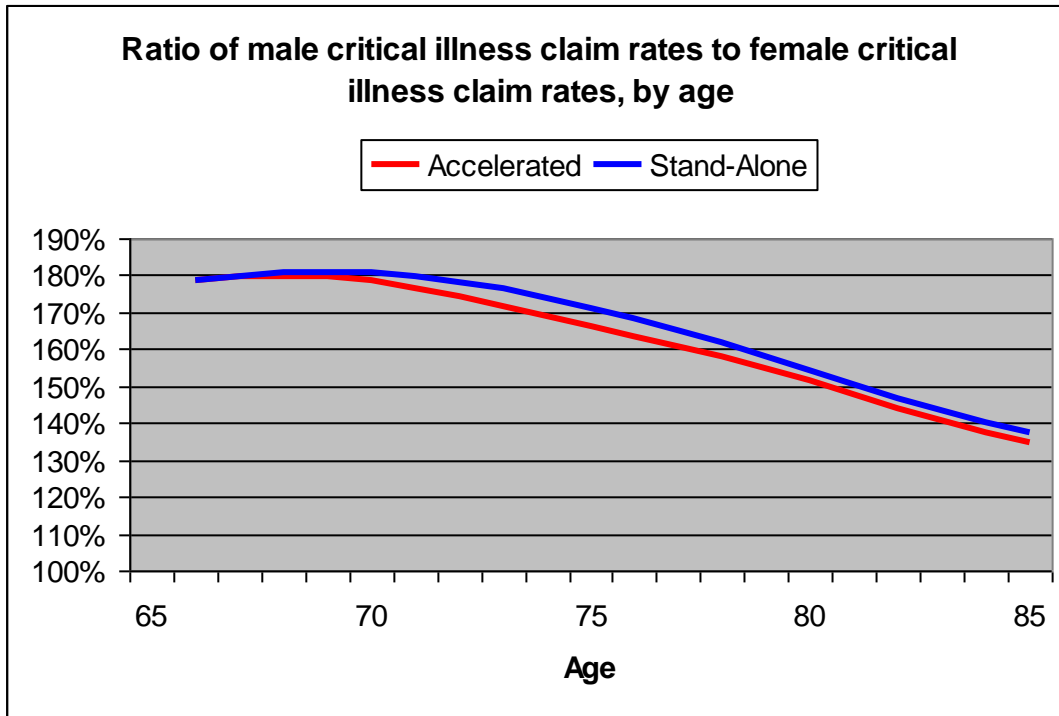
lower premiums for critical illness insurance policies than men of the same age, although premiums will also take account of health, smoking habits and other factors.

- 3 It is not possible to draw conclusions from the information in this bulletin about an individual consumer's premium rate. This is due to a number of reasons, including:
- The data included in this bulletin is an industry average whereas insurance companies may reflect their own data in their pricing.
  - Insurance companies will take account of factors other than age and gender when calculating premiums. For example, these may include their expenses and investment returns.
  - Insurance companies will also take account of specific features of the policies they offer, such as guarantee periods and escalation.

Indeed the Treasury's guidance states: "This data must demonstrate the case for differing treatment based on gender, but it is highly unlikely to present a direct correlation with the premiums charged or the benefits obtained in individual cases."

- 4 Premium rates depend on differentials by age throughout the term of the policy, not just the age at the start. If you wish to obtain more details on how the premium for a particular policy reflects gender differentials in the underlying data, please contact your insurance company.
- 5 The data shown in the table combines products where the benefit is paid on the earlier of a critical illness (from the list specified in the policy) or death ("accelerated critical illness") and products where the benefit is only paid on survival of a specified period after the diagnosis of a specified critical illness ("stand-alone critical illness"). Different differentials may apply for these types of product.
- 6 Insurance companies specify different lists of critical illnesses within their policies (although all will include the key events of cancer, heart attack and stroke). The data shown in the table combines policies with different lists of critical illnesses.
- 7 The data are based on aggregate figures from the following insurance providers:
- |                         |                           |
|-------------------------|---------------------------|
| AEGON                   | HSBC LIFE                 |
| AXA                     | LEGAL & GENERAL           |
| BARCLAYS LIFE           | LV=                       |
| BUPA                    | RESOLUTION                |
| CO-OPERATIVE INSURANCE  | STANDARD LIFE             |
| HBOS FINANCIAL SERVICES | ZURICH FINANCIAL SERVICES |
- 8 The insurance companies supplying data to the CMI are asked to confirm the accuracy of the results calculated from their data.
- 9 Data are collected annually but the table above uses data from 1999-2002, which is the most recently published.

Because critical illness insurance is a relatively new product, sold predominantly to people aged below 40, few claims have yet occurred at ages above those shown in the table. Insurance companies are therefore likely to use data from other sources; the following graph illustrates gender differentials at older ages derived from population data, primarily for England:



Source: “Exploring the Critical Path” a paper by Robjohns et al presented to the Staple Inn Actuarial Society in December 2006. Please click [here](#) to access this paper. This graph is based on “Extended Cover”, which covers a wide range of critical illnesses but which may not correspond to the specified list of conditions for any particular product.