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Sex is overrated! – Why were we so worried about the Gender Directive?

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Munich Re



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Recap



2004



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2

Recap

2009



2004



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3

Recap

2009



2004

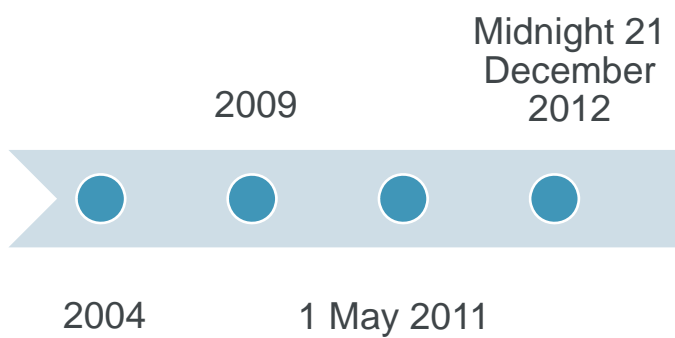
1 May 2011



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4

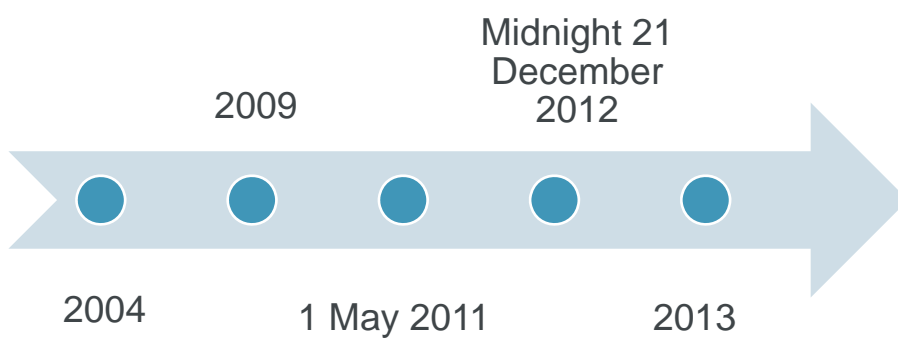
Recap



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5

Recap



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6

Reaction



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7



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Agenda

- 1) The path to gender neutral
- 2) Battle of the sexes
- 3) The benefit of hindsight

Enterprise
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

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Survey



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9

Survey of protection writers

- Carried out a survey of UK and Irish insurers
 - G-Day
 - Mortality Term
 - Include results of 16 insurers
- Looking at how the path to G-Day was achieved
- Expectations versus actual experience
- Opinions on handover



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10

The path to gender neutral



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11

Concerns Pre-Gender

- Business Mix was the biggest concern
 - Mentioned by the majority of firms
- Worry about immediate implementation
- Initial pricing levels
- Impact on female customers and explanations of this
- Mismatch between reinsurer and office premiums
- Insurers taking on business mix risk



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12

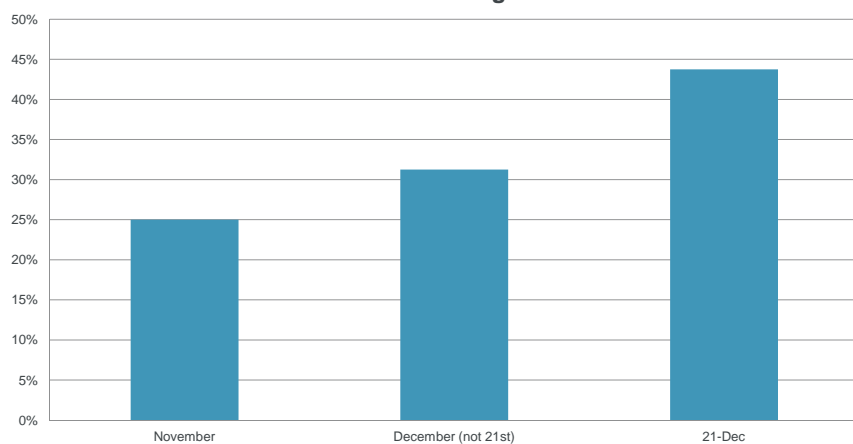
When to Convert?



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13

When IFA channel went gender neutral



Source: Gen Re research



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14

When is a deadline not a deadline?



Application Pipeline

- The problem remains – what to do with cases that applied prior to 21/12/12 but where the underwriting was still outstanding?
- At what point is an insurance policy written?
 - Terms offered
 - Premium paid
 - “On Risk” (full? ADB? Temporary cover?)
- Many interpretations of the rules were observed in the market...

2 Possible Options

The Strict

- If Policy is not...
 - ...underwritten,
 - signed, and
 - on risk...
- ...by 00:00 on 22nd December 2012 policy written on Gender-neutral rates

The open-ended

- If Underwriting is incomplete
 - Can put on temporary limited cover until underwritten
 - Put on full cover and adjust later
 - Try to put as much as possible on gender-specific



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17

Applications in Q4 2012

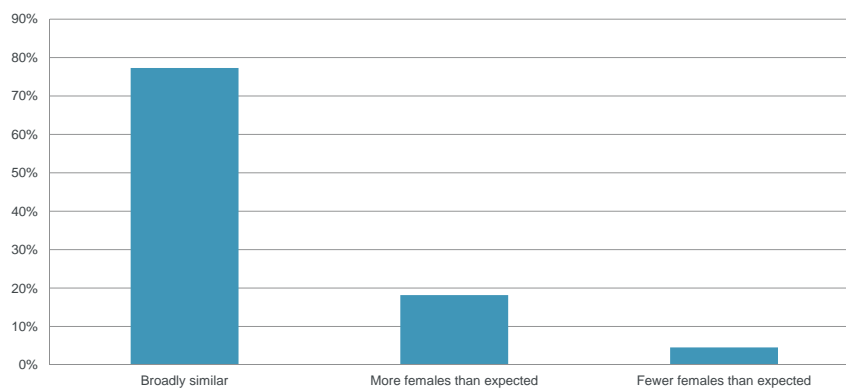
- Insurers expected increasing numbers of females to apply in the last few months of 2012
- (Equivalently expecting more males post G-Day)
- Would this be only a temporary effect?



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18

**Did you see proportionately more applications from females
in the period leading up to the switch to gender neutral
rates?**



Source: Gen Re survey 2013



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19

Battle of the sexes

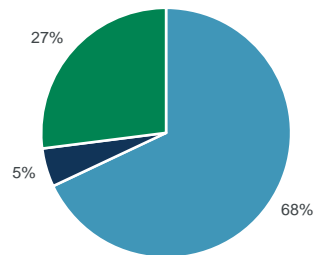


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20

Expected gender mix

Before the switch, what were your expectations of how the percentage of male lives in January 2013 would compare to your historic mix?



■ Broadly similar ■ Fewer males than before ■ More males than before

Source: Gen Re survey 2013



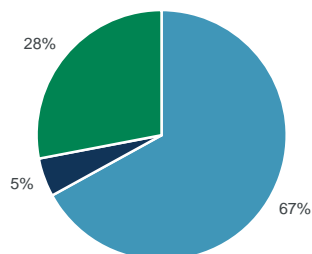
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Actual gender mix

The actual percentage of male lives in January 2013



■ Roughly as expected ■ Lower than expected ■ Higher than expected

Source: Gen Re survey 2013



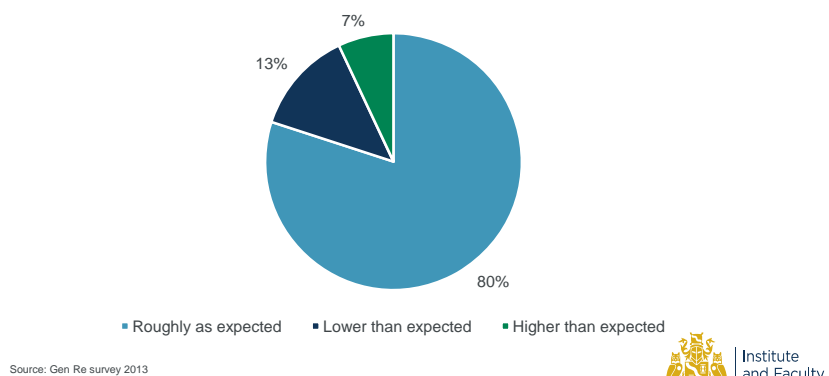
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Actual gender mix

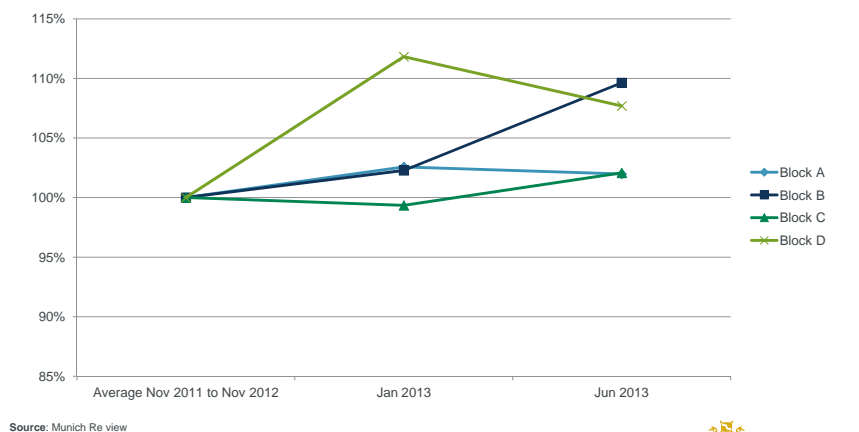
The actual percentage of male lives in mid 2013



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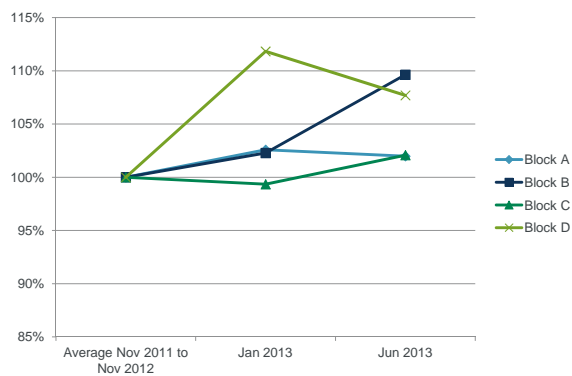
Change in gender mix



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24

Change in gender mix



	Jan 13	Jun 13
A	✓	✓
B	✗	✗
C	✓	✓
D	✗	✗

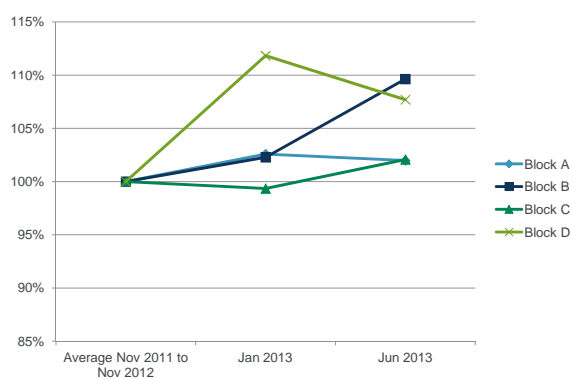
Source: Munich Re view



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25

Change in gender mix



	Jan 13	Jun 13
A	✗	✗
B	✓	✓
C	✗	✗
D	✓	✓

Source: Munich Re view

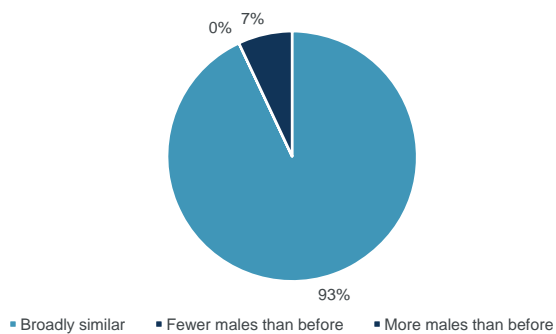


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26

Long term gender mix

Expected long term gender mix



Source: Gen Re survey 2013

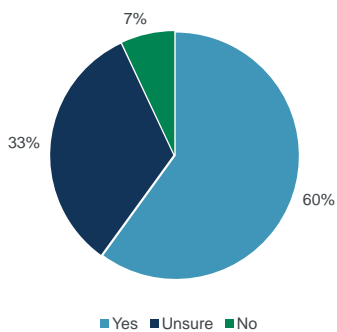


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27

Long term gender mix

Do you think the market has settled into its long term gender mix?



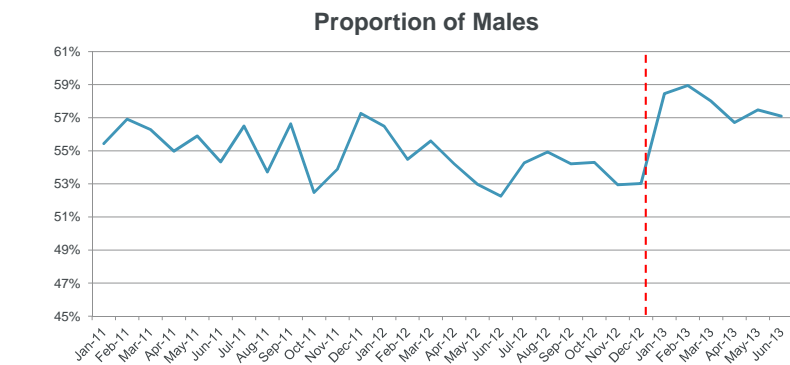
Source: Gen Re survey 2013



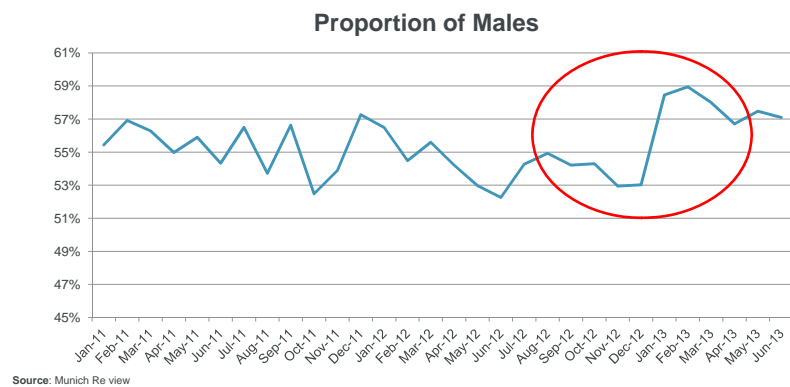
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28

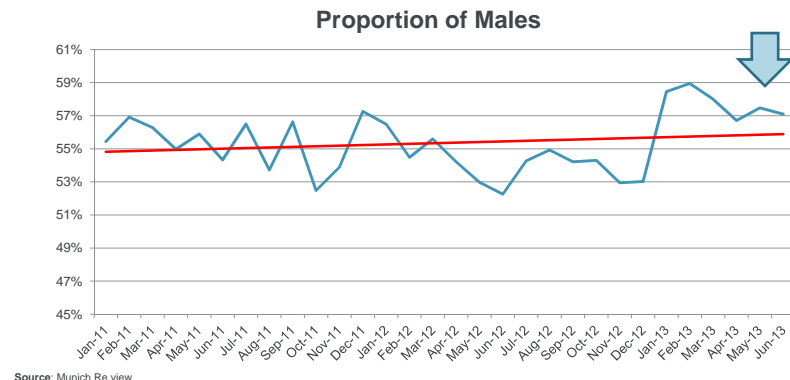
Long term gender mix



Long term gender mix



Long term gender mix



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31

Gender mix- cost of getting it wrong

Gender specific			Gender Neutral Scenario 1		Gender Neutral Scenario 2		Gender Neutral Scenario 3	
	M	F	M	F	M	F	M	F
Claims rate	2	1	2	1	2	1	2	1
Premium rate	2	1	1.55	1.55	1.55	1.55	1.55	1.55
Sales	55	45	55	45	45	55	65	35
Revenue	155		155		155		155	
Claims	155		155		145		165	
Profit	0		0		+10		-10	



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32

Predicted effect on rates

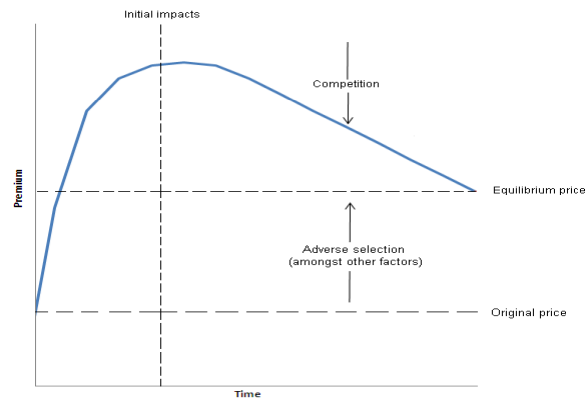


Figure 1: Graph illustrating market adjustment following the removal of the use of gender as a risk factor in the pricing of individual policies

Source: HM Treasury Consultation, December 2011



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33

Impact on rates - Life

Sex and Smoker status	Premium – December 2012 (pre G-DAY)	Premium – January 2013	Premium – October 2013
Male non-smoker	£10.67	£11.32 (+6%)	£10.45 (-2%)
Female non-smoker	£9.03	£11.32 (+25%)	£10.45 (+16%)
Male smoker	£19.64	£20.21 (+3%)	£18.66 (-5%)
Female smoker	£15.22	£20.21 (+33%)	£18.66 (+23%)

Source: Life Premiums - Money Supermarket, Average Premium of 5 cheapest providers. Age 35, Term 25, LTA, £160,000.



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34

Impact on rates - CI

Sex and Smoker status	Premium – December 2012 (pre G-DAY)	Premium – January 2013	Premium – October 2013
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Male smoker	£19.64	£20.21 (+3%)	£18.66 (-5%)
Female smoker	£15.22	£20.21 (+33%)	£18.66 (+23%)
Male non-smoker	+9.1%		
Female non-smoker	+3.2%		
Male smoker	-0.2%		
Female smoker	+21%		

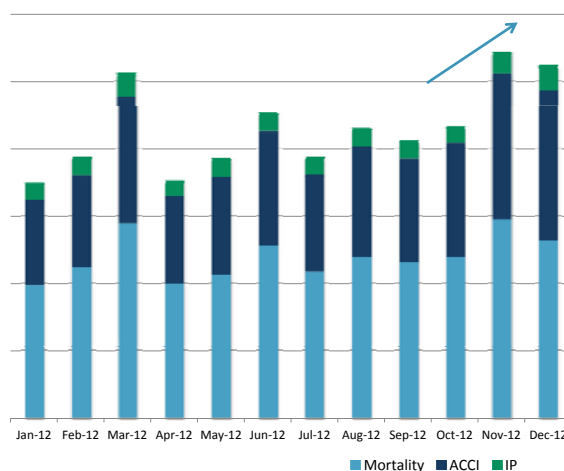
Source: CI Premiums – CIEExpert, Age 30, Term 25, LTA, £100,000.



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35

Sales across the market

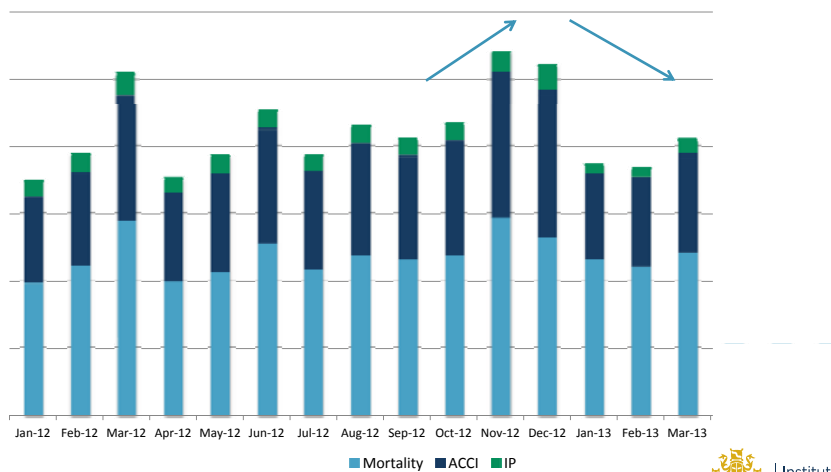


Source: Gen Re research 2013



36

Sales across the market

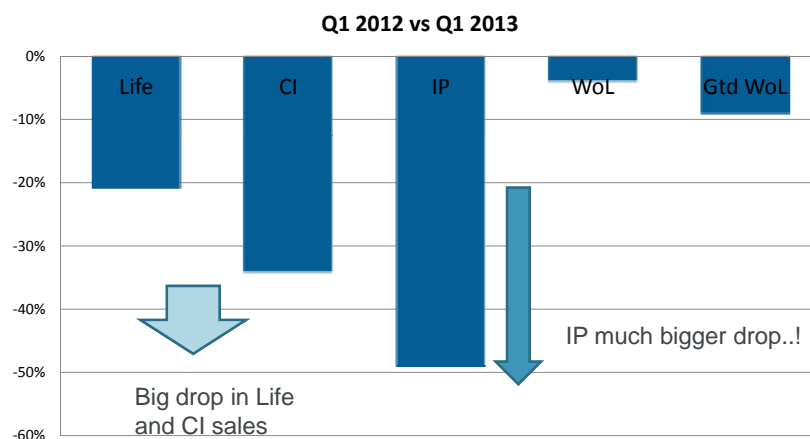


Source: Gen Re research 2013



37

Year on year comparison Q1 - policies

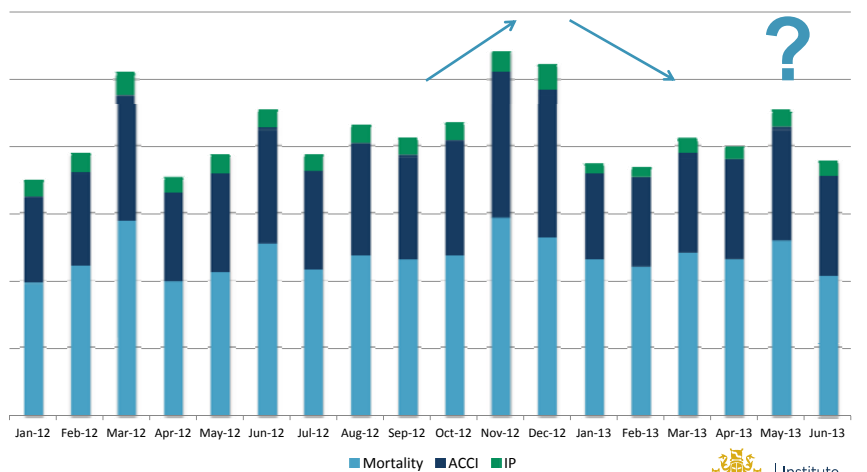


Source: Gen Re research 2013



38

Sales across the market



The benefit of hindsight

Concerns Pre-Gender

- Business Mix was the biggest concern
 - Mentioned by the majority of firms
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- Impact on female customers and explanations of this
- Mismatch between reinsurer and office premiums
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41

Actual Issues that arose...

- Disruption to sales
- Drop in sales
- Drops in market rates following G-day
- Cost of updating small products/existing business amendments
- Cost of compliance checks



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42

Sales disruption

- Clear drops in sales in Q1
- Was this reaction to the increased sales push in the last quarter of 2012?
- Signs from the market that sales back up to the pre gender norms



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Rate reduction

- Frenetic activity in the market
- Regular repricing (downwards) in all markets
- Worries prior to G-Day about getting business mix wrong
- Improved technology



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44

- A number of insurers stated that there were

- No really big issues experienced - the media did a good job of explaining the decision for the industry

The gender change only had a small impact on the market. Other changes brought in at the same time had a bigger effect.

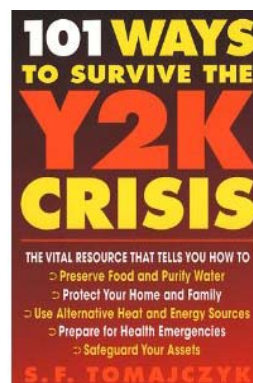


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45

Comparison to Y2K?

- Large effort/cost in run-up to 1/1/2012
- No real loss?
- But...
- Was the preparation the reason for the smooth transition?



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46

Less Effort..?

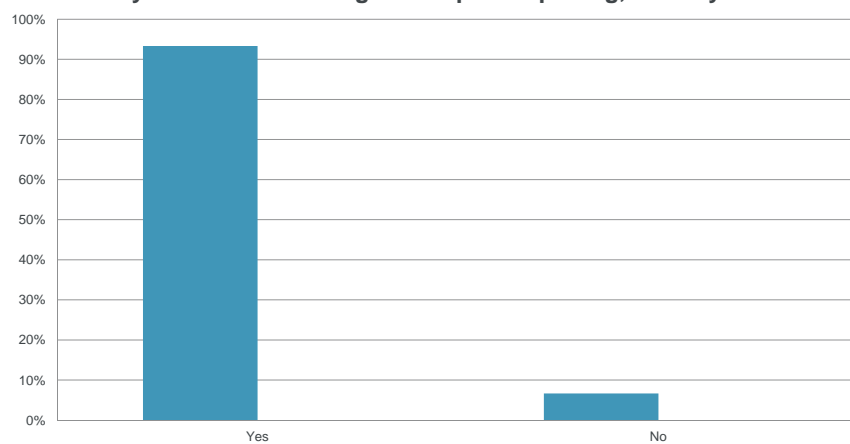
- What would have happened to a company that did “nothing”
- How would they have lost out?
- Could we have “fixed on failure”



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47

If you could revert to gender-specific pricing, would you?



Source: Gen Re survey 2013



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48

Conclusions

- Lot of effort spent
- Business mix changed but not drastically – is this permanent
- I-E and RDR bigger impact
- Rates more competitive than ever
- But...
- Nearly all insurers would switch back!



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49

Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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50