The EU Equality Directive and how it impacts actuaries
Interim update from the Profession’s Working Party
Facilitators: Camilla Bennett and Simon Warsop

Agenda

- What is the EU Equality Directive?
- Which insurances are impacted?
- Groupe Consultatif findings
- Practical issues raised by the directive
- What should you do now?

What is the EU Equality Directive?

- EU 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
- In force on 13 December 2004 / Transpose by 21 December 2007
- Important section for the financial services industry is Article 5, essentially:
  1. In all new contracts concluded after 21 December 2007 at the latest there should be no differences in individuals’ premiums or benefits due to the use of sex as a calculation factor.
  2. However, Member States can opt to permit proportionate differences in individuals’ premiums or benefits where the use of sex is a determining factor in the assessment of risk based on relevant and accurate actuarial and statistical data.
  3. Where the opt-out is chosen then accurate data relevant to the use of sex as a determining actuarial factor must be compiled, published and regularly updated.
  4. Regardless of the opt-out, costs related to pregnancy and maternity shall not result in differences in individuals’ premiums or benefits.
Which insurances are impacted?

- Life Assurance
- Annuities
- Critical Illness
- PMI
- Motor
- Breakdown
- Travel
- Any others?

Groupe Consultatif findings

- 2005 / 2007 surveys
- Life focused
- Which countries do or don’t differentiate now?
- What are countries thinking of doing going forward?

Practical issues raised by the directive (1)

- Differentiation vs. Discrimination
- Direct vs. Indirect use of gender
- What should tables show?
- Must companies use the published tables?
- How will the data be gathered?
- What % coverage needed?
- What are the risks to insurers of this?
- What are the risks / benefits to consumers of this?
- What factor will be next?
Practical issues raised by the directive (2)

What will the process look like:
1. Treasury issues guidance for consultation
2. ABI / Profession input into consultation
3. Company’s contribute data to ABI for published tables
4. Company’s rate in line with guidance & published tables
5. An individual challenges the rate charged to them by a company
6. Potential court case

Practical issues raised by the directive (3)

First cut findings from the working party, issues to consider:
1. Insured only
2. Comp / TPFT split
3. Risk premium or Freq / ACPC
4. IBNER / IBNR
5. Internet / broker quotes

What should you do now?

- Make sure your company management is aware of the directive and the 31/12/07 deadline
- Join the debate through the ABI or the Profession
- Look out for the Treasury’s consultation paper
- Analyse the potential impact for your company
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