

Gender Directive - What you need to know...

For financial advisor use only



Introduction

From 21 December, premiums for new insurance contracts will need to be calculated on a unisex basis.

The EU Gender Directive will apply to new insurance contracts from 21 December 2012. This means that insurers will no longer be able to take gender into account in pricing certain products.

There is a good deal of uncertainty around what the impact will be – interpretation of how it applies to insurance contracts, what will happen in the weeks before and after, what will pricing look like in 2013.

This guide should help you understand the likely changes and what you need to know to advise your clients in the next few months.

What is going to change?

Price

From 21 December, premiums for most new insurance contracts will need to be calculated on a unisex basis. Currently, premiums for protection and annuity business are calculated using gender as a factor, so many of these products will need to move to a unisex pricing basis.

Where unisex premiums end-up between male and female premiums will depend on the mix of business and other risk factors. Changes to New Ireland contracts are outlined below:

| Product | Changes for Gender Directive | Price Impact |
|-------------------------------------|--|---|
| Life Choice | Unisex rates to apply on all benefits | Life cover: increase in female rates, small reduction in male rates |
| | | Specified Illness: little change for younger lives, increase in female rates for older lives, small reduction in older male rates |
| Income Protection | Unisex rates to apply | Increase in male rates, reduction in female rates |
| Pension Term Assurance | Unisex rates to apply | Increase in female rates, small reduction in male rates |
| Individual Pensions | Life cover and PHI cover no longer available | |
| Annuities (personal) | Unisex rates to apply | Small increase in pension income for females, small reduction in pension income for males |
| Annuities (employer-related) | Annuities purchased for members of Defined Benefit and Defined Contribution schemes will continue to be priced based on gender | |

New policies

For products impacted, all new policies issued from midnight on 20 December, will need to have a unisex premium. Pipeline management and smart selection of underwriting methods will be crucial for brokers to ensure clients benefit from gender-specific pricing in advance of this date.

Employment related contracts

Products related to employment are specifically excluded from the scope of the Gender Directive[†]. The Directive only covers insurance and pensions which are private, voluntary and separate from the employment relationship[‡]. This means that annuities purchased by company schemes will continue to be priced on a gender-specific basis.

[†] Recital 15 and Article 3(4) of the Gender Directive

[‡] European Commission guidelines on the application of Council Directive 2004/113/EC to insurance, in the light of the judgment of the Court of Justice of the European Union in Case C-236/09 (Test-Achats)



What about underwriting?

There will be no change to the underwriting information collected or underwriting decisions as a result of the Gender Directive. Insurers will continue to collect gender information on application forms as we need this data for underwriting, reserving and reinsurance.

What about existing contracts?

Existing policyholders will continue to pay gender-specific premiums on their protection policies. Existing annuitants will continue to receive their current retirement income.

Changes in premiums on existing New Ireland unit-linked reviewable policies (e.g. policy review, increase in cover) will continue to be on a gender-specific basis.

Any increase in cover on existing Life Choice contracts will be on a unisex basis, to ensure that alterations on the contract are competitive with new business over time.

Insurers will continue to collect gender information on application forms as we need this data for underwriting, reserving and reinsurance.

Protection

The best thing you can do right now is alert your clients to the increasing cost of cover, and help them secure cover before premiums increase.

Opportunities

The best thing you can do right now is alert your clients to the increasing cost of cover and help them secure cover before premiums increase.

Income protection for men will become substantially more expensive. Any of your male clients, particularly those who are self-employed, who do not have cover in place should act now.

Life cover for women is also going to increase. This is a great opportunity to remind mothers how valuable they are! Many women whether working in the home or employed do not have adequate life cover to leave their children financially secure should the worst happen. As well as contacting those with no cover, any of your female clients who already have a Life Choice policy should consider if they need to increase their cover in advance of 21 December.



10 ways to beat the clock

Underwriting method and speed of process will be crucial to ensure there are no delays in getting policies issued ahead of the deadline.

Start early!

1. Contact any of your existing or potential male clients who may need income protection as soon as possible.
2. Review your bank of existing female clients, as well as any potential female clients, such as any existing male clients whose wives may not have life cover, and contact them as soon as possible.

Quicker underwriting decisions

3. New Ireland's online underwriting gives instant decisions on 70% of clients underwritten online, even those with a medical history. This is the fastest application method for most clients, and you can even get a rated case issued by accepting terms online, eliminating the need for a special terms letter.

Same Day Policy Issue

4. New Ireland's Protection Promise means you can count on same day policy issue for standard rates Life Choice cases. If we have received a completed declaration and direct debit mandate and an online underwriting decision to accept at standard rates is reached before 2pm, we will issue the policy the same day.

Direct access to underwriters

5. Our underwriters will talk directly to you to keep you updated on underwriting decisions.
6. Our underwriters can give you clarity on any pre-sale enquiries, and can provide help and guidance on any aspect of our underwriting, ranging from evidence requirements to indicative decisions to help you manage your client's expectations.

Don't depend on doctors!

7. For larger sums assured, New Ireland has higher non-medical limits to avoid delays waiting for doctors' reports. If a doctor's report is likely to be necessary, advise your client in advance and see if they can help get the report through quickly.
8. New Ireland offer nurse medicals in many cases instead of a doctor's medical. We can arrange for a nurse to visit your client at his/ her home or place of work at a time that suits them.
9. For income protection, using a tele-interview to gather medical evidence is the best way to minimise the need for further evidence.

Get to grips with pipeline

10. With the deadline looming, it will be more important than ever to make sure you are up to speed on your pipeline. The New Ireland Pipeline App is the easiest way for you to keep up-to-date with the progress of your cases and any actions you need to take, giving you the control you need to ensure of your business is issued in a timely manner.

New Ireland has a range of supports and campaign materials available to help you target and inform your clients of this window of opportunity.

Annuities

Moving to a unisex basis for personal annuity rates will mean rates available to men are likely to reduce and rates for women are likely to increase.

Factors to consider in deciding when to purchase an annuity

The difference in current male and female annuity rates depends on the age, guarantee period and the escalation option chosen as well as whether the annuity is for a single life or has a spouse's pension attached. For older ages, the difference in the rates is larger. Moving to a unisex basis for personal annuity rates will mean rates available to men are likely to reduce and rates for women are likely to increase.

Some men in personal pension arrangements looking to take a single annuity in the next few months may be tempted to buy an annuity before 21 December, to secure a higher income. Likewise, some women with personal pensions may consider postponing the purchase of an annuity. However, it is important to remember that the Gender Directive isn't the only influence on annuity rates and therefore purchasing now or deferring the purchase is not a risk-free decision.

Insurance companies invest in the safest European government bonds to provide annuities. Annuity pricing changes frequently depending on the yield on these government bonds. At the moment, the yields on these government bonds are historically low, and it is difficult to predict their pricing movements against the backdrop of the Eurozone crisis. Changes in the yields on these government bonds could counter the effects of moving to unisex pricing.

When considering advice on individual cases, bear in mind the size of movements of annuity rates as well as the gap between current male and female rates.



What you can expect from New Ireland....

We are working on our pricing and implementation approach to make the transition to unisex rates as smooth as possible.

We will keep you updated with any changes and will communicate our implementation details to you in early December.

For further details on all of the items covered above, you will find regular updates on <http://www.newireland.ie/broker/gender-directive>



The information set out in this document is intended as a guide only and the information should not be relied upon without seeking appropriate professional advice. The views expressed on the changes required to give effect to the impact of the Gender Directive on life assurance policies are those of New Ireland Assurance only and are based on information available at this time. Opinions expressed and intended changes set out may alter over time.

New Ireland is regulated by the Central Bank of Ireland. A member of Bank of Ireland Group.



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