

## **Sex and the Insurance**

Although the monthly "Svet osiguranja" is known for its excellent columnists, it does not necessarily mean that the most loved and popular columnist in this region, namely Carrie Bradshaw from the TV series "Sex and the City", is writing this article for you - its avid readers! Why? Much to your surprise, as in the English language, "sex" also means "gender" this column will actually deal with the issue of gender discrimination in insurance price setting.

Serbia is expected to enter into negotiations on its accession to the European Union pretty soon. In the experience of some other countries, it is known for a fact that during this process there is usually very little to negotiate on, since all what suchlike negotiations mostly come down to is the adjustment of local legal framework to the exhaustive EU legislation. Especially a lot of work is expected to be undertaken in the negotiations on Chapter 9 dealing with financial services (banking, insurance, securities). At this moment, there is no knowing at what pace certain insurance regulations are going to be amended and adopted. What can be said with certainty, however, is that one of the pending amendments is the cancellation of the use of "sex" or "gender" as a criterion on which the insurance premium is determined.

Let us state the fact that EU Gender Equality Directive once enabled the insurers to use the gender of the person insured as a criterion for the price determination. However, according to the ruling of the European Court of Justice from March 2011, that provision was proclaimed invalid, as a result of which the price lists in European insurance companies had to be changed. That change took place at the end of last year and was accompanied by a sense of dissatisfaction. However, the aforementioned Court was adamant about its stance, despite the strong opposition coming from the insurance professionals' community. It was, also, to no avail that The European Insurance and Reinsurance Federation (CEA) even produced a publication "The Use of Gender in Insurance Pricing" where specialist reactions and opinions on the issue were carefully collected and explicated in great detail. The Court simply did not sustain the key argument about the legitimacy of the use of "gender" when defining tariffs, although both statistics data and actuary standards of practice have shown that it enables a fair and just premium amount to be arrived at, which consequently means that it cannot constitute discrimination. Nevertheless, the emergence of this new rule cannot be much of a surprise, really, considering the fact the Supreme Court in the USA, as early as even 30 years ago, ruled that the Civil Rights Act prohibit different treatment of insured persons on the basis of their sex in connection with pension funds.

Be that as it may, the forthcoming elimination of the "gender" category from the criteria relevant for the insurance price calculation in Serbia and the simultaneous introduction of so called "unisex" tariffs will certainly bring about some changes in life, annuity, pension,

voluntary health and motor vehicle insurance. For example, as it is well known that women from our region live about five years longer than men, they will definitely have to pay much higher prices for their life insurance, while the price for annuity and pension insurance will also increase for men. By the same token, men are going to pay a little bit less for their life insurance than before, just as it is going to be the case with women having to pay smaller amounts for their annuity and pension insurance. Nevertheless, European practice has shown that the price increase for the gender which is now paying more according to the new unisex tariff in life insurance is actually significantly greater than the price decrease for the opposite gender. In Great Britain, for example, women are now paying a life insurance premium higher by 20%, while men are paying the amount smaller by 10% for the same insurance product. Furthermore, what is expected as the insurers' response to new regulations is their stricter consideration of current criteria when pricing, such as the client's professional hazard, smoking history etc. as well the introduction of some new criteria into existing tariffs.

In the majority of European countries, younger women used to pay up to 30% less for their motor vehicle liability insurance than men, as they were statistically proven to be more careful drivers. Such a benefit for women has been cancelled now, but the new regulations will be advantageous for younger men who will be able to purchase their insurance at a lower price than before. However, despite having to introduce unisex tariff, the insurers have shrewdly and resourcefully addressed this issue by offering discounts for supposedly "safer and more careful drivers", so the majority of female population have kept having cheaper insurance at their disposal. As far as Serbia is concerned, our common motor vehicle liability insurance system does not afford the opportunity for women to pay lower premiums, hence the introduction of new regulations is not going to change anything. Apart from that, since Serbian insurance companies have hardly ever taken into account the element of gender while determining the prices for CASCO insurance, the new regulations are not going to make any difference to the market of this kind of insurance, too.

As for the alignment with the new regulations on gender discrimination, it has to be noted that it can be carried out in two ways, namely, either so that new tariffs will be at an approximately mean level, that is, somewhere between the amounts that the opposite genders used to pay or, generally, by abolishing a lower price and introducing a higher one for both genders. When the time is ripe for this regulation to come into force in Serbia, it is certainly going to be very interesting to see which approach the majority of insurers are going to embrace.