



SOCIETY OF ACTUARIES

Article from:

Product Matters!

October 2013 – Issue 87

Around The World – United Kingdom

Drive Like a Girl: Development of Gender Neutral Pricing

By Jason Hurley

This is the next article in our series on product trends around the world. Each issue we look at new market developments in a different country or region, examining interesting product developments, new distribution ideas, regulatory responses and industry initiatives. This month, we turn our focus to the United Kingdom, looking at a new way of branding and distributing insurance that could be industry changing.

It has been two years since the European Union announced gender equalization in insurance rating. In the weeks following the announcement, there was considerable media speculation considering how insurers might differentiate their treatment of one sex or the other, to encourage the right mix of business. Ideas included gender-specific commission rates, new underwriting factors, developing gender-specific critical illness products, or even “Sheila’s Wheels” style marketing aimed at one sex or the other. Speculation centered on the extent to which an insurer might adapt business practices. Gender-neutral prices could leave the insurer open to the risk of being accused of indirect discrimination, or the risk that customers might select against insurers based on differences in insurers’ response to the rule.

It is now two years later. What has happened? In the life insurance space, it doesn’t seem like much. However, in Ireland, we have seen Irish Life offering added benefits on term insurance with a face amount in excess of €25,000 (approximately \$32,000). For these policies, there is an extra benefit of €5,000 (or \$6,400) upon diagnosis of five specific conditions that might arise during pregnancy. Clearly, these benefits can only be paid to women. Would this be enough to encourage a young female to buy a life insurance policy with Irish Life, and would this skew the gender mix? Arguably, it might.

Probably not surprisingly, we have seen more innovation in the general insurance space, where young males previously typically paid double the premium of ‘identical’ young females. My favorite is a new general insurance brand: www.drivelikeagirl.com. Branded in pink with a heart over the “i” in “girl,” the company is clearly targeting young females. As one may expect, premiums will be cheaper if you drive like a girl.

Using telematics technology—a black box, provided by the company and installed behind the dashboard, monitors the insured’s driving (in particular speed of acceleration). If it falls within certain parameters—that is, if you ‘drive like a girl’—you get a discount on premium rates through quarterly premium reimbursements.

There is nothing to stop males from applying—in the same way that they could go to a women’s hairdresser or clothes shop—but the company is clearly playing on the egos of young males. I’m not sure how many 17-25 year old males would admit to driving like a girl; I doubt many would. Do the people from drive like a girl mind? No, of course not. They are marketing themselves as offering heavily discounted premiums for safe drivers, irrespective of their sex.

It’s easy to start thinking about the bigger, wider implications of having insurer-driven telematics in a car. Will the device detect if a driver is breaking the speed limit, wearing a seatbelt, running red lights, or driving in the middle of the night? Some of these factors are already reflected in auto insurance premiums in companies rating for usage-based insurance, but developments in the future are sure to come.



CONTINUED ON PAGE 12

And ... could the next life insurance brand be www.live-likeanun.com?

The traditional way of developing life insurance premium rates is achieved by preferred underwriting. An insurance company sends a nurse to the customer several weeks after the policy application is submitted, to record height, weight, take the blood pressure and so on. The nurse would then report back to an insurance company underwriter, who makes a decision. The whole process is costly, inconvenient for the customer and could take several weeks if not months.

This idea to rate based on individualized data from insured behavior, rather than relying on population based rating factors is not limited to the general insurance arena. Technological advances may enable life insurers to collect basic medical information and evaluate lifestyle choices in lieu of traditional underwriting. Although data gathered from personalized devices may not be a perfect measure of risk, the data could be used in a simplified-issue underwriting process that could be quick and easy, and appropriately targeted. Individualized data, combined with an appropriately designed product, could give a more favorable financial result to a life or health insurer without relying on gender to rate the product. □