

Press statement: Oxera report “Why the use of age and disability matters to consumers and insurers”

A recently published Oxera study on the use of age and disability in insurance shows that any restrictions or ban on the use of the two factors would have negative consequences for consumers and society. The study has found that if insurers were no longer able to use age and disability, some products would become limited in availability and scope, and there is a risk that the cost of insurance would rise.

Differentiating fairly between risks is core to private insurance. Differentiation is not discrimination. Insurers need to be able to fairly assess risk to ensure they can keep the price of insurance as competitive as possible and provide cover adequate for consumer needs. Age and disability are important factors in pricing many insurance products, including term-life insurance, pension annuities, motor insurance, disability insurance, long-term care and private medical insurance.

The study highlights the need for insurers to continue to be able to use age and disability as risk factors in order to provide the best outcome for consumers. This is why it is crucial that the wording proposed in the EU Anti-Discrimination Directive¹ provides legal certainty that insurers can continue to use age, disability and other factors to fairly assess risk for customers.

The main findings from the Oxera study are:

- Some insurance products would become limited in scope or availability and, in more extreme situations, would no longer be available. For instance, a ban on the use of age would jeopardise the viability of term-life insurance and a ban on the use of disability would mean the end of disability insurance.
- There is a risk that average premiums would increase and/or cover would diminish for all consumers due to the additional costs generated by the higher risks to insurers.
- Consumer choice would be reduced, as insurers would not be able to offer some products and there would be less incentive for innovation.
- Society and the economy as a whole would also suffer. For instance, as a result of adverse selection, no longer allowing the use of age in pricing pension annuities would ultimately damage the annuity market, at a time when governments are seeking to encourage individuals to save for their retirement.

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Notes for editors

1. For further information please contact Janina Clark, head of communications & PR (tel: +32 2 894 30 70, clark@insuranceeurope.eu).
2. Copies of all Insurance Europe press releases are available on the Insurance Europe website (www.insuranceeurope.eu).
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of almost €1 100bn, employ nearly one million people and invest around €7 700bn in the economy.

¹ The 2008 EC proposal for a Directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation