

gender ruling places spotlight on use of telematics 7 march 2011

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the much awaited judgement from the european court of justice was made this week ruling that the use of gender in rating will not be lawful in any of the 27 european union countries after the 21 december 2012.

the ruling means that many insurance products across europe will be affected, although the biggest impact will be felt in the motor market, which is likely to turn to vehicle telematics as an alternative way of rating risk.

in south africa, international companies such as mix telematics and insure telematics are playing a key role in developing this technology, while any increase in european insurers' use of telematics could ultimately influence how south african insurers rate risk and develop new products.

rhys collins, head of african operations for ssp, says south african insurers should take note of the ecj's ruling, despite its being specific to the european market. over the next few years the ruling will create a significant change in the uk and european insurance markets. certain aspects of product, marketing and distribution management will have to change which will have wide ranging implications for insurers and consumers, particularly those that target women drivers.

when it comes to driving, the difference between men and women is stark. contrary to the myth still perpetuated by some men, women are better drivers. according to the association of british insurers (abi), the cost of claims from women under 25 is about a third less than the cost of claims from men in the same age group.

figures from court rulings in england and wales also put men firmly in the dock when it comes to bad driving. in 2009, men were responsible for 95% of all dangerous driving cases. they were responsible for 83% of careless driving cases and, across the entire spectrum of all offences committed, they were behind the wheel for 84% of them.

the price differential created by gender-inclusive rating is significant, and many believe that omitting gender data from the underwriting process will set women's premiums ballooning. in belgium the introduction of unisex motor insurance rates in 2008 resulted in a rise of 7-15% in premiums for women under the age of 30.

the french finance ministry recently published statistics claiming that introducing unisex motor insurance there will lead to a premium increase of 30-60% for young female drivers.

in the uk, the abi says some women under the age of 25 will see an average hike in rates of 25%, while their male counterparts will enjoy an average fall of 10%. however, in extreme cases, the abi believes some women will see premiums pushed up by as much as 60%, while some men could see their premium reduced by up to 25%.

in the short term, these price hikes may exclude people from the market, encouraging driving without insurance, fronting and increasing the propensity to massage a better rate out of online carriers by submitting false information on applications.

for those carriers that have differentiated their business on the different risk presented by men and women, the ecj ruling is likely to drive the development of telematics technology. according to collins this technology is already widely available in the commercial sector from the likes of mix telematics, but has not yet gained traction in the consumer market. the technology is becoming a lot more sophisticated and it is now possible to rate drivers on how they drive. instead of simple gps devices, sensors can now monitor how quickly a driver accelerates and brakes, how quickly they corner and how erratic their movements are. it is enjoying much success in the commercial sector where large savings are being achieved. collins says telematics significantly enriches the data available and will ultimately allow underwriters to rate a person's individual driving. perhaps this is the fairest way to proceed and in future we could see people actually paying for the risk their driving style presents.?