Focus on insurance: risk indemnity or age discrimination?

Introduction

Older people face significant difficulties when it comes to the cost and availability of insurance, whether it is health, travel or motor insurance. The population aged 65 and over in both Northern Ireland (NI) and the Republic of Ireland (ROI) pay higher premiums, and find it more difficult than other age groups to access insurance products.

Recent news stories across the island of Ireland indicate that the situation may be getting worse. In ROI, the government lost a case before the European Court of Justice on 29 September 2011 that now
means the state-owned insurer VHI must be authorised and funded like any private insurer. This makes the future of the “community-rated” health insurance market, which benefits older and sicker customers, unclear (Irish Times, 2011). In the run up to the NI Assembly elections in May 2011, a campaign by Age NI and Age Sector Platform highlighted the age discrimination faced by older people in NI on access to goods, facilities and services (Age NI / Age Sector Platform, 2011).

This article, part of CARDI’s monthly “Focus on” series, delves behind the headlines to examine the current situation of insurance for older people across the island of Ireland, and looks at current legislation in NI and ROI which protects against age discrimination.

**Key findings**

- Older people, particularly those over 70, will face higher insurance premiums than other age groups, but the actual level of risk should be measured rather than charging more on the grounds of age discrimination.

- The Equal Status Act 2000 in ROI and the Equality Act 2010 in Great Britain legislate for age discrimination in access to financial services, but older people in NI do not have the same protection.

- Insurers favour younger, healthy customers for health insurance so have the incentive to sell different products to older and younger consumers to allow differential pricing. They can also create products which restrict cover for treatments that are required by older or less healthy people (Health Insurance Authority, 2009).

- Travel insurers often increase their premiums or restrict access altogether once customers reach a certain age threshold, regardless of increased risk (Which UK, 2011).

- Young, inexperienced drivers pay by far the highest car insurance premiums in both NI and ROI, although the cost of insurance increases steadily from the age of 70 upwards.

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1 This means that all customers pay the same price for the same health insurance product, irrespective of health status.
Health insurance

The population in NI benefit from free of charge access to the Health and Social Care in Northern Ireland services. This goes beyond the NHS services of England, Scotland and Wales in that social care services such as support for carers of older people are also provided. As a result, private health insurance is quite uncommon. Just 15% of the total population were covered by a private health insurance scheme in 2007 (Ark NI, 2008). Coverage among the older population is much lower, as just 4% of the population aged 65 or over had private health insurance cover.

In ROI, 41% of the population rely on private health insurance for their medical cover. 30% have a medical card which entitles them to public-funded healthcare, and 6% have both private health and medical card cover. 22% of the population have no medical cover at all (Central Statistics Office, 2011). In December 2008, 51.7% of the population held private health insurance. In the year to end March 2011, 28,000 people have dropped their private health insurance inpatient cover (Health Insurance Authority, 2011).

People aged 65 and over tend to rely more on the medical card for cover:

- 38% of the 65-69 year old group rely on private health insurance,
- 40% rely on the medical card and 11% have both.

When it comes to people aged 70+:

- 9% rely on private health insurance,
- 57% rely on the medical card and 33% have both.
- 11% of 65-69 year olds, and
- 2% of people aged 70 and over have no medical cover in ROI (Central Statistics Office, 2011).
The “community rated” health insurance market in ROI means that all customers pay the same price for insurance products, irrespective of age or health status. However, it is more profitable for insurers to recruit younger and healthier consumers, and avoid older or less healthy consumers. The Health Insurance Authority has pointed out that this creates an incentive for insurance companies to sell different products to older and younger consumers in order to allow differential pricing.

Insurers can also create products which restrict cover for treatments that are required by older or less healthy people (Health Insurance Authority, 2009). This demonstrates the importance of ensuring access to financial products for the older population, in addition to ensuring that the cost of premiums is fair.

In general, consumers in NI pay more for health insurance than those in England, Scotland or Wales because they are more likely to smoke, to be affected by ill health and have a lower life expectancy (The Consumer Council, 2009). There is scant data available on whether older people pay more for health insurance, as it is very uncommon for people over the age of 65 in NI to have private health insurance.
Travel insurance

Research from the Association of British Insurers in the UK shows that older travellers are more likely to make a claim against their travel policy than younger people. Travellers aged over 65 are three times more likely to make a travel insurance claim than those aged 35, and people over 85 are eight times more likely. The claims are also more likely to be more expensive. The average claim made by a person over 65 is nearly three and a half times more expensive than one made by a person under 50 (Association of British Insurers, 2010).

As a result, premiums for travel insurance are more expensive for older people. However, older people face age thresholds when purchasing travel insurance, whereby the premiums increase overnight once a certain age is reached. Some policies also exclude people above a certain age altogether. Research on travel insurance from Which UK in May 2011 showed that 95% of travel policies in the UK excluded people above certain age thresholds.

Nearly one quarter of policies excluded people over the age of 60 (Which UK, 2011). In addition to not offering policies to older people, insurance companies were also found to be charging older people prohibitively high premiums. In one instance, an insurance company trebled its travel insurance premium overnight once customers turned 65.

Motor insurance

In NI, 66% of men and 35% of women over the age of 60 are driving. Even without age as a factor, consumers in NI face premiums of 84% higher than the rest of the UK for car insurance (The Consumer Council, 2009). The high premiums charged for car insurance for all of the population in NI have recently come under scrutiny (The Consumer Council, 2009). As a result, the Office of Fair Trading has issued a call for evidence on premiums. One aim is to discover the reason behind price differences between NI and the rest of the UK (Office of Fair Trading, 2011).

In ROI, nearly three quarters of men (73.9%) over the age of 60 have a driving license, compared to 39.7% of women. The average premium for male and female policyholders in ROI in 2008 was €609 and €484, respectively (Central Bank of Ireland, 2011).
A UK-wide estimate of average car insurance premiums is shown in Figure 3 below. Younger, inexperienced drivers face by far the highest premiums. At the other end of the age scale, prices for the over 65s creep up gradually from age 70 onwards.

**Figure 3: Average car insurance premiums in the UK by age**

[Graph showing average car insurance premiums by age in the UK, with premiums increasing for older drivers.

Source: Automobile Association (2009)]

The pattern is similar in ROI, according to private motor insurance statistics (Central Bank of Ireland, 2011). The highest premiums are for younger drivers, but again, the prices start to gradually increase for people aged 70 and over. However, the difference is not as marked as it is in the UK. Premiums are higher by 13% for a woman and 12% for a man in UK for the over 70 age group compared to those aged 65-70. In ROI, the difference is 8% for a woman and 4% for a man when comparing the over 70 age group to the 51-70 age group.
Data from the Insurance Institute for Highway Safety in the US show that despite the growing numbers of older people on the roads, the number of older drivers involved in fatal collisions decreased by 32% between 1997 and 2009. Crash rates for non-fatal and property damage only crashes also declined (Cheung & McCartt, 2010).

However, drivers aged 70 and older had higher insurance liability claims for damage to other vehicles per year than drivers ages 35-69. Older drivers have low rates of police-reported crash involvements per capita, but per mile travelled, crash rates start increasing for drivers 70 and older and increase markedly after age 80. The higher rates of crashes per mile travelled can be explained in part by the fact that older people tend to drive in city driving conditions, where the rate of crashes is higher than motorways or multi-lane roads (Janke, 1991).

Older people will face higher car insurance premiums, but it is important that the actual level of risk of older people driving is being measured when insurance companies are calculating these premiums, rather than charging more on the grounds of age discrimination.

**Policy in NI**

The UK Parliament passed the Equality Act 2010 which addresses age discrimination in the provision of goods, facilities and services. Importantly, it legislates for age discrimination outside the workplace, particularly in access to health or social care, or financial services. In
terms of insurance contracts, it is not a contravention of the Act to treat customers differently if this is done by “reference to actuarial or other data from a source on which it is reasonable to rely”. It must also be reasonable to rely on that data (UK Parliament, 2010).

This Act does not apply to NI. A Single Equality Bill to harmonise and update the different pieces of equality legislation in NI has been considered in the past, but since a consultation exercise in 2004 and a ministerial statement in 2005 there have been no further public developments (NI Assembly, 2011).

Age discrimination is currently covered by section 75 of the Northern Ireland Act 1998, which places public authorities under a duty to have due regard to the need to promote equality of opportunity between people of all ages. The Employment Equality (Age) Regulations 2006 prohibit discrimination and harassment in both employment and towards students in higher education on the grounds of age.

Until new equality legislation is passed in relation to goods, facilities and services, age discrimination protection in relation to services is not as strong in NI as it is in England, Scotland or Wales. The Age Sector Platform notes “Age is the only equality ground that is not afforded legal protection from discrimination in the provision of goods, facilities and services, making it difficult for older people to access car and travel insurance, financial and other services. This limits their participation in society and could have a seriously detrimental impact on quality of life.” (Age Sector Platform, 2009).

Policy in ROI

The ROI Employment Equality Acts 1998-2008, prohibit discrimination in employment on a number of grounds, including age. The Equality Authority promotes equality and the Equality Tribunal investigates and mediates disputes in relation to the employment equality legislation. The Equal Status Act 2000 tackles discrimination outside of the workplace. It bans discrimination to anybody buying goods, using services, obtaining accommodation and attending educational establishments on the same nine grounds as the Employment Equality Act, including age. There has never been an upper age limit for the application of the Equal Status Act and people of all ages are protected by its provisions.

As a result of the Equal Status Act, older consumers have more protection from age discrimination in ROI for health insurance or life insurance than they do in NI. Nevertheless, fair access to insurance products remains a problem (Health Insurance Authority, 2009). For example in the area of travel insurance, insurers impose very diverse conditions and age limits on older people wishing to purchase travel insurance.
Higher fees are introduced at varying ages and varying provisions are influenced by age including shorter contracts, the use of medical tests, and ages at which cover for travellers is refused. The fact that the age rates are so variable suggests that the different policies are not strictly based on risk assessment (Equinet Europe, 2008).

### EU Equal Treatment Directive

There is no current law at EU level which prohibits age discrimination in the provision of insurance. However, a draft Equal Treatment Directive is intended to provide protection outside the workplace from discrimination on grounds of age, disability, sexual orientation and religion or belief. Insurance products have a special exemption from the Directive when, for the product in question, “the use of age or disability is a key factor in the assessment of risk based on relevant and accurate actuarial or statistical data”.

However, a recent gender ruling, the Test-Achats case, ruled that a similar insurance exemption in the Gender Directive, which allows insurers to take sex into account when calculating premiums and benefits, goes against the principle of equal treatment between men and women and is invalid with effect from 21 December 2012. The exemption to the Equal Treatment Directive may also be found to go against the principle of equal treatment on age grounds (Pinsent Masons, 2011).

### Conclusion

As a result of the economic crisis, older people across the island of Ireland face tough decisions when it comes to their household budgets. It is important that they are not confronted with unreasonably high charges or lack of access to insurance on top of this. In Great Britain, protection from age discrimination outside the workplace is afforded by the Equality Act 2010 and in ROI, the Equal Status Act 2000 has the same effect. However, the older population in NI are not afforded the same protection.

Older people will face higher premiums for health, motor and travel insurance, but these higher premiums should be based on actuarial and statistical data rather than arbitrary decisions or cost-saving. Policymakers must be vigilant in ensuring that older people are paying fair premiums and have fair access to insurance products.
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