

## **What gender neutral pricing means for you and your clients**

2013 promises to be an interesting year for the financial services industry but it isn't just RDR that is providing new challenges.

Firstly from 21<sup>st</sup> December 2012 insurers will no longer be able to differentiate the cost of protection insurance between males and females. This means that premiums will rise for certain genders for certain products so come 21<sup>st</sup> December, many people taking out protection cover will have to pay more than they would if they had taken it out earlier this year!

Within our industry there has been a reasonable amount of publicity around the gender issue but the majority of consumers will still be unaware of this change in legislation and most importantly the impact it will have on the cost of their future protection purchases. The media focus is expected to be on car insurance and annuities. Even if consumers are aware of the gender changes, they certainly won't be aware of another regulatory change which will further act to push up the cost of protection next year irrespective of gender.

From 1<sup>st</sup> January 2013 a new corporate tax regime for life insurance companies will come into force. This will remove a significant tax advantage which currently exists and is exploited by most. This advantage specifically relates to the way insurers are taxed in respect of their life cover and life and serious illness cover business. Currently, for these types of business, insurers are taxed on an income less expenses basis (i-e) which reduces their tax bill and which in turn is reflected in the premiums charged to the customer. The removal of i-e will increase most life insurer's tax bills and it is likely that this will increase the premiums for new customers.

The compounded effect of these two changes cannot be accurately predicted but recent commentary suggests that the cost of life assurance for females could increase by over 20% with a small rise for males. For life and critical illness the increases will be similarly severe for older female lives. On the face of it this sounds like a disaster, but it does create massive opportunity both now and importantly next year.

In terms of this year the obvious opportunity is with your female clients who have a protection gap. They can save a considerable amount by arranging their life or serious illness cover before 21<sup>st</sup> December. But don't forget that it is the husband and dependants that are impacted by the death or serious illness of their partner or mother so it is equally important to speak to male clients about the benefits of insuring their wife or partner before the 21<sup>st</sup> December! Awareness of these changes will inevitably grow as we near the end of the year so it is important that you speak to your customers now before someone else does!

Looking into next year it will be very difficult to present a proposition geared to replacing existing cover with a cheaper policy as these regulatory changes push up premiums and as customers get older their premiums would be higher in the future. Protection advice will need to be around how to give your customer better cover and improved value rather than just cheap cover. This presents an opportunity to provide much needed protection cover which in turn provides an efficient and healthy earnings stream for advisers. This can only be achieved with the right support and solutions from providers. This means products that offer genuinely better benefits and tangible value to the

customer, delivered on a platform of quality and value rather than just price. Products such as the PruProtect Plan.

**To find out more about gender neutral pricing or PruProtect's latest product and Vitality enhancements, please speak to your Account Manager or visit [pruprotect.co.uk/adviser](https://pruprotect.co.uk/adviser)**

Here are some useful links to literature and tools to help show clients how they could benefit by taking out a plan with PruProtect.

[Serious Illness Cover Letter template](#)

[Conditions covered sales aid](#)

[Stacey's case study claim](#)

[Louise's case study claim](#)

[Sally's case study claim](#)

[Conditions covered tool](#)