

CareShield Life sparks hot debate over gender-differentiated premiums

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If women were to pay the same premiums as men under the new CareShield Life scheme, fewer men from the existing cohorts could come onboard, and overall premiums may go up as a result.

This was a key consideration for the committee which designed the scheme, which will replace ElderShield in 2020.

While women already pay higher premiums under ElderShield due to their longer lifespan, the issue has ignited a hot debate within Parliament and outside. An online petition — started on Thursday (July 12) — against gender-differentiated premiums has garnered about 1,500 signatures within a day.

It was debated "quite intensively" within the committee too. However, it concluded that it was "better for the premiums to be gender differentiated", once it decided to recommend to the Government to make the new scheme optional for existing cohorts, said ElderShield Review Committee member Choo Oi San, who is the divisional leader (South Asia and Emerging Markets) at Willis Towers Watson.

Responding to TODAY's queries, Ms Choo reiterated that when an insurance scheme is optional — which will be the case for existing cohorts consisting about 2 million Singaporeans — there will be "risks of adverse selection" if the CareShield Life premiums are not actuarially priced and in line with market practice.

"ElderShield and ElderShield supplement premiums are gender differentiated with males paying less," she noted. "A gender neutral CareShield Life premium will appear less attractive for male ElderShield policyholders."

She added: "CareShield Life could end up with a distorted profile of mostly female policyholders, pushing up the gender neutral premium rates further."

Experts and insurance agents whom TODAY spoke with noted that gender-differentiated premiums are common among insurance policies offered by the private sector in Singapore, including disability insurance.

Nevertheless, while it was actuarially fair and made sense from a commercial standpoint, some felt that as a national scheme, other considerations should be taken into account.

Writing on Facebook, former Nominated Member of Parliament Calvin Cheng also noted that arguably, "because this is a national insurance scheme, everyone should pay the same".

The Government should have presented a choice to Singaporeans where men fork out more in premiums, so that the women can pay less. "In effect, Singaporean men, who on average live shorter, will be subsidising Singaporean women," he said.

Speaking to TODAY, Dr Jeremy Lim said "national unity", among other considerations, should be taken into account. "It would have been administratively simpler and much easier to communicate a fixed age-based premium," said Dr Lim, who heads the health and life sciences practice in Asia at global consultancy Oliver Wyman.

Institute of Policy Studies senior research fellow Christopher Gee added: "There's some irony in that the gender most responsible for caregiving does not get the benefit of societal protection when it's their time to be receiving that care."

But Mr Alfred Chia, chief executive of financial advisory firm SingCapital, pointed out the issue is less about gender equality, and more about the sustainability of the insurance scheme.

Of Dollars And Cents

On Tuesday, several Members of Parliament raised concerns about women having to pay higher premiums under CareShield Life, and questioned if this could potentially "doubly penalise" women considering that they have lower pay than men and less savings in their Medisave accounts under the national Central Provident Fund (CPF).

In response, Dr Amy Khor, Senior Minister of State for Health, said that applying gender-differentiated premiums would "more accurately reflect the differences in risks between men and women", and it would make the scheme equitable, sustainable and "actuarially fair" — in insurance terms, this would mean that the premiums paid are equal to the expected value of the compensation received.

Citing national statistics, Dr Khor pointed out that not only do women live longer than men, they are more likely to remain in disability for a longer time, and hence draw on CareShield Life payouts for a longer period should they remain severely disabled.

Insurance economist Joelle Fong told TODAY that long-term care insurers tend to adopt gender-based premiums to "reflect the reality". In their advanced years, women are also "more likely" to have disabilities compared with men of the same age, she said.

She cited a study published in the North American Actuarial Journal which showed that the risk of developing long-term care disability is significantly higher among females than males at age past 80.

"In the case of CareShield Life, the premiums are gender-differentiated while the payouts are gender-neutral, while (for) CPF Life annuities administered by the CPF Board, the premiums are gender-neutral while the payouts are gender-differentiated," she noted.

"Either way, an insurance scheme has to account for gender differences in mortality risk (or morbidity risk) so as to avoid cross-subsidisation between sexes within the risk pool," she added.

As a principle, insurance companies typically charge differentiated premiums that "appropriately account for the underlying risks being insured", she said.

For NTUC Income, for example, women typically pay between 24 and 30 per cent higher for its ElderShield 400 and PrimeShield 400 premiums. This is because of the "higher probability of claims among female insured persons", said Mr Andrew Yeo, NTUC Income's general manager for life and health insurance.

"It is more sustainable and equitable to price premiums for women differently," he added.

Sometimes, Men Pay More

Gender-differentiated premiums can mean men paying more than women as well for certain insurance policies.

According to a report compiled by financial advisory firm SingCapital, a 40-year-old man, for example, pays S\$4,572 in annual premiums for his whole life insurance policy under insurer AIA, compared to a woman of the same age who forks out S\$4,393.

Likewise, a 40-year-old man pays S\$3,422 in annual premiums for an Aviva whole life insurance policy, while a 40-year-old woman pays S\$3,177.

A 2008 study by economists Ray Rees and Achim Wambach showed that differentiation by risk exposure is not considered discrimination by insurers, but indispensable for private insurance to function in a competitive market. However, it noted that high premium differentiation can result in the exclusion of higher risk policyholders, whose premiums might be raised to an unaffordable level.

A 2012 paper published by the Institute of Insurance Economics at the University of St Gallen also noted that policyholders are "more willing to accept the premiums determined by the insurer", if they perceive premiums and benefits as "fair and justified".

In December 2012, the European Union barred the insurance industry from charging gender-differentiated premiums. The EU court ruled that such practices "were incompatible with the principle of unisex pricing included in EU gender equality legislation".

However, recent media reports showed that the move has ironically worsened the gap in car insurance premiums. British news outlet The Independent reported last year that on average, a car insurance policy for a man was around 27 per cent more expensive than for a woman.

In the case of CareShield Life, Dr Fong called for more research to be done, given that "very little is known" about the long-term disability experience among older Singaporeans. A better understanding of this would help to "guide product pricing", she said.

Meanwhile, Mr Gee welcomed the public debate on the matter.

"This could spark off the right conversations for us, between Singaporean men and women, about how we treat each other and start thinking about our long-term care needs," said Mr Gee, adding that this was a chance for Singaporean men to "show solidarity" and volunteer to pay more.