

AGE 70 RULE - AGE DISCRIMINATION ISSUES

1. Regulations governing potential age discrimination in employment are due to come into force in October 2006. Consultation on draft regulations is expected in the second half of 2004.
2. ABI is generally supportive of the regulations in that they will increase flexibility for people making their pension arrangements through their employer. We are concerned, however, that there will be consequences, which we believe are unintended, which will impact on the market for simple risk products.
3. Under the new regulations, it is intended that employers will not be permitted to discriminate between employees on the grounds of age unless they are able to provide an objective justification for doing so.
4. ABI expects that a combination of improving mortality and lifestyle, coupled with inadequate pension provision, is likely to mean that more people choose or need to work beyond current retirement ages. Employers will, therefore, need to consider the impact for these individuals of risk benefits such as life assurance and income protection provided for their workforce. It should be noted that, while there will be no requirement on insurers to provide cover at older ages, they will be keen to include as many employees as possible in arrangements subject to appropriate risk management controls.
5. Currently, group risk arrangements are generally written to an expiry age of 60 or 65. Cover is guaranteed on a long-term basis although rates are reviewable to take account of experience and changes in the risk pool. When the new regulations covering age discrimination in employment are introduced, it is expected that there will be demand from employers and intermediaries for cover to extend to an older age to cater for those who, in the past, may not have been eligible for employer sponsored risk cover. Indeed, it is likely that changing employment patterns will create demand ahead and irrespective of any regulations imposed upon employers.
6. ABI has already recommended that consideration be given to removing the "age 70/ ten year" rule which will create difficulties for advisers to individual customers in knowing whether to follow COB or ICOB processes once pure protection becomes regulated in January 2005. We are also concerned that continued application of this rule will be a problem for intermediaries when simple group life schemes extend beyond age 70 and, therefore, fall within the COB regime.
7. It may be that, in these circumstances, intermediaries who are only authorised under ICOB will need to inform their customer that they are unable to advise on or arrange cover beyond age 70, thus creating practical problems for employers seeking to meet the requirements of the regulations. It would be a disproportionate cost if firms were required to seek authorisation under COBs to allow them to advise on the inclusion of older lives within schemes where, in reality, they would simply be a few additional lives in an arrangement where members are generally subject to a common benefit formula.

Association of British Insurers
25 June 2004