AVIVA

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Re: Consultation on amendments to Statutory Instrument No. 74 of 2007

12 March 2018

Dear Sirs,

We are aware that we have missed the dead line for feedback. However we would appreciate if the Central Bank could consider our comments below regarding CP114.

We believe that the implementation of the recommendations in the Consultation Paper CP114 – Non-Life Insurance amendments to the Non-Life Insurance Regulation 2007 to protect our consumers and provide greater transparency with an aim to lead to great stability in the pricing of motor insurance and other non-life insurance is very much welcomed by Aviva.

However we do have concerns of how these proposed changes can be implemented in terms of our customer, the impact on our systems, the cost to delivering these changes, releasing of commercially sensitive information to the general public, and the timelines.

The comments contained in this response represent the opinions of Aviva Insurance Ltd Ireland branch.

__Premium breakdown for motor insurance__

1. **Do you agree that motor insurers should provide additional information to consumers on the breakdown of premiums (when a person first gets a quote for a policy as well as at renewal notice stage), setting out the element of the premium related to the mandatory motor insurance (third party) in addition to the non-mandatory element (e.g. comprehensive)? Please outline the reasons for your view.**

   Our motor insurance product

   Aviva open market private motor product is only available on a Comprehensive or third Party Fire and theft basis. We do not offer a Third Party only product to consumers. The provision of such a premium breakdown would add confusion for customers as we would be showing them a premium for a product Aviva doesn't offer.

Our systems

A further concern for Aviva is that our systems and our pricing models and how they are built. Our existing rating systems do not cater for multi-peril rates. To be in a position to provide such information Aviva would need to re-build all its private motor products across all its channels in addition to its pricing models.

Costs

There would be a significant cost to deliver such a change and it would take significant effort in terms of time required to change the street prices and rating systems to be built on a multi-peril basis.

Our recommendation

If it's available - we would recommend that the compromise is that where an insurer actively sells third party only cover to consumers and such a cover is freely open to a customer to request/purchase than perhaps the breakdown is shown, so a consumer can make the choice to downgrade cover to the mandatory third partly only cover.

If it's NOT available - However this should not be required where the cover **is not available** to be purchased on request.

We believe that making such a change will not benefit the customer, and only serve to increase the cost of production for insurers (and this will be an ongoing additional cost, as the complexity of delivering pricing changes, testing these changes, the additional cost of print and postage etc., which will result in an increase in premiums for the consumer) and create confusion for customers.

2. **Is there any other formulation of the premium breakdown proposal, outline in Question 1, that would better inform consumers on their level of cover and it's cost? Please outline the reasons for your view.**

We don't believe that any formulation within the premium breakdown would be straight forward for customers when we are attempting to compare the price of a product that we offer to one that we do not, and would suggest that perhaps some information text to advise that this cover does not represent the minimum that is required by law may be more easily understood by a customer.

Where a customer's policy is currently on a comprehensive basis, and they receive the relevant premium breakdown associated with the policy as it stands, we could show the total premium that would be available if the policy was to change to TPF&T. This would be a total premium amount rather than a breakdown of the premium should the policy be changed to TPF&T.

3. **What do you consider to be an appropriate lead-in time for any necessary system changes for motor insurers to reflect the requirements for the additional breakdown in the premium make up? Please outline the reasons for your view.**

   This would be a fundamental change to our core systems and pricing models. We will need to consider the current change agenda particularly current regulatory changes which are quite considerable such as the MTPL change, GDPR, IDD etc. This proposal is a very significant development impacting all private motor products across all our channels in addition to its pricing models.

   As mentioned previously, there is currently no third party component available to the IT systems at the time of printing the comprehensive insurance premium details and breakdown.

   We estimate a subsequent lead-in time of approx 18 **months** to then amend the pricing calculations, store the new data, create new premium fields and update the documentation across the impacted products.

Extension of renewal notification period for motor insurance

4. **Do you agree that the current renewal notification of a policy of motor insurance should be extended from 15 working days to 20 working days to allow motorists to compare pricing when purchasing motor insurance? Please outline the reasons for your view.**

   It is hard to say if extending the current renewal notification of a policy of motor insurance from 15 working days to 20 working days will have any real impact on the buying habits of motorists in relation to comparing prices for motor insurance. We have taken a sample month of our retail channel and it would appear that on average the number of days prior to a renewal that a customer looks for a quote is 10 days in the call centre, and 13 days in the web channel, the current renewal process issues the documents 15 working days (19 days prior to renewal). So it is questionable given the cost impact and the level of business interruption that would be caused if extending this time line would have any real benefit for consumers.

   From another point of view a customer can now obtain several comparative quotes from an broker website or generate an array of quotes from competing insurers websites themselves within a very short period of time. They do not need to travel to an actual office or even wait in a queue for a call centre to receive a quote. For this reason we believe that it is easier and faster to obtain quotes now than it has ever been before.

Also most insurers (ourselves included) will issue a renewal to a customer earlier than 20 days prior to the renewal date which makes any change to this lead in time irrelevant to the end customer.

5. **What do you consider to be an appropriate lead-in time for any necessary system changes for the application of this increased timeframe? Please outline the reasons for your view.**

   Numerous products will be effected by this proposal. There are different systems and different timeline structures for each product. Therefore moving the entire renewal run (for all effected products) will require significant changes to the renewals coding logic, aside from the logistical impacts to the testing, printing and despatch of documents.

   This change could be expected to take approx 9 months to design, build, test and implement.

<u>Extension of renewal notification period for other non-life insurance classes</u>

6. **Please provide your views on extending the current renewal notification from 15 working days to 20 working days for all other classes of non-life insurance that fall within scope of S.I. No. 74. Please outline the reasons for your view.**

   The aspect that concerns Commercial Business is extending the renewal notification from 15 to 20 working days.

   The Customer:
   We don't see the advantage to customers in extending the renewal notification to 20 working days because:

   - The current notice period gives sufficient time for customers to seek alternative quotations from other insurers
   - There is nothing to stop customers seeking alternative prices from other insurers before they receive renewal terms
   - For renewals based on declaration/projections to calculate terms we have engaged with the customer / intermediary well in advance of the 15 day period seeking the required information to provide renewals.
   - the majority of commercial customers use an intermediary who can quickly source alternative quotations before and after receipt of renewal terms

   Insurers:

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- Preparing renewal terms earlier puts insurers at a disadvantage as claims may happen in the period between the renewal being offered and the renewal date.
- Commercial policies by their nature can be complex. Changing the lead-in time from 20 days to 15 days (i.e. a week) reduces the time Insurers have to prepare their renewal offering to Customers.
- There will be significant impact on IT schedule and timelines annually in terms of renewal and documentation processing.

To move the timeline will have a medium level cost however the real impact will be on the business resources. This will reduce;
1. the amount of time we have to complete these reviews,
2. the time we have to request additional information from customers required for the purposes of calculating a renewal premium
3. the time that the policyholder has to return the required information or documentation

It is possible that this could result in a small increase in the number of policies not being offered a renewal due to the fact the required information is not available to allow us to issue renewal terms in time.

7. **Do you believe that the lead-in time for any necessary system changes for the application of this increased timeframe should differ to any views expressed in Question 5? Please outline the reasons for your view.**

See question 5 above for combined response

We appreciate the opportunity to contribute to the consultation and we look forward to the output.

Yours sincerely,

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