



Central Bank of Ireland Consultation Paper 114 on proposed amendments to the Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007: Submission from the Department of Finance

The Department of Finance wishes to respond as follows to Questions 1 and 2 contained in the Consultation Paper:

Question 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.

The Cost of Insurance Working Group examined this issue as part of the Report on the Cost of Motor Insurance (“Motor Report”) and determined the additional information that should be provided as a way of providing a greater level of information to a policyholder or a potential policyholder to enable them to shop around for a better price with a more complete understanding of the cost of the product they are buying.

The Department of Finance therefore agrees 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).

Question 2

Is there any other formulation of the premium breakdown proposal, outlined in Question 1, that would better inform consumers on their level of cover and its cost?

Please outline the reasons for your view.

The Department of Finance has engaged with Insurance Ireland on ‘consumer’ focused recommendations from the Motor Report throughout 2017. One issue which the Department has raised with industry is the inclusion of the premium paid by the policyholder for the previous year in renewal documentation for comparison purposes, i.e. last year’s premium. The Department believes that it is appropriate and justified to legislate to include the premium

paid by the policyholder for the previous year in renewal documentation for comparison purposes for the following reasons:

- Currently, the onus is on the consumer to locate the previous year's documentation to recollect the price paid, if they cannot remember it off hand. It would be simpler for consumers to see this very important piece of information on a renewal notice rather than having a situation where they must search for the documentation, or have to track down the appropriate email, or as a last resort have to contact the insurance company to obtain this information.
- Having this figure to hand, in an accessible manner, will allow consumers to easily compare the price being quoted with the price paid for the previous year and to see whether the quoted price is higher, or lower. Our aim is for the inclusion of this information to prompt people to shop around to source the best product for that particular consumer's situation, at a competitive price.
- Enhanced disclosure will encourage competition and will improve engagement and communication with consumers and will provide for a level of transparency about price movements. Ultimately, it will assist consumers in making an informed decision about which product or policy is right for them.

The Department notes that a similar measure has been introduced in the UK. We understand this change is pursuant to the Insurance (Information Disclosure for Renewals) Instrument 2016 (FCA 2016/50), made by the FCA in exercise of its powers in the Financial Services and Markets Act 2000.

It is the Department's view that this is a measure which would have to be underpinned by legislation if full compliance from industry is to be achieved. Consequentially, in response to Question 2, the Department requests the Bank to consider the inclusion of last year's premium in future renewal notices. It is believed that this suggestion is compatible with the Regulation in question, so there should be no legislative reason for not including it within its scope.

Recommendation 2 of the Motor Report relates to the premium breakdown for motor insurance. Accordingly, the Department's response to the Consultation relates to last year's motor insurance premium.

However, the draft regulations cover a number of non-life insurance classes, in addition to motor insurance. The Department is requesting that the Central Bank also investigate the practicality of including other forms of non-life insurance within the scope of the draft regulations to stipulate that the premium paid the previous year must be provided in respect of other classes of insurance, such as home insurance. The Department is of the view that covering other forms of non-life insurance within the scope of this amendment would be a very positive measure for the consumer.

6th February 2018