



**Insurance Ireland Response to the Consultation on Amendments to
the Non-Life Insurance (Provision of Information) (Renewal of
Policy of Insurance) Regulations 2007
Consultation Paper CP114**

9th February 2018

Overview

Insurance Ireland is the Voice of Insurance in Ireland and represents the Irish general Insurance, health insurance, life assurance, reinsurance and captive management sectors. Insurance Ireland represents 130 companies providing insurance domestically in Ireland and internationally from Ireland. Total industry employment is approximately 28,000 people both directly and indirectly with one in four jobs in financial services being in insurance. Our members pay out more than €13 billion in claims and benefits to Irish customers annually and contribute over €1.6 billion in tax to the Irish exchequer each year.

One of the main concerns of our members in relation to this Consultation is the proposed removal of the term "Renewal" from the 2007 regulations. This has the potential to impact many aspects of Insurers' business - the most significant being the requirement to provide considerable additional information in writing prior to inception/amendment. Any requirement like this has the potential to have a detrimental impact on the industry's ability to transact business over the phone with customers and potential customers e.g., someone could potentially not go on cover until the customer is notified in writing of all the information referred to in the regulations. The complications of this proposal cannot be emphasised enough.

The introduction of this proposed change to remove the reference in the title of S.I. No. 74 to "Renewal of" is a substantial change to the business practices according to which Insurers' interact with their customers. As part of the new business quote process the costs of different covers are discussed with customers or potential customers. Insurance Ireland do not believe it would be useful or desirable to extend these regulations to quotation, new business or potentially mid-term adjustments (MTA).

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.

Insurance Ireland agrees with the principle that consumers should receive clear and concise information at renewal of their policy as is already in place under the 2007 Regulations. Current renewal documentation for private motor customers provides a clear breakdown of premium, charges and benefits. The upcoming introduction of the Insurance Product Information Document (IPID) under the Insurance Distribution Directive (IDD) later this year will allow consumers compare products in a consumer-friendly manner.

Article 20 (4) of Directive (EU) 2016/97 on Insurance Distribution (IDD) requires that “prior to the conclusion of a contract, whether or not advice is given... the insurance distributor shall provide the customer with the relevant information about the insurance product in a comprehensive form to allow the customer to make an informed decision...”

The introduction of the Insurance Product Information Document (IPID) will further empower the consumer make an informed decision as the IPID will provide clear and concise information that makes it easier for consumers to better compare non-life insurance products. This was noted in the correspondence received from the CBI on 27th November 2017, “...it is important that customers have access to a current IPID at the time of their renewal so that they are in a position to compare with other products”

With regard to the proposal outlined above, we would suggest that there could be significant challenges to providing additional premium breakdown which would likely cause customer detriment and confusion for the following reasons:

- The proposal to amend the Regulations to apply to all quotation and new business and possibly Mid-Term Adjustment (MTA) documentation further complicates the issue. It requires detailed information to be issued to a customer in writing before they incept a policy, and this may not be useful or relevant. The proposed changes could have a significant impact on documentation requirements and existing business processes. In particular, it could affect customers’ ability to transact insurance business over the phone, e.g. where a customer tries to arrange immediate cover by phone the policy cannot be incepted until a written quotation is provided. The insurance sector, similar to other sectors, is seeing a greater consumer demand for swift on-line/digital offerings.
- The cover selected by the policyholder is already provided as per the 2007 regulations. The proposed approach is not desirable because it imposes a particular rating system on all insurers, thus potentially preventing innovation and limiting competition and freedom of choice. The proposed approach also adds expense to no purpose.
- The concepts and detail of mandatory and non-mandatory insurance are not terms, which consumers would be familiar with, and this change would require additional education and explanation to ensure consumers understand. There would be a high risk of making customers’ understanding of the process and engagement with insurers more complex and confusing. Furthermore, if the Third Party element of the cover was split out for customers they may think they can drop the rest i.e. both the fire and theft element, and the accidental damage cover but currently this is not the case as Third party

products are not generally offered. As a result, it is misleading to customers as they may think the other cover is an “add-on” and not, part of the product itself which cannot be dropped.

- The Consumer Protection Code (CPC) already outlines requirements for customer communications. The proposed changes could have a significant impact on documentation requirements and existing business processes and have ongoing cost implications for consumers. In particular it could affect customers’ ability to transact insurance over the phone and gain immediate motor insurance cover.
- We would also question whether the proposal is consistent with Consumer Protection Codes suitability requirements. The Code requires that insurance companies must assess the most suitable product based on a range of information about the customer. This proposal places an even greater focus on just price alone to the exclusion of other key factors. Consumers may be encouraged to select the mandatory cover only based on price where this may not be the suitable outcome.
- Substantial investment would be required in order to facilitate a further breakdown of premiums for motor business quoted & transacted via Electronic Data Interchange (EDI) systems. From a technical perspective, the EDI messages would need to be amended to facilitate the inclusion of additional information (i.e. premium splits) and the broker front-end would also need to be redesigned in order to display this information. The same holds true for online platforms (for both brokers and insurers). We anticipate that the provision of this excessive and unnecessary information will serve to confuse consumers, subsequently drive further queries to intermediaries and direct insurers (most frequently through off-line communication channels), and ultimately result in complicating the customer journey.
- In some cases, the renewal documentation is even originated from the intermediaries, including Managing General Agents (MGA). Insurance Ireland estimate approximately a 50/50% split in motor insurance that is transacted through intermediaries/ MGA’s and through insurers directly.
- The adoption of the suggested proposal creates a potential barrier to entry as foreign Freedom of Service (FOS) insurers may see it as cost prohibitive to develop systems to service their non-core market.

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.

As optional covers are already detailed there is no additional information to propose. Insurance Ireland believes that the current premium breakdown by cover provides the most comprehensive and understandable detail to motor customers. The 2007 regulations mean that customers are able to shop around and compare prices in sufficient time before renewal.

Question 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.

Insurance Ireland estimate, based on the feedback of members that the minimum lead-in time needed for motor insurers to reflect the requirements for additional breakdown in premiums from Third Party Only, Third Party Fire and Theft and Comprehensive, would be 18 months to be shown on documentation. This would be if the proposal is to keep the regulations to “Renewal” only. If the Regulations remove the S.I. No 74 and extend the regulations to Quotation and New Business and potentially MTA’s, the business impact would be significant, a 36-month implementation timeline would be necessary. It is important to note that there is significant time and resources being invested by Insurance Ireland members in other mandatory regulatory developments such as the Insurance Distribution Directive (IDD), General Data Protection Regulation (GDPR) the Motor Third Party Liability (MTPL) database and the establishment of the National Claims Information Database (NCID) and Insurance Ireland would suggest the maximum possible timeline is both required and appropriate.

Therefore, operational roll out is very much dependant on the status of other projects currently in progress to benefit customers and all stakeholders. The impact to the industry will be significant, The requirement to deliver mandatory cover premium alongside the premium associated with the requested level of cover constitutes a fundamental change to core transactional systems and rating factors. Insurance Ireland and its members continue to work through the recommendations and the actions points generated from the Cost of Motor Insurance Working Group Report and this consultation should not be viewed in isolation of all ongoing requirements.

Significant system and customer documentation changes would be required to facilitate additional detail of premium breakdown at both quote and renewal stages and potentially MTA’s, through all distribution channels. The delivery of the proposed changes would have a significant resource demand, introduce substantial risk and have an unquantified impact on operations, and the cost of development and impact to resources are likely to be prohibitive.

Question 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.

We do not agree that the current renewal notification of a policy of motor insurance should be extended from 15 working days to 20 working days.

The Cost of Motor Insurance Working Group Report noted that there is already a high degree of switching by consumers in the motor insurance sector¹, a point which is also borne out in Competition and Consumer Protection Commission's (CPCC) Consumer Switching Behaviour Report of March 2017² which illustrates that motor insurance remains the product or service with the highest level of switching at renewal. Insurance Ireland is of the view that the adoption of the proposal would not substantially benefit the consumer or satisfy the intended purpose as most customers review their renewal documentation closer to their renewal date.

Question 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.

Insurance Ireland suggest a lead in time of 18 months if the current renewal notification period is to be extended, bearing in mind the progression of current projects, which are focused on delivery of positive customer interactions in addition to regulatory changes, development and obligations.

Question 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.

We do not believe this is necessary. 15 working days is sufficient time for a consumer to shop around in our view.

This Consultation flows from the Cost of Motor Insurance Working Group Report which was published in January 2017 and looked specifically at motor insurance and not at other classes of non-life insurance.

¹ Reference from Page 54, Report on the Cost of Motor Insurance

² <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2017/03/CCPC-Switching-Consumer-Behaviour-Research-2017.pdf>

Question 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.

No.