

Brokers Ireland submission on Central Bank's
Second Consultation on Non-Life Insurance
Amendments to the Non-Life Insurance (Provision
of Information) (Renewal of Policy of Insurance)
Regulations 2007- CP 124

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BROKERS
I R E L A N D

Brokers Ireland welcome the opportunity to contribute to the Second Consultation on Non-Life Insurance Amendments to the Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007.

Introduction

Brokers Ireland (BI) is the sole representative body for insurance, investment, mortgage and financial intermediaries in Ireland. With more than 1300 members spread throughout the length and breadth of Ireland, BI members are by far the largest distributors of insurance, investment and financial products and services in Ireland. Members of Brokers Ireland range in size, from subsidiaries or branches of multi-national firms to national firms, micro enterprises such as local and specialist broker firms to sole traders.

Before commenting on the specifics of the consultation paper we believe that it is important to contextualise the provision of information currently supplied to consumers when either arranging or renewing a policy of insurance. It is important to point out at the outset, that much of the material currently supplied to consumers is overlooked by them, has very little impact and represents a cost which is ultimately paid by consumers. Currently consumers are provided with a torrent of information on renewal or inception of a policy of insurance. This includes being provided with the Terms of Business document, the Statement of Suitability, the Distance Sales and Marketing Notice (where applicable), the Statement of Fact or Schedule, the quotation or renewal letter, the alternative quote letter and corresponding Schedule, (if applicable), and shortly will be provided with the Insurance Product Information Document. Each proposal in relation to the provision of information is cumulative in nature, while no attempt is being made to rationalise the information being supplied to the consumer. The result of this is to overwhelm consumers with a deluge of information which is largely ignored.

It appears that these new proposals must be viewed considering the reality expressed above. The additional information to be provided, no matter how relevant it may be deemed to be, will add to costs and will have no material impact.

Response to Questions

BI note your decision in respect of point 3.2 – Extension of renewal notification period to motor insurance, however, Brokers Ireland do not believe that an extension of the notification period will materially benefit customers. Fifteen days is adequate. It is more impactful. As is natural with human behaviour, any document that needs attention a month in advance of a deadline date will be put aside and not addressed. The fifteen-day notice period provides more urgency and the chances are the document will be dealt with almost immediately. Policyholders will act by exploring alternatives, rather than leave to deal with at a later date. Brokers Ireland would ask the Central Bank to reconsider this proposal.

Question 1:

Do you agree that insurers should include the premium paid by the motor policyholder for the previous year in renewal documentation for comparison purposes?

BI acknowledges that this may seem a fair proposal and in the best interests of consumers, however BI is concerned that this would lead to misinformation, inaccuracy and confusion for consumers. Comparing the premium figure against the previous year's premium figure may not be comparing apples with apples, especially when the broker is offering an alternative provider's quote against the current provider's quote and endeavouring to compare against previous year's premium. Not all policies provide the same cover. Some provide additional cover at no extra cost (all inclusive package), others provide these extras as stand-alones. The Schedules applicable to each of these quotes, would outline what is covered. The Insurance Product Information Document (IPID) which is to be introduced from 1 October (under Statutory Instrument 229 of 2018) also provides information on what is covered and what is not.

In addition, BI believe that insurers will not like to give away their rating rationale resulting from any amendment giving rise to a recalculation (+ / -) that will have to be explained. Therefore, brokers will be in an uncompromising position of having to try to compare the premium figures, but without the complete rationale. All of this will lead to regulation fatigue, where consumers are overwhelmed by the amount of information they are required to understand.

Brokers Ireland feel that adding this additional layer of administration and complexity will add to the cost for the consumer.

Question 2:

Do you agree that last year's premium should also be provided in renewal documentation for other classes of non-life insurance that fall within scope of S.I. No. 74?

No, it should not be included particularly where "declaration policies" are concerned. Most commercial policies require clients to submit declarations regarding their business, on inception and renewal, which allows insurers to determine a rate for the business. For example, there can be changes to the business activities, to the turnover or to the employees of a business. The resulting comparisons would be based on different information/cover.

Insurers are very protective of their intellectual property which very heavily resides in their knowledge and experience in what is a very competitive marketplace. They will not want to reveal in detail the rating factors and the statistics or algorithms upon which their rate may be based especially in an area where insurance cover is not a legal requirement. As a result, Brokers will be unable to explain cost differences to clients.

Again, BI believe that inserting this extra layer of administration and complexity will add to the cost to the consumer, and satisfactory explanations may not be available due to the fact that insurers will guard their rating factors and make them part of their intellectual property.

Therefore, providing last year's premium in renewal documentation for comparison purposes would in these cases result in deficiency of information and client confusion. As a result, this proposal would not achieve what it set out to achieve.

Question 3:

With regard to mid-term adjustments do you consider that insurers should provide a policyholder with the premium paid at the inception of the policy and the amount of any mid-term adjustment, as set out at Option 1 above, or the provision of an annualised premium on renewal as set out in Option 2 above?

Following on from our responses above, we believe that neither option is acceptable, as they may lead to mis-information, inaccuracy, confusion, and information overload. Notwithstanding, if BI are to provide a preferred option, we believe that would be Option 1 as many mid-term adjustments may be temporary in nature – as in temporary substitutions etc, and Option 2 would not suit.

The wording suggested for Option 2 is not helpful. Providing an annualised premium figure at renewal which accounts for the adjustment, or the most recent adjustment as the case may be, in our opinion, will cause confusion. It will also be an onerous task which will have to consider rate changes, if any, that may have been implemented during the term of the policy. The cost factor for implementing this will also have to be considered as no doubt this will be cascaded down to the consumer.

Question 4:

Is there any other appropriate manner of disclosing last year's premium where a mid-term adjustment occurred that would provide consumers with an accurate comparison?

None that BI is aware of.

Question 5:

What do you consider to be an appropriate lead-in time for any necessary system changes in order to provide last year's premium?

We consider 18-24 months to be an appropriate lead-in time for any necessary system changes in order to provide last year's premium.

Firstly, the respective software houses will have to make the necessary changes. These will include changes to the individual EDI quote engines such as MotorWriter, ComQuote, HIQs, etc. It will also include changes to the back-office system. Once changes are made the systems will have to be tested, from quote stage to back-office. When all complete, a twelve-month cycle will have to be allowed to enable the broker to input relevant data into the quote systems, so that the required new data can be provided to the client, on next renewal seamlessly.

In respect of premium figures to be provided there are many factors to be considered by the broker, insurers and software houses when collating/preparing/providing the information to the customer. Such factors include when an insurer changes their rating (EDI) this information will have to be stored by the broker for 12 months so that a proper comparison can be made. This will involve more system changes, by both software houses, brokers and insurers.

Also, as stated under Question 3, in respect of MTAs and providing an annualised premium figure at renewal which accounts for an adjustment, this will be an onerous task as more system changes will have to be taken into account, which will have to include rate changes, if any, that may have been implemented since the effective date of the MTA. Again, the cost factor will also have to be considered as this will be cascaded down to the consumer.

Conclusion

Brokers Ireland believe that consumers are adequately informed and protected under the consumer Protection Code, and other Central Bank requirements and regulations. Any additional disclosures/documents are excessive and will lead to information overload. The intended aim of greater transparency for consumers will only result in greater confusion for consumers for which they will not be thankful.

It should also be remembered that the system changes that will have to be implemented will involve a cost, which will ultimately be paid by the consumer. As we will all agree, this is not in the best interest of the consumer. Again, they will not be thankful.

In the interests of Consumer Protection, Brokers Ireland believe that the current Consumer Protection Code imposes onerous obligations on the insurance market. Combined with the imposition of the Minimum Competency Code, only implemented this year, Continuous Professional Development, a statutory obligation on intermediaries to hold professional indemnity insurance, and other requirements such as those included in the Statutory Instrument 229 of 2018, the regulator and Department of Finance have achieved a remarkable degree of effective consumer protection. The suggested proposals would not effectively add to this. Rather they would complicate the renewal process, add confusion and not achieve what they set out to achieve.