



Second Central Bank of Ireland Consultation Paper (CP124) 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 1-5 contained in Consultation Paper CP124:

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?

Please outline the reasons for your view.

As outlined in the Department of Finance's submission to CP114, the Department believes that it is appropriate and justified to legislate to include the premium paid by the policyholder for motor insurance 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 e-mail, 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, 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.

From previous discussions with the insurance industry, the Department understands that a number of insurers believe that this proposal could be complex and difficult to implement, specifically indicating that there may be issues with regard to IT systems and the difficulty in adapting them to automatically include this information. The Department does not believe these issues are insurmountable and are satisfied that they have been considered in the context of a similar measure 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 under 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 1, the Department agrees to the inclusion of the previous year's premium in future renewal notices.

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?

Please outline the reasons for your view.

S.I. No. 74 covers a number of non-life insurance classes, in addition to motor 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. Therefore, it is requesting that the Central Bank also investigate the practicality of including other forms of non-life insurance within the scope of the proposed amendment to the Regulations to stipulate that the premium paid the previous year must be provided in respect of other classes of insurance, such as home insurance.

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?

Please outline the reasons for your view.

The Department is of the view that insurers should provide a policyholder with an annualised premium on renewal, as set out in Option 2.

Calculating an annualised overall premium figure according to the extent and duration of any mid-term adjustments offers the consumer a clearer and more accurate comparison vis-à-vis the new premium figure at renewal, rather than providing separate component figures of the premium at inception and the mid-term adjustment(s).

Also, a precedent has already been set for the annualised premium option in the UK, as per the Insurance (Information Disclosure for Renewals) Instrument 2016 (FCA 2016/50).

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?

Please outline the reasons for your view.

The Department of Finance is not aware of any other appropriate method in this instance other than those outlined in Options 1 & 2 above and therefore ultimately it is a question for the insurance industry to answer.

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?

Please outline the reasons for your view.

While again this is a question primarily for the insurance industry to answer, the Department of Finance wishes to state that ideally any necessary system changes in respect of this recommended measure will be made in parallel with other necessary system changes required to implement other changes to S.I. No. 74 of 2007, arising out of recommendations from the *Report on the Cost of Motor Insurance*, including, for example, the increase in the renewal notification period.

Insurance Policy Section

Department of Finance

14th September 2018