



**Insurance Ireland Response to the Second Consultation on
Amendments to the Non-Life Insurance (Provision of Information)
(Renewal of Policy of Insurance) Regulations 2007
Consultation Paper CP124**

14th September 2018

Introduction

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.

Insurance Ireland welcomes the opportunity to respond to this Consultation, CP124. We note the CBI's summary of the feedback received to CP114 and are pleased to submit our views on the additional proposal, which is the subject of CP124.

We would suggest that the proposals in CP114 and CP124 to amend Section 6 of the Principal Regulations, S.I. No 74 of 2007, should apply to private motor only. The questions in CP114 related to motor consumers and the UK legislation from which CP124 takes inspiration applies to consumers only.

There is already a definition of "private motor insurance" in the Principal Regulations and we would suggest that the proposed new Sections 6(1)(d) and (e) of the 2018 Regulations should echo the wording of Section 6(1)(a) of S.I. No 74 of 2007, which includes the words "where the policy includes private motor insurance".

Commercial motor policies (e.g. goods vehicles, motor fleet and motor trade) are designed in a different way to cater for the needs of commercial policyholders and the fact that their vehicles and drivers are constantly changing. Confining the above-mentioned CP114 and CP124 proposals to private motor would address the issues for consumers and avoid the complications involved in trying to implement these measures in commercial motor and other classes of non-life insurance.

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.

Insurance Ireland agrees with the principle that consumers should receive clear and concise information at renewal. We would suggest that this proposal should apply to private motor only for the reasons outlined in our introduction. Smooth implementation of this measure is key and including commercial motor within scope risks greatly complicating the exercise. Major IT projects will be required at insurers, brokers and broker software houses to address the practical challenges associated with the necessary changes. The associated costs will ultimately be borne by consumers.

Private motor insurance is defined in the Principal Regulations, S.I. No 74 of 2007, as “a policy of motor insurance taken out by an individual alone or with another person, outside of that individual’s business, trade or profession”

We would suggest that the proposed amendments to Section 6 of the Principal Regulations should apply to private motor only, e.g. the proposed Section6(1)(d) should echo the wording of Section 6(1)(a) of S.I. No 74 of 2007 by including the words “includes private motor insurance and”.

The proposed Section 6(1)(d) would therefore read

“the total premium in respect of each of the policy options referred to in paragraph (1)(c) where that policy type includes private motor insurance and is offered by the insurer”

Similarly, we would suggest that the new Section6(1)(e) as proposed by CP124 for Option 2 should read as follows

“(e) in a way that is consistent with the presentation of (d) where that policy type includes private motor insurance:

- (i) Except where (ii) applies, the premium for the policy which the firm proposes to renew, as set out at the inception of the policy;
- (ii) Where one or more mid-term adjustments were made to the policy which the insurer proposes to renew, an amount calculated by annualising (or otherwise adjusting as appropriate to the duration of the proposed policy) the premium in effect following the most recent mid-term adjustment, excluding all fees or charges associated with those mid-term adjustments”

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.

We would suggest that this proposal is introduced for private motor only. One could then after a period of time assess the benefit or otherwise of this measure via some customer engagement. Based on this feedback, one could make a decision in relation to other non-life classes.

The size, scale and cost of implementing this change across other classes of non-life insurance would be an enormous challenge. If the change was introduced for private motor first lessons would be learnt during the implementation programme, which could then feed into other classes if it were decided to broaden the scope of the change.

We do not believe this proposal is appropriate for commercial motor or other non-life classes and note that the UK rules in this area apply to consumers only.

We would also say that this proposal is not appropriate for health insurance policies where the considerations are different to other classes of non-life business, e.g. is the premium for the policy overall or for all lives? What happens if a child becomes an adult during the policy year – how is that comparable? In health insurance premiums are different for children and adults. There are also complex considerations relating to corporate health insurance plans.

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 in 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.

Our preference is for Option 2, i.e.

“...where one or more mid-term adjustments were made to the policy which the insurer proposes to renew, an amount calculated by annualising (or otherwise adjusting as appropriate to the duration of the proposed policy) the premium in effect following the most recent mid-term adjustment, excluding all fees or charges associated with those mid-term adjustments”.

We believe Option 2 is more easily understandable for customers rather than the Option 1 alternative of providing two figures, i.e. the inception premium plus the amount of any mid-term adjustments. Adding these two figures together would not give a correct comparison of what the consumer would have paid last year.

Confining the proposal to private motor would avoid the complications associated with trying to implement the measure in commercial motor or indeed other classes of non-life insurance.

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.

No, we believe Option 2 is the best solution.

Question 5:

What do you consider to be an appropriate lead-in time for any necessary system in order to provide last year's premium? Please outline the reasons for your view.

The necessary changes are complex and would require a considerable amount of testing. We consider a 3 year lead in time to be appropriate for this CP124 proposal assuming it applies to private motor only. This lead in time is required, given the number of products, distribution channels, Electronic Data Interchange(EDI) and other third party dependencies. In addition, insurers are simultaneously engaged in other IT projects required by the Cost of Insurance Working Group such as the National Claims Information Database and Motor Third Party Liability Database.

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