



## INTRODUCTION

AXA is one of the largest insurance companies operating in the Irish market and the market leader in the motor insurance market, employing over 1,000 people. The company is committed to the highest standards of customer care.

AXA has been concerned over recent years that there has been growing public controversy about the pricing models used by insurance companies operating here particularly in respect of private car and home insurance.

The recent review by the Central Bank of Ireland of Differential Pricing in the Private Car and Home Insurance Markets is a valuable contribution to this debate. AXA welcomes the publication of the CBI report on this matter, and we welcome the opportunity now to contribute to the public consultation process being conducted by the CBI ahead of the introduction of new regulations in this area in 2022.

## PRICE REMEDY

- 1. Do you agree that banning price walking from subsequent renewal is the appropriate solution for the Irish market and its consumers? Please outline the reasons for your view.**

The proposals put forward by the CBI do not represent significant changes to AXA's current pricing practises in these markets.

However, we recognise that elements of the current pricing models in the Irish private car and home insurance markets have become controversial and therefore need to be addressed in order that consumer confidence in the market can be increased.

The CBI report itself acknowledges that elements of current pricing models do have some benefits for consumers and increased competition.

- 2. We believe there is a basis for banning price walking in the motor and home insurance markets for personal consumers. Do you agree the products in scope of the proposed ban are appropriate? Please outline the reasons for your view.**

We have no issue with the focus on private car and home insurance as per the report by the CBI.

- 3. What do you see as the positive implications, for consumers and the market, if the proposed intervention were introduced?**

AXA hopes that these measures will help restore consumer confidence in the market while also encouraging competition amongst insurers, by facilitating pricing-based competition and provide attractive quotes for customers

- 4. What do you see as the negative implications, for consumers and the market, if the proposed intervention were introduced?**

The measures outlined will no doubt change the competitive complexion of the sector; it is premature to be certain how and to what extent.

Additionally, from an industry perspective, it is unclear how these proposals will influence the future design of product offerings.



**5. Do you have any views on what, if any, unintended consequence, may arise in prohibiting price walking? Please outline the reasons for your view.**

In the short term it is unclear as to the exact impact on premiums, as there will be a period of normalisation of rates, which in turn could impact consumer buying behaviour and possibly lead to inertia. The longer-term impact on the composition and pricing of product portfolios will only emerge over time but may impact on how new customer discounts are determined and perceived by the industry and by consumers.

Customer queries and complaints in the short-term are likely to increase as the market unwinds historic positions or alters premium structures.

Customers who are currently protected by year-on-year premium caps (smoothing out increases for new rating structures, rating factors, or updated rates for claims trends over a period of time) will no longer be protected as this creates an implicit price walk.

**6. Do you have any views on what, if any, unintended consequence, may arise if both dual pricing and price walking were prohibited? Please outline the reasons for your view.**

Prohibiting dual pricing may impact on price-based competition. Ultimately this may discourage new entrants or limit existing players growing portfolios and producing economies of scale, both of which lead to lower consumer prices. We need to preserve the ability of existing and new companies to compete for business.

**7. Do you foresee any practical difficulties arising as a result of prohibiting price walking? Please set out those practical difficulties in detail.**

The changes are likely to require amendments to customer documentation and other operational and system changes to implement, so it is important that sufficient lead in time is allowed for, in order that all insurers can make the necessary preparations.

Companies may not have equivalent data for year one renewals or historic policies leading to default values being required for rating. This may lead to inaccuracies compared to the price the customer would genuinely receive as a duration one customer.

**8. Do you foresee any practical difficulties arising if both dual pricing and price walking were prohibited? Please set out those practical difficulties in detail.**

See response to Question 7 above.

**9. Do you have any alternative proposal(s) that would address the concerns arising from differential pricing practices in the Irish private car and home insurance markets?**

We are happy to work with the new proposals as set out by the CBI.



**10. Do you see dual pricing and/or price walking practices as posing a reputational risk to the insurance industry? Please outline the reasons for your view**

AXA has acknowledged the need to increase consumer confidence in the sector generally. We acknowledge that price walking has been a source of controversy and negative commentary. However, we don't believe that the ability to offer new business discounts – which is a well-established practice in many industries – is comparable. Ultimately the removal of price walking, requiring all companies to operate to the same standards, will improve confidence levels amongst consumer without jeopardising competition.

**ANNUAL REVIEW AND RECORD KEEPING**

**1. Do you agree with the proposed requirement on insurance providers to carry out an annual review of their pricing policies and practices? Please outline the reasons for your view.**

AXA already conducts an annual review of pricing policies and practices, and we believe that it provides good governance, helping ensure product offerings remain relevant and competitive.

**2. Do you agree with the focus of the review? In particular, do you see any gaps in the proposed content of the review? Please explain your answer.**

The focus of the review is comprehensive and pragmatic.

**3. Do you agree with the proposal that, prior to implementing a material decision, insurance providers will be required to retain a record of their consideration of the extent to which that decision is consistent with the new rules? Please outline the reasons for your view.**

This is in line with current practice at AXA. Retaining records to monitor activity and refine processes and procedures is a fundamental pillar of strong governance. Balancing it with efficiency and pragmatism will be the challenge that individual organisations will need to address. A consistent application of the overarching rules will be critical.

**4. Do you foresee any practical difficulties arising as a result of the proposed measures? Please explain your answer.**

These changes (Annual Review and Record Keeping) reflect existing AXA policies, so we do not anticipate any particular difficulties.

**5. Do you have any views on what, if any, unintended consequences, may arise from the introduction of the proposed measures? Please explain your answer.**

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## AUTO RENEWAL

- 1. Do you agree that an insurance provider may not renew an insurance policy automatically unless a personal consumer has provided his or her written consent prior to first entering into the automatic renewal arrangement? Please outline the reasons for your view.**

We believe greater clarity is required around the term “written consent”. It is important that any requirement recognises the realities of the customer journey (in particular the use of technology to help make ‘time hungry’ consumers life more efficient) in today’s world. A huge proportion of business is now conducted by phone or online and a requirement for “written consent” as traditionally understood may simply not be practical for the majority of customers and may leave customers without cover if payment on inception is required.

We request the CBI to consider that consent could be given over the phone and the customer could then ‘opt out’ if they so wish once documentation is received after the phone sales process.

In addition, the draft Regulation 10 seeks to limit consent to automatic renewals at inception which would prevent a customer (during the policy year) opting to switch to a direct debit automatic renewal.

Finally, we are concerned that an ‘opt-in’ basis could lead to more consumers becoming inadvertently uninsured and some vulnerable customers would lose the benefit of the automatic protection provided by automatic renewal.

- 2. Do you agree with the information to be provided to the personal consumer prior to the automatic renewal of an insurance policy? Please outline the reasons for your view. Are there any further details that should be included? If yes, please explain your answer. Are there details that should not be included? If yes, please explain your answer.**

Agree.

- 3. Do you agree with the proposed requirements relating to the cancellation of an automatic renewal arrangement? Please outline the reasons for your view.**

The proposals set out in 5.3.2 refers to the right to cancel which is clear, fair, and appropriate.

- 4. Do you agree that these proposals should apply to the automatic renewal of all personal non-life insurance products? Please outline the reasons for your view.**

In line with the scope of the CBI review we assume that this is confined to private car and home insurance.

- 5. Do you foresee any practical difficulties with the implementation of the proposed requirements on automatic renewal? Please set out those practical difficulties in detail.**

We are concerned that there may be certain groups of consumers who could have a difficulty in taking advantage of the process. We suggest that this is assessed in the proposed examination of vulnerable



customers referred to in Section 5.5.2.

**6. Do you have any views on what, if any, unintended consequences, may arise from the introduction of the proposed measures? Please explain your answer.**

We believe that they are fair and appropriate.

**Conclusion**

Consumer confidence is vital to the private car and home insurance market in Ireland. AXA supports the efforts of the CBI to ensure that this confidence is encouraged and that all industry players are required to operate fair, ethical and reasonable pricing models.

We welcome the opportunity to participate in this current review exercise. Equally importantly we look forward to further consultation with the CBI in respect of the issue of pricing-based complaints and the position of vulnerable customers which is a key concern.