



RESPONSE FROM BLUE INSURANCE LIMITED ("BLUE") TO CENTRAL BANK OF IRELAND ("CBI") PUBLIC CONSULTATION

Blue writes to provide its views on the proposals set out in the Differential Pricing Review in the Private Car and Home Insurance Markets document published by the CBI in July 2021. Blue has only commented on section 6.3 relating to automatic 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.

No, Blue does not agree that a policy may only be renewed if a consumer has provided written consent prior to first entering into the automatic renewal arrangement, for the following reasons:

- i) There is no definition provided of what is meant by written consent. If it means that a consumer must sign a piece of paper this is not practical in the context of website and telesales. If the intention is to refer to consent (similar to the General Data Protection Regulation standard) then the word "written" is redundant. The CBI may have intended to mean that consent for auto-renewal be recorded in a durable medium so that the insurance provider will send the consumer this information around the time of inception (in the case of new business) or prior to renewal (in the renewal invitation) for the consumer's records. If that is the case, it should be made clearer as the current wording is unworkable for both consumers and insurance providers.
- ii) Blue does not agree that this proposal is a positive development for consumers generally and believes the harm it will cause consumers of certain products (e.g. travel, pet, gadget, etc.) far outweighs any potential benefits. These products are not subject to the differential pricing practices that have historically taken place in other lines of business. Pet insurance is comparable in many ways to life insurance, the consequences of not auto renewing can be devastating for the policyholder and pet involved, as explained in more detail below. In terms of travel insurance, a consumer could find themselves abroad already when their annual travel insurance expires and will typically not be able to secure a new policy because their trip has already started or may have set out on their trip believing they had travel insurance and find themselves unexpectedly without cover when suffering an accident or illness abroad. Consumers will not appreciate these serious and potentially life-changing consequences, particularly vulnerable consumers, when making the decision as to whether to consent to auto-renew or not.
- iii) A better solution is to offer a range of accessible and easy options for consumers who want to cancel auto-renewal on their contract, as well as being transparent about the auto-renewal of the policy both at point of sale and at time of renewal. This approach will result in increased awareness for consumers about the auto-renewal of their contracts, any perceived barriers to exit being reduced and mitigate the risk of consumers becoming uninsured.
- iv) The practice of auto-renewing and subscriptions are more commonplace now, so that for some products it is expected by consumers that automatic renewal will be the default and they will not understand or expect to have to opt in to do so. For example, if a customer buys a new gadget and arranges a gadget insurance policy at the same time, they would expect that policy to renew automatically either monthly or annually, they will not understand why the policy will by default "cancel itself" after the first year. For low premium insurance products, there is significant value for customers when viewing balance of convenience and ensuring continuation of cover.
- v) Automatic renewal has existed within Blue since 2009 for certain products. Blue receives a lot of positive feedback from customers regarding the automatic renewal process and strongly believes it would be the wrong approach to add additional steps for the customer to avail of auto-renewal which are likely to be missed leaving them uninsured.

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.

- a) Are there any further details that should be included? If yes, please explain your answer.
- b) Are there details that should not be included? If yes, please explain your answer.

Yes, Blue agrees.

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

Yes, Blue agrees.

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.

No, Blue does not agree that it should apply to all personal non-life insurance products.

In respect of travel and gadget insurance, the nature of these products is that they are very low cost with most customers not seeing annual price increases. There is no difference in the rating criteria between new and renewal customers for these low cost, uncomplex products so restricting automatic renewal is not justified and will only inconvenience customers and potentially put them under very significant financial risk. In terms of travel, the benefits to the consumer are not confined to potential events during the period of travel, such as lost baggage or

medical expenses, but apply from the point of purchase. If circumstances change in the intervening period, for example if the geopolitical situation becomes unstable or a natural disaster occurs at the destination, or the consumer sustains an injury and is unable to travel, he or she would be covered. By auto renewing their policy, the customer would also have continuation of cover for any trips purchased when their previous policy was in force. This would mean that they would not be penalised for any pre-existing medical conditions that they were diagnosed with after they booked their trip. If the policy lapsed in cover, the customer would have to declare these conditions and may be charged an additional premium or be declined cover. This is not something that a consumer can be expected to fully appreciate when making a decision as to whether to opt in to auto-renewal.

Furthermore, non-insurance carries greater risks with respect to travel than many other types of insurance products because its coverage extends across a wide range of risks and jurisdictions and the potential claim, for example as a result of a medical event, can be a significant multiple of the value of the primary product purchased and have devastating financial consequences for consumers. In addition, non-insurance in the context of travel (which will no doubt increase if consent for auto renewal is imposed) has implications for Ireland's consular services overseas who will see increased workloads if more travellers are uninsured.

Pet insurance, should be considered in more detail for this proposal due to the nature of pet insurance, which in many ways operates like health insurance. Failure to renew a policy without a break in cover or switching providers at renewal can unintentionally leave policyholders without on-going cover for their pet's health conditions and potentially even unable them to take out a new policy due to their pet's age.

Most pet insurances do not include cover for any accidents or illnesses that before, or at point of inception, the pet has showed/is showing symptoms of or has suffered/is suffering from. Rather pet insurance offers cover for accidents and injuries that occur, develop or begin showing symptoms of after the point of inception and any waiting periods. And although it is an annually renewable policy, many of the most popular types of pet insurance cover offer on-going cover for these accepted accidents and illnesses as long as the policyholder chooses to renew their policy each policy year without any breaks in cover.

There are also maximum acceptance ages for taking out a new pet insurance policy which is typically between 6 to 8 years old. However, once a policy is taken out, providers will continue to offer renewal each year, no matter the pet's age.

For these reasons auto-renewal provides a valuable service to policyholders of pet insurance by helping to ensure policyholders are not unintentionally left without cover and unable to claim for ongoing treatment their pet receives after the expiry of the policy or unable to take out a new policy due to the age of their pet.

The Financial Conduct Authority recently considered auto-renewal within general insurance in the United Kingdom and excluded pet insurance entirely from its new regime, concluding in Policy Statement 21/5:

We recognise that there are potentially serious consequences if consumers don't renew these types of cover. Such policies cannot always be reinstated on the same terms, which could mean consumers lose cover for pre-existing conditions.

...

Considering these factors, we will not apply our auto-renewal rules to private health, medical insurance, or pet insurance, at this time.

The CBI is obviously not bound by the decision of any other regulator but we believe the conclusions reached in this regard by the FCA should be persuasive.

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.

As explained above, the requirement for "written consent" will pose grave practical difficulties for both consumers and insurance providers as it does not support web/tele sales.

It is also not clear from the proposal whether it will apply to new customers and renewal customers from a certain date or whether it will apply to new customers only. Providers have existing arrangements with previous customers that will potentially change for no apparent reason as far as the customer is concerned and this will be problematic.

This proposal will also require a change of mindset from consumers who will be used to their insurance products auto-renewing for many years and who will expect and will be surprised that they will need to take action for that to happen automatically in future. Products with low premiums such as gadget or travel insurance are so commoditised that customer behaviour in relation to them is often more akin to a subscription service. They cannot be compared to home and motor products where premiums can vary substantially from year to year and premiums tend to be high. The price of these low premium products does not vary between new and renewal customers within the same risk pool.

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.

As already explained above we anticipate the following consequences if these measures are introduced for all general insurance products:

- i) Consumers becoming unintentionally uninsured with dramatic irreversible consequences much more likely than in the home and motor space, e.g. in the context of pet insurance, the simple fact of non-renewal could more often than not create those consequences, there is no other external event (e.g. fire or accident) required in addition to the non-renewal for those consequences to be triggered. This will not be obvious to a consumer when making a decision as to whether to consent to automatic renewal. It is far preferable to have people "opted in" and allow them to opt out easily.
- ii) The proposed measures will lead to increased costs for insurance providers that will ultimately be passed on to consumers. If there was a significant gain it would make sense to proceed but in the case of low premium products and pet insurance the benefits do not outweigh the risks and negative consequences.