Brokers Ireland Submission to the CBI Public Consultation on Differential Pricing

October 2021

Brokers Ireland
87 Merrion Square, Dublin 2, D02 DR40.
t: 01 661 3067
e: info@brokersireland.ie
www.brokersireland.ie

Introduction

Brokers Ireland is Ireland's representative body for Insurance Brokers and Financial Brokers, with a combined strength of over 1,225 firms. Of Brokers Ireland's members, around 351 are either Insurance Brokers selling general insurance, including public liability insurance, or "composite Brokers", selling both general insurance and life and pensions products. Brokers Ireland believes we represent substantially all the Insurance Brokers and composite Brokers in Ireland. As the premier voice for Insurance Brokers and Financial Brokers, we advise members, regulators, government and other insurance industry stakeholders on key insurance issues, in order to raise and maintain industry standards. Brokers Ireland's mission is to promote, support and protect our members, both collectively and individually, in the areas of education, compliance, lobbying and business development, so that members are best positioned to offer expert, professional advice and services to their clients. We underpin this support by providing a forum for dialogue and debate, both within Brokers Ireland and with industry stakeholders.

Intermediaries are the dominant distribution channel for general insurance products in Ireland. According to the CBI's Interim Report on differential pricing in the private car and home insurance markets, 49% of private car polices and 62% of home insurance polices are distributed via Insurance Brokers. In commercial insurances, the Insurance Broker channel is even more dominant. In its recent Market Report on the public liability market, the CCPC found that 72% of respondents confirmed having used an Insurance Broker to obtain insurance.

Home Insurance and Motor Insurance Pricing; Setting subsequent renewal prices; Closed books; Insurance intermediaries' involvement in setting price; Responsibility of insurance undertaking or insurance intermediary where more than one insurance undertaking or insurance intermediary is involved in setting the subsequent renewal price; Related additional products or services; Assurance over personal consumer outcomes.

Consultation Questions	Brokers Ireland Consultation Responses
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.	**Brokers Ireland is not satisfied that banning price walking from subsequent renewal is the appropriate solution for the Irish market. Brokers Ireland supports the introduction of the Insurance (Restriction on Differential Pricing and Profiling) Bill 2021, which if passed into law would prevent the use of unjustified differential pricing by insurance providers when they are calculating premiums.** **The question of whether banning price walking from subsequent renewal is the appropriate solution for the Irish market and its consumers ought to have been comprehensively answered by the CBI in its Final Report. It is not clear why the CBI considers banning price walking from**

	subsequent renewal to be an adequate means of addressing the consumer harm caused by price walking, as against prohibiting all unjustified price differentials. The CBI has said of its proposed approach, "*This approach would allow insurance providers to continue to provide discounts for new business customers and ensure that personal consumers retain the opportunity to get a better-price premium through switching insurance provider while removing the loyalty penalty for those consumers who do not switch insurance provider regularly*". It has also stated, "*On balance, to allow consumers who are more price sensitive the opportunity to shop around for new business discounts (and negotiate discounts) but equally to ensure that those customers who are loyal to an insurance company are not impacted by the worst effects of price walking, the CBI proposes to ban price walking from the date of subsequent renewal*" **The FCA in its detailed investigation into dual pricing (pricing differentials between new business and renewal business) in the UK private car and home markets, was unequivocal in finding that this practice harmed more consumers than it helped, hence its decision to ban price walking entirely. The FCA considered that all consumers of personal lines insurance were entitled to fair value and that consumers ought not to have to shop around in order to receive fair value. It identified shopping around as a clear cost to the consumer, in terms of time and effort and demonstrated awareness that some consumers are better able to shop around than others, and more aware of the need to shop around. It is not clear whether the CBI considered evidence addressing such matters when arriving at its conclusions.** **It is not clear from reading the CBI Reports whether the CBI itself considered banning price walking outright as the FCA has done, instead of from subsequent renewal, or whether it considered banning other forms of unjustified**

	pricing differentials, based on the level of consumer harm caused. In the Technical Annex to the Final Report, it is notable that the CBI stated that private car policies sold directly by insurers to consumers online or through a branch, on average are associated with an APTP ratio that was approximately 6% higher than telesales. For home insurance sold directly by insurers to consumers, policies sold online or through a branch pay an APTP ratio that is 9% higher than telesales. This suggests that other forms of unjustified pricing differentials, based on factors such as distribution channel, may be prevalent in the Irish market. **If they did not, the CBI ought to have carried out all the research necessary to enable it to decide whether more extensive measures would have benefited more consumers and to assess the impact on the market. It is not apparent from the CBI Reports that this was done. Brokers Ireland does not believe that consumers should have to switch insurance provider regularly in order to avoid being penalised. We consider that the CBI, as protector of consumers, ought to share this view.**

General Feedback
Aside from the above issues, Brokers Ireland has queries regarding the draft wording of the proposed changes to the CPC: ✓ Exactly what is meant by “subsequent renewal” and “equivalent first premium”? What is the significance of the word “equivalent” in this context? What is equivalent first renewal price? Equivalency may be difficult to determine- for example, a car will be older, there are so many permutations of risk profile in a calendar year, it may be difficult to evidence an equivalent risk. Insurers may have more information in relation to some consumers (new) than older. How should this be addressed? Is guidance to be provided? Also, underwriters may have experienced losses in the previous year and might need to correct pricing as a result. ✓ Is premium finance included in the “equivalent new business price”? It is possible that some firms would charge a consumer using premium finance a despite when new business but not on renewal. ✓ Of what is the “price” comprised? Does this include distribution costs?

- ✓ What happens if there are general rate increases in the market?
- ✓ What happens if the consumer has availed of an opportunity to pay the premium in instalments for a variable percentage of the total insurer- side cost, using the insurer's direct debit service, or has availed of the Insurance Broker's direct debit service to pay the premium in instalments for a variable percentage of the total insurer and Insurance Broker side cost. If this were the case in year one, how would subsequent renewal price be impacted if in future years the consumer did not avail of such facilities?
- ✓ Is it the case, as with the UK rules recently introduced, that an insurance company will still be able to adjust rates for reasons related to risk, so that if there were to be a new, adverse risk factor, then the premium would increase? What would happen if a consumer were to lose their no claims bonus and the insurance became more expensive as a result? What would happen if a consumer were to change their cover from comprehensive to third party, fire and theft? Can the CBI please provide clarity as to how its proposed CPC changes would operate in such cases?
- ✓ What is a "renewal" in the context of the proposed rules and when is a renewal not a renewal? For example:
    - Any policy number falling due for renewal?
    - Any policy number falling due for renewal with no alterations in the previous 12 months which may the contract – thus it is strictly not a renewal?
    - Any policy number with no alterations in the previous 12 months and renewal being offered by a broker with the same insurer?
    - Any policy number with no alterations in the previous 12 months and renewal being offered by a broker with an alternative insurer?
    - If a policy has alterations within the past 12 months, the next renewal is a new contract.
    - Any policy being retained with same insurer but reissued under an alternative policy or product type?
    - A renewal with an Insurance Broker and new business to the insurer?
    - For direct insurers – is the renewal belonging to the direct arm or the insurer? In other words, if the distribution channel changes is it renewal or new business?
    - A change of business or use significantly altering the contract and perhaps the insurer appetite – is this a renewal?
- ➢ What is meant by a "close matched product"?
- ➢ What would constitute a "closed book"?
- ➢ What would constitute a "group" in the context of the draft CPC proposals? What does this mean for agency terms? An Insurance Broker might not have an agency for the product of another entity in a group. All parties in a group might not have the same agencies.
- ➢ Regarding the following, "Where a close matched product is identified or selected, the equivalent first renewal price for a personal consumer in the relevant book shall be the equivalent first renewal price the insurance undertaking or insurance intermediary would offer for the close matched product, subject to any permitted adjustments set out in subparagraph

- (b)", it was suggested to Brokers Ireland that if one were trying to set a fair price here, the last renewal price may be fairer. If the client has been a client for 10 or more years, the "first renewal" could be nine years ago. First renewal price is confusing. Brokers will shop the market for the closest product and nearest T&C's and cannot dictate the pricing of the nearest competitor as it is a free market.

- Regarding the following, *"(b) falls outside the insurance undertaking's or insurance intermediary's or its group's underwriting policies, the insurance undertaking or insurance intermediary shall set the subsequent renewal price in accordance with Regulation 8.",* it has been suggested to Brokers Ireland that an Insurance Broker cannot control this and how can an insurance undertaking have perfect knowledge of what else is out there and match the new price? What is behind this idea?

- Regarding the following, *"5. Where more than one insurance undertaking or insurance intermediary is jointly responsible for setting the subsequent renewal price, each insurance undertaking or insurance intermediary shall take reasonable steps to assure itself that the subsequent renewal price is set in accordance with Regulations 1 to 9",* it has been suggested that this is unworkable and not appropriate. How can each assure itself the other has done this? But anyway, the insurer sets their price and how has the Broker any involvement? In the UK, having considered feedback, the FCA decided not to introduce a requirement for each firm in the distribution chain to take steps to ensure that other firms comply with the rules. The FCA confirmed that the pricing remedy requires firms to be responsible only for the portion of the premium they set and confirm that if they find out that another firm is breaching the rules it will be reported.

Timeframe for Implementation

Sufficient time must be allowed to ensure that Retail Intermediaries and also insurers are allowed update any processes and procedures that apply to them. Processes require time to prepare and change. The burden of compliance with existing regulation is already significant.

Inadequate time for implementation may lead to poor, ineffective implementation and increase the likelihood of mistakes. It is possible that some firms will exit the market for good or for a period or freeze new business if the implementation is precipitate.

The suggested implementation period is too short. The CBI has suggested measures to be finalised "early next year," with insurance providers expected to comply from 1 July 2022. At an absolute maximum, the suggested implementation period would only be six months. A project of this scale would be estimated at 12 months. The changes as proposed will require design, build, test and implementation and consist of the following:

- Overhaul of pricing modelling and decision engines across products
- Back-end IT changes for pricing and auto renewal preferences
- Front end website/Policy Management system changes – e.g., auto renewal preferences
- Data development and development of MI reporting suites across products

- Business process changes and training
- Interpretation of the rules – alignment and readiness of a panel of numerous insurers.

If the implementation period is not sufficient safely to deliver the above, this would introduce risks to consumer outcomes.

We urge the CBI to increase the implementation period to 12 months following the publication of the final measures to enable firms to have time to make the required changes. The FCA in the UK decided to allow additional time for introduction of the auto renewal disclosure and the pricing rules introduced.

We have engaged with the software houses that build and maintain the software used to trade personal lines products. They will need to know how rollover consent needs to be captured (written or electronically?) and that this will inform the time required to implement these changes, along with other pertinent details.

Typically, the software houses have a monthly release of updates that is rolled out to system users, and it will go into production on a particular day of the month, such that the cycle for the specification, build, test and roll-out may take place over a period of months, but this assumes the build is not significant and will be completed in one “sprint”. If not, a longer period of time will definitely be needed.

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**The CBI Review of Differential Pricing covered home insurance and private car insurance. The proposed changes to the CPC contained in the consultation document reference motor insurance and home insurance. Is it intended for the proposed changes to the CPC to cover motor insurance other than private car-for example, van insurance? Van insurance may be purchased by non-consumers.** **Some consumers do not reside in a typical dwelling-house or apartment. For example, a mobile home, a barge, or a caravan, may also be home to consumers. Is it intended that the ban on price walking in home insurance will relate to the place occupied by the consumer as a home, or only to the policy type? Will the proposals apply to a farm insurance policy, which is a commercial policy, but which may cover a home where consumers reside? Home insurance can include Air BnB properties or similar, unoccupied properties insurance, landlord properties etc. These policies may be in the name of an**

	individual person. An idea of the scope of what the CBI considers to be home insurance is critical.

General Feedback
➢ Can the CBI please clarify whether the proposed measures will have application to the following entities: i. A sole trader, partnership, trust club or charity (not being a body corporate), with an annual turnover in its previous financial year (within the meaning of section 288 of the Act of 2014) of €3 million or less, or ii. An incorporated body that had an annual turnover in its previous financial year (within the meaning of section 288 of the Act of 2014) of €3 million or less, or iii. Commercial customers who fall outside (i) and (). ➢ Can the CBI please clarify what additional services and products it intends to be within the scope of its proposals? Will premium finance be covered? Breakdown cover? ➢ Will the rules apply to stand-alone additional services or products, or just those bundled with the motor insurance or home insurance? ➢ Can the CBI please clarify whether an intermediary would be permitted to forgo commission to reduce the cost to a client and if so, in what circumstances? ➢ Can the CBI please clarify the position regarding incentives that may be offered to clients by Insurers or Insurance Brokers, for example: o A voucher for those who choose to renew? o One month's free premium o Cashback o Carbon offsetting o A loyalty programme designed to reward with vouchers those clients that may have multiple policies with an Insurance Broker o A percentage discount offered to those who pay online? ➢ What is the rationale for a discount being allowable if *agreed following negotiations at the initiative of the personal consumer*? Can the CBI please explain why only such discounts are proposed to be allowed? Does this mean that an insurer or intermediary may not initiate negotiations to benefit a consumer? Please explain.

Consultation Questions	**Brokers Ireland Consultation Responses**
What do you see as the positive implications, for consumers and the market, if the proposed intervention were introduced**?**	**Fewer consumers being impacted by price walking would be a positive outcome for those consumers. Loyal customers of insurance companies should not be penalised and an end to this practice for some consumers is to be welcomed. Brokers Ireland believes that insurance ought not to be sold primarily based on price and that the cover offered and service provided, particularly in the event of a claim being made, should be key considerations for all consumers. It is possible that these draft measures may see a move away from insurance being sold purely on price, which would be a welcome development. It is possible that these measures could result in increases in new business premiums, as insurers move to take account of their inability to change prices over the lifetime of the policy, which could result in fewer reasons / opportunities for those customers who do decide to shop around. The measures could also cause increases in the first renewal premium, again due to insurers deciding to build in margin to take account of potential deterioration in performance of a class of business in the future – e.g., increase in claims costs, or the expected positive impact of legal reforms not coming through. If some insurers believe that they are not able to change future pricing to reflect deterioration in performance at an account level, it is possible that they may decide to restrict their engagement in the market or even withdraw, which would be a negative impact on competition and on consumers. Brokers Ireland considers that the impact of the proposals on consumers and the market ought to be closely monitored from the outset, reviewed and reported on six months after implementation and thereafter annually by the CBI to ensure that overall, the outcomes are positive.**

Consultation Questions	**Brokers Ireland Consultation Responses**

Do you have any views on what, if any, unintended consequence, may arise in prohibiting price walking? Please outline the reasons for your view.	**Brokers Ireland considers that as drafted, the proposed changes to the CPC as outlined may have unintended consequences for Retail Intermediaries in particular, in bringing them within the scope of the provisions. Brokers Ireland is happy to assist the CBI to ensure that such unintended consequences are avoided.** **In its Interim Report, the CBI stated as regards policies purchased by consumers via the intermediary channel, *"The insurer sets the premium with the insurance intermediary setting the price that customers pay".* We do not believe this statement to be entirely correct.** **Retail Intermediaries (Insurance Brokers) dealing directly with members of the public, do not set premiums, nor to they set the rate of commission. A managing general agent (MGA) is a Retail Intermediary that may have been granted underwriting authority by an insurer and its functions can include binding coverage, underwriting and pricing, and settling claims. An MGA typically underwrites within certain parameters set by the insurer, which will set the rates, to take account of the risk being proposed including the expected cost to insurers of claims. The MGA generally will not be permitted to go beneath rates set by the insurer without its permission.** **Retail Intermediaries / Insurance Brokers that only distribute insurance products and have no involvement at all in setting premiums should not be included in the definition of Insurance Providers. There should be recognition that as regards MGAs they work within the parameters set by the insurer.** **Some Insurance Brokers may charge a fee to consumers, for work undertaken on behalf of the consumer that is not paid for by way of commission paid by the product provider, which pays the Insurance Broker a commission for the servicing of the policy they provide. This may be the case on personal lines, where some Insurance**

	Brokers may be earning commission of as little as 5% of the premium, which would not be sufficient to meet the costs of the Insurance Broker for the work undertaken on behalf of the consumer, particularly where the consumer has made a claim, or there have been mid-term adjustments to a policy. Insurance Broker fees are always disclosed to the policyholder and itemised. **Such fees are usually a small portion of the overall cost. Sometimes the Broker fees might be discounted or waived, but they are not part of the insurance contract. Fees can be a set amount, or a percentage of the insurance policy charge – the percentage basis is variable and may change each year. If a fee has been discounted for whatever reason one year, this may revert back to standard fee the next time a fee is due, which will invariably be the renewal date of the underlying insurance policy. Any client service fee is not part of the insurance cost. There may be an underwriting fee within the insurance policy cost but that is a separate matter. MGAs may also argue that their underwriting fee is a separate cost that should not be subject to these rules.** **Insurance Broker fees are not part of the insurance premium and are for work done and services rendered, for which Insurance Brokers are entitled to be remunerated. Insurance Brokers provide consumers with expert and valuable advice, to ensure the consumers understand their insurance needs and to provide them with the best and/or most suitable policy to meet their demands and needs. Insurance Brokers also offer the customer the ability to access a wide variety of insurance providers and to achieve a cost-efficient premium, relative to their insurance needs. It is worth pointing out that while price is important it is also critical that the customer gets the insurance policy that best meets their needs. In terms of product governance, not only do Insurance Brokers conduct due diligence on the insurance providers they engage with to ensure that the providers are**

	reliable, solvent and can fulfil the protection needs of the consumer, they also ensure the products being offered are appropriate for their target market. As part of this, Insurance Brokers may challenge insurance providers on behalf of consumers. There are specialist risks that only certain insurers may consider, e.g., flat roof, large outbuildings, childminding at home, young drivers, penalty points, modified cars, etc; the advantage of an Insurance Broker is that they are aware of the insurers that will assist consumers with these specialist risks. **The CBI's Reports arising out of its investigation into differential pricing do not suggest that any evidence was gathered either that touched on the issue of Insurance Broker fees, or that suggested that Insurance Brokers when charging fees discriminate against their clients whether on grounds of tenure or for other reasons, which the CBI understandably seeks to avoid. Eleven firms were within the scope of the CBI investigation. Whilst these firms have not been identified, it is not clear that any of them was representative of the average Insurance Broker. The overwhelming majority of Retail Intermediaries do not use propensity modelling or similar tools to distinguish between customers.** **There is no justification for Insurance Broker fees to be within the scope of these proposed measures that would seek to outlaw price walking from subsequent renewal. The proposed provisions should be redrafted to ensure that Insurance Broker fees and an Insurance Broker's ability to alter its fees where appropriate, are not impacted. Brokers Ireland would also like confirmation from the CBI that it is not intended that insurance providers are not permitted scope to increase commission to Insurance Brokers from the point of subsequent renewal for a consumer.** **Insurance Brokers are not a protected species; a consumer does not have to purchase their insurance via an Insurance Broker. They always**

	have the freedom to choose to buy directly from an insurance company. Insurance Brokers operate in a competitive environment/economy, with competition between Insurance Brokers being stiff and Insurance Brokers being obliged to provide excellent service in order to retain their customers. Insurance Brokers are subject to inflationary increases and different costs including third party service costs, utilities, rent etc. Insurance Brokers also compete in the economy for labour and skilled staff, again subject to wage inflation. It would therefore be unreasonable and totally inappropriate if there were to be any cap on the potential for Insurance Brokers to achieve sufficient income to account for the expertise and service they provide to consumers. There is also the significant ongoing commitment to compliance and costs associated with maintaining a level playing field. Recent legislative changes such as the Insurance Distribution Regulations 2018 and Consumer Insurance Contracts Act 2019 apply to Insurers, MGAs and Insurance Brokers and have increased the administrative responsibilities on all regulated entities. **Insurance Brokers are generally compensated for their expertise by way of commission and/or fee and it would be potentially harmful to the future sustainability of the Insurance Broking industry if their ability to achieve reasonable compensation were to be restricted. The CBI's own Reports show the value of Insurance Brokers to those who are seeking insurance. It is clear from the Technical Annex to the Final Report that the data have established that those consumers who use an Insurance Intermediary are less likely to be renewal customers. In other words, the service carried out by Insurance Brokers, searching the market for the best deal for the consumer, ensures that these consumers do not remain with an insurance provider that is not giving best value.**

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you have any views on what, if any, unintended	**It is possible that if all price walking including**

consequence, may arise if both dual pricing and price walking were prohibited? Please outline the reasons for your view.	**pricing differentials between new business and renewal business were to be prohibited, the new business price may increase. However, it is worth noting that in the UK, the FCA found that whilst this may be the case, overall, the benefit to consumers from the measures it is introducing would be greater. Consumers would not have to shop around to receive fair value.**

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you foresee any practical difficulties arising as a result of prohibiting price walking? Please set out those practical difficulties in detail.	**See previous answers- Brokers Ireland foresees some unintended consequences that would have practical difficulties for Insurance Brokers that do not set prices.**

Consultation Questions	**Brokers Ireland Consultation Responses**
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 previous answers.**

Consultation Questions	**Brokers Ireland Consultation Responses**
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?	**Brokers Ireland has supported the introduction of the Insurance (Differential Pricing and Profiling) Bill 2020, intended to prevent insurers using differential pricing as well as rating factors that are not directly linked to the risk to be insured. Brokers Ireland considers that all forms of unjustified differential pricing impacting consumers ought to have been considered by the CBI and measures taken to address consumer harm, with subsequent monitoring of the impact on the market and on consumers.**

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you see dual pricing and/or price walking practices as posing a reputational risk to the	**Dual pricing and price walking, now that they are widely known and spoken about, clearly pose a**

insurance industry? Please outline the reasons for your view.	**reputational risk to those firms that set prices. This much is clear from the widespread comment in the media about insurance companies and their pricing practices. The idea that loyal customers may be penalised does not sit well with many people.**

Pricing Practices - Annual Review and Record Keeping

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**The Product Oversight and Governance requirements in the Insurance Distribution Regulations already require that insurance undertakings and intermediaries that manufacture products shall maintain, operate and review a process for the approval of each insurance product or any significant adaptations of an existing insurance product, before it is marketed or distributed to customers. Therefore, it is arguable that what is proposed here is duplication and may lead to overlapping requirements.** **The term "insurance provider" should be defined to exclude Retail Intermediaries / Insurance Brokers that do not set premiums. The vast majority of Retail Intermediaries have no role in setting the premium or the rate of commission, which are a matter for the insurance provider. MGAs may set premiums within parameters set by underwriters.** **Any fee charged by the Insurance Broker is, as set out in this submission, a separate fee charged for work done and services rendered. No evidence at all has been adduced to show that Insurance Brokers discriminate against consumers on the basis of tenure, or indeed for any other reason. Therefore, the need for an annual review of pricing policies and practices by Insurance Brokers is not apparent. Brokers Ireland considers that the CBI ought to keep proportionality to the**

	forefront of its considerations when addressing the need for annual review and record keeping. The cost of compliance for all Retail Intermediaries is significant and the entire Retail Intermediary sector is highly regulated by the CBI, particularly in the area of remuneration, in respect of which transparency is already a requirement. Will Regulated entities including Retail Intermediaries have to submit data to the CBI and if so, will guidance be provided on reporting and record keeping in the form of templates, advice and so on? If so, when is this going to be produced?

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**As mentioned, there may be overlap with existing POG requirements to which product producers are already subject.**

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**As already stated, we do not see the need for Retail Intermediaries / Insurance Brokers that have no role in setting premiums to be included within the scope of this review, or to be subject to the record keeping requirements. Insurance undertakings and Intermediaries that are product producers are already subject to the POG requirements in the Insurance Distribution Regulations. Unnecessary duplication of compliance requirements should be avoided.**

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you foresee any practical difficulties arising as a result of the proposed measures? Please explain your answer.	**We consider that requiring Insurance intermediaries / Insurance Brokers annually to review pricing policies and processes would be impractical and a likely unintended consequence, given that with the exception of MGAs (in certain respects), Retail Intermediaries / Insurance Brokers do not price insurance. The CBI has**

	provided no evidence in their Reports on the private car and home insurance markets that Insurance Brokers discriminate against clients on the grounds of tenure or for other reasons and therefore the need for an annual review of pricing practices has not been made out. Retail Intermediaries / Insurance Brokers are already heavily regulated in the area of remuneration, in respect of which transparency is already a requirement. The CBI must look at the definitions included in these proposed changes to CPC to ensure that it distinguishes between those Intermediaries that price insurance and those that do not.

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you have any views on what, if any, unintended consequences, may arise from the introduction of the proposed measures? Please explain your answer	**See previous answer.**

Automatic Renewals

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**Brokers Ireland believes that it should be simpler for consumers to opt out of automatic renewal where they want to.** **Auto renewal of personal lines policies has some benefits for consumers. Regarding motor insurance, auto renewal may prevent a consumer becoming uninsured and then driving whilst uninsured. For consumers with a mortgage, it is generally a requirement that the mortgaged property be insured at all times, hence auto renewal may be of benefit in ensuring that the property does not become uninsured. Likewise on health insurance auto renewal may have benefits, particularly for those with medical conditions, for whom a policy lapse would be very problematic.**

	The requirement to obtain written consent prior to first entering into the automatic renewal arrangement will definitely be a positive development for all consumers and will also depend on the type of policy. Travel, pet and gadget insurance have been mentioned to Brokers Ireland as being products where the proposed rules may cause more harm than good. Such products, unlike home and private motor, have not been investigated for differential pricing practices. Pet insurance is comparable in many ways to life insurance, where not automatically renewing can be devastating for the policyholder and pet involved. **In terms of travel insurance, a consumer could find themselves abroad 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 they are making the decision as to whether to consent to auto-renew or not, which at the point of purchase might not be abundantly clear.** **The draft CPC changes do not provide a definition of what is meant by "prior written consent". Some consideration must be given to the means of distribution / sale. In the context of online sales and telesales, what would constitute *written* consent? Can the consumer give consent by other means? 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 may be unworkable for both consumers and insurance providers. **One solution may be 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 may 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. Some may argue that there is value for customers in auto renewal, when viewing balance of convenience and ensuring continuity of cover.** **For the average Retail Intermediary / Insurance Broker, they will search the market at renewal time for the most suitable offering for the consumer and therefore automatic renewal of general insurance policies by Insurance Brokers is not the norm. It was notable that in the Technical Annex to its Final Report, the CBI stated that it only considered data on automatic renewal for policies purchased directly, rather than through an Intermediary. Searching the market at renewal time is provided by Insurance Brokers for their clients, which ensures that the customer has to make a decision regarding their insurance requirements, based on advice from the Insurance Broker on the best option available, rather than simply renewing the existing contract because of inertia, which is often not in the best interest of the policyholder. When home and motor insurance is considered, automatic renewal is a feature of the insurance company / direct channel, with products sold directly to the consumer by the product provider and is one means that may have been useful to insurance companies when they considered such factors as "customer life-time value". Once "in the door" as a customer of the insurance company, paying a direct debit, the customer is more subject to inertia, less likely to become the customer of another insurance provider and less likely to shop around. Therefore, it is possible to suggest that if the CBI wishes to encourage shopping around by**

	consumers to avail of new business offers, then the making of auto renewal subject to prior written consent may be justified as part of the overall package of measures to be introduced. **It should also be pointed out that distribution channel and payment method can vary during a sale. It may not be possible to adequately assess which channel/method was used at the time of inception. This is especially important for rural Insurance Brokers, with mainly over-the-counter and phone sales, rather than online. Most Insurance Brokers do not bind personal lines products on-line. Only a few Insurance Brokers in Ireland have this online technology. Therefore, Brokers Ireland regards it to be an imperative that Insurance Brokers not be compelled to provide opt-out of automatic renewal via on-line technology, or via means by which they do not trade. The means of opt out should be limited to the means by which the Insurance Broker does business.** **Can the CBI please confirm what the position is when there is a separate direct debit agreement in place? Is automatic roll over by virtue of a direct debit agreement considered to be an automatic renewal, given that there is a separate direct debit agreement in place?**

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**Brokers Ireland considers that the CBI must keep in mind that at all stages in the insurance process, the consumer is provided with a vast amount of information and paperwork, to the extent that those matters that are truly important are often obscured. POG requirements in the Insurance Distribution Regulations already apply and provide transparency for consumers. The provision of yet more information and paperwork to consumers at renewal time should be considered in this context. The CBI should be considering, where at all possible, of consolidating the information and paperwork**

	requirements to reduce the burden of compliance on regulated entities and to aid consumers by making the insurance process more straightforward by highlighting the information that is actually important.

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you agree with the proposed requirement relating to the cancellation of an automatic renewal arrangement? Please outline the reasons for your view.	**Please see previous answers.**

Consultation Questions	**Brokers Ireland Consultation Responses**
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.	**Please see previous answers.**

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you foresee any practical difficulties with the implementation of the proposed requirements on automatic renewal? Please set out those practical difficulties in detail.	**Most Retail Intermediaries / Insurance Brokers do not actually bind cover online for personal lines products. Where they have websites, Insurance Brokers generally have a "quick quote" or indicative quote facility only. The consumer must still make contact with the Insurance Broker by other means (phone, in person) to conclude the purchase of the policy. And in such cases, the Insurance Broker would go through the question set with the consumer before the policy would be purchased. A practical difficulty for Insurance Brokers would be having to ensure that consumers would be in a position to opt out of automatic renewal *via* means by which the Insurance Broker does not trade. This requirement seems unnecessary to ensure the consumer's interests are protected and unfair to the Insurance Broker.**

Consultation Questions	**Brokers Ireland Consultation Responses**
Do you have any views on what, if any, unintended consequences, may arise from the introduction of the proposed measures? Please explain your answer.	**Please see previous answers.**

www.brokersireland.ie