Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Feedback Statement – Consultation Paper 143

Proposals to address Differential Pricing

March 2022

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Introduction

Arising from the Review of Differential Pricing in the Private Car and Home Insurance Markets (Review), the Central Bank of Ireland (Central Bank) published Consultation Paper 143 (CP143) on 21 July 2021. CP143 set out proposed measures to address differential pricing and included a series of reforms to strengthen the consumer protection framework.

Differential pricing is a practice whereby customers with a similar risk and cost of service are charged different premiums for reasons other than risk and cost of service. It can bring benefits to consumers, such as encouraging competition and innovation, and facilitate market access for consumers who might be unable or unwilling to pay a uniform price. But, it can also cause harm, particularly if it is used to increase the prices for policyholders by stealth, or if it affects vulnerable groups or those with differing abilities, time or willingness to search for better offers.

The three core proposals consulted on were to:

1. **Ban price walking in the motor and home insurance markets for personal consumers from 1 July 2022**

   The Review found that the practice of price walking is unfair and could result in unfair outcomes for some groups of consumers in the private car and home insurance markets. Consequently, the Central Bank proposed introducing a ban on price walking with effect from 1 July 2022.

   This will mean that insurance providers cannot charge consumers who are on their second or subsequent renewal a premium that is higher than they would have charged them if they were a year one renewal consumer.

   This approach will result in benefits for consumers as they will retain the opportunity to get a better-priced premium by switching provider while removing the loyalty penalty for those consumers who do not switch their insurance provider.

2. Require providers of motor and home insurance to personal consumers to review their pricing policies and processes annually

This proposed requirement would ensure that insurance providers maintain focus on their pricing practices and the impact these practices may have on their customers, ensuring firms act in consumers' best interests at all times.

3. Introduce new consumer consent and disclosure requirements to ensure the automatic renewal process is more transparent for all personal non-life insurance products

Automatic renewal is the practice where an insurance contract allows for a policy to be automatically renewed, unless the customer informs the insurance provider otherwise before the renewal date. The measures proposed would introduce new transparency and disclosure requirements to ensure the automatic renewal process is more transparent for all personal non-life insurance products. This will benefit consumers by ensuring they have the information they need to make informed decisions about their insurance policies. We also proposed new requirements around consent in respect of automatic renewal of all personal non-life insurance products.

The consultation sought evidence-based views on the proposed approach and stakeholders were invited to provide feedback on the proposed new consumer protection measures. The closing date for receipt of comments was 22 October 2021. Fourteen responses were received.

In this Feedback Statement, the Central Bank is responding to the most material and / or consistently raised aspects of the fourteen consultation responses.

Any references to "Regulations" in this Feedback Statement means the Central Bank (Supervision and enforcement) Act 2013 (Section 48(1)) (Insurance Requirements) Regulations 2022.

This Feedback Statement briefly summarises the responses received to CP143 and outlines the Central Bank's decisions.

The Central Bank is grateful for the time and effort taken by stakeholders who took the time to make a submission in response to CP143 to inform the policy development process.

All responses to CP143 are available on our website.

Central Bank Response

The Central Bank acknowledges the general concerns expressed regarding the proposals in CP143. Having considered the responses received to CP143, the Central Bank has revised the proposals relating to scope and automatic renewal. The revised proposals seek to achieve the original objectives of the proposals as set out in CP143 whilst appropriately taking on board stakeholder concerns. Further details are set out below.

Feedback to Public Consultation

Pricing Practices

Question 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 views.

Submissions

The majority of respondents agree with the pricing proposals; however, the submissions highlighted some issues, including the expansion of proposals and clarity on some specifics of the proposals.

Some responses acknowledged that aspects of differential pricing can benefit consumers and encourage competition while others can lead to unfair outcomes. Respondents were also supportive of the implementation of the ban through legislative processes. Enhanced oversight and governance of pricing practices will have some positive benefits to customers.

Clarity was requested on the expected technical basis for developing the renewal price and that the definitions of "Renewal Price" and "First Renewal Price" should be clarified in relation to brokers so as to avoid a disproportionate impact which might unduly restrict their ability to vary or discount their fees.

Other feedback noted that the proposals will not entirely prohibit the use of some differential pricing techniques, and some techniques such as caps/collars can be valuable tools that, when properly managed and with appropriate oversight, can enable management of better customer outcomes. However, to ensure consistency in the application of the measures, and a level playing field, it was suggested that the Central Bank should set clear expectations for the standards of oversight as part of the Pricing Practices governance framework and annual review requirements.

Other feedback recommended further consideration in respect of customer initiated discounts and limits on new business discounts to limit year one price shock. In addition, it was suggested that the Central Bank reconsider its intention to allow customer initiated negotiated renewal discounts to continue as this could disadvantage consumers who are unwilling or unable to engage in negotiation at renewal. Others noted that there is a risk that the proposals may result in insurers charging higher premiums for new business and first renewal, as flexibility to raise prices for subsequent renewals is limited.

Concerns were raised that the proposals may impact the competitiveness of the market and may pose a barrier to entry for new providers. There was also a concern that the proposals could potentially lead to higher prices for new business customers.

One respondent highlighted the need to monitor the impact on switching in the insurance market, as the proposals may lead to less switching.

One submission recommended that the scope of the annual review and record keeping proposals should be expanded to ensure fair value and limit unintended consequences. Concerns were also raised relating to the timeframe to design, develop and implement the measures that will apply from 1 July 2022 and it was suggested that a timeline of 12 months from commencement of the Regulations should be considered.

Two respondents questioned whether a ban on price walking is an appropriate solution for the Irish market. One respondent questioned if a ban on price walking is sufficient, and questioned whether consideration was given to ban other forms of unjustified pricing differentials. This submission noted that it is not satisfied that the Central Bank's proposed measures banning price walking from subsequent renewal is the appropriate solution for the Irish market. The submission raised queries and sought specific clarity on the draft wording of the proposals, including but not limited to:

- 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?

Central Bank Response

Having considered the responses received and based on the evidence analysed in the Review, the Central Bank will proceed with the implementation of a ban on price walking for consumers with effect from 1 July 2022.

In addition, the Central Bank will publish a Q&A document to assist relevant firms with the implementation of these measures.

The Regulations will apply to "consumers" as defined in the Consumer Protection Code 2012 (CPC). This is a change from "personal consumers", which was included in the consultation. Further details are provided in the Q&A.

In response to feedback, the requirement for discounts to subsequent renewal prices to be negotiated "at the initiative of the consumer" has been removed.

We are also clarifying that the price walking prohibition measures will apply to all new policies and renewals concluded after 1 July 2022.

Question 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.

Submissions

Some respondents disagreed with the product scope to which the proposals apply or they have misinterpreted the scope. One respondent stated that it is not clear as to which products are in scope. Some concerns were raised that the scope is broader than the Central Bank intended, extending beyond the traditional private motor and home products. It was noted by one respondent that while home insurance products are designed, priced and sold to personal consumers, motor products may be sold to personal consumers, commercial consumers or both. Some respondents commented that it is important for the Central Bank to be clear as to the intent in this regard.

It was noted that the relationship between price and tenure found for the group of private motor and home policies analysed by the Central Bank may not apply similarly to all policies and products in scope of the proposed regulations.

In relation to home insurance, respondents queried if it is 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.

Further clarifications were sought regarding a range of different policy types or entities, including on what additional services and products are within the scope of its proposals such as premium finance, breakdown cover, stand-alone additional services or products, or just those bundled with the motor or home insurance.

Respondents who formed the view that the pricing proposals applied to private car and home insurance believe this is appropriate for the following reasons:

- these products are most likely to be subject to price walking, and
- the Central Bank's Review examined private car and home insurance products specifically.

Central Bank Response

The measures in respect of price walking will apply to motor and home insurance policies sold to "consumers" as defined in the CPC. This will ensure consistency across different Regulations. Mindful of the concerns raised around products in scope, the Central Bank will also publish a Q&A document to assist relevant firms with the implementation of these measures.

Further details on the scope of "motor" and "home" insurance is provided in the Q&A.

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

Submissions

Some of the positive implications identified in response to this question include, but are not limited to:

- greater transparency for customers in respect of the pricing components of their insurance product;
- interventions will reinforce the focus on the quality of cover for consumers;
- industry will be required to continue to innovate and differentiate through enhanced products, underwriting / pricing sophistication, and customer care service to the customer;
- fairer insurance pricing for longer tenure customers;
- potential for a more equal playing field amongst insurers, providing consistent levels of pricing disclosure and transparency for customers, while retaining incentives for innovation and competition; and
- proposed interventions will provide a level of protection for vulnerable customers who may find it difficult to shop around at renewal.

It was pointed out that the Central Bank should consider monitoring the impact on switching in the insurance market.

Central Bank Response

The Central Bank welcomes the feedback provided to this question, which is consistent with our own findings. We note the suggestion in relation to monitoring.

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

Submissions

Overall the submissions noted that differential pricing can deliver benefits for consumers. However, it was highlighted that the proposed intervention does not remove the ability of insurers to compete effectively and that consumers can continue to obtain appropriate and competitive insurance products.

Some of the negative implications identified in the submissions include, but are not limited to:

- Consumers who shop around each year may not realise the same level of savings from switching.
- If introduced the proposed interventions may result in some consumers experiencing large insurance premium fluctuations at renewal due to the updating of models or full rate changes flowing through to a customer premium in one renewal.
- Increased consumer inertia among policyholders, encouraging complacency as consumers with one firm may now believe there is reduced need to shop around at renewal.
- Fewer new entrants into the Irish insurance market resulting in less competition and reducing the options available for consumers to obtain cover.

Central Bank Response

Having considered the concerns raised and based on the evidence from the Review, the Central Bank believes that banning price walking will ultimately result in better outcomes for consumers and the benefits from these proposals outweigh the concerns highlighted.

We encourage consumers to shop around at renewal time to ensure policies continue to meet consumers' individual needs and to see if there might be better options available for them. Fairer pricing practices will result in better outcomes for those consumers who do not switch.

Question 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.

Submissions

Feedback was extensive on the potential unintended consequences of these proposals and these can be summarised under the following headings:

Issues relating to consumer understanding and interpretation:

There were general concerns around customer interpretation / expectations, potential inertia and potential premium fluctuations. In addition, it was noted that there may be an increase in customer queries and complaints in the short-term due to changes in premium structures.

Premium capping:

There were general concerns around premium caps, increased complaints and poorer customer experiences.

Issues relating to new business discounts:

Some of the feedback received referred to competition risk. The "discount" disclosures in relation to new business may offer commercially sensitive insight into the insurer's basic pricing and as to its strategy for competing for new business in the market.

Timeframe:

Some respondents emphasised the need for an appropriate lead-in time to overhaul current business and pricing models.

Discounts:

Further clarification was sought as to whether it is intended that consumers can be informed of the availability of discounts to subsequent renewal premiums through, for example, media advertising, emails or renewal invitations.

Technical Models:

Some feedback noted that the proposals may not lead to customers receiving a price that is more comparable to their risk. Uncertainty may persist in future renewal premiums, even after the first twelve months of implementation, at times when firms implement new Technical Price Models. This may lead to noticeable increases or decreases in premium for some personal consumers alongside an increase in uncertainty for individual personal consumers. There will also be a period of increased uncertainty and volatility for firms.

Channel:

It was suggested that further clarification is needed on the definition of 'channel' used in the Regulations in order to avoid the potential for inconsistent application and to ensure a level playing field.

Other points:

- The proposal to ban price walking could also lead to consumers with long tenures impacted in other ways, such as a gradual erosion of the features associated with their insurance package, with influencing this situation still being dependent on the consumer engaging with the wider market, or proactively contacting their insurer or broker to negotiate.
- Actual Premium to Technical Premium (APTP) may continue to increase by tenure as a result of consumers' behaviour with lower tenure customers more likely to negotiate. There are potential unintended consequences of not limiting pricing differential between new and existing customers.
- The impact of the change to require the removal of the full new business discount at first renewal is uncertain and may lead to a premium shock for the consumer at first renewal if a high new business discount must drop off. Consumers shop around for more competitive premiums and this results in lower retention rates. Reduced retention rates may result in higher new acquisition costs for insurers and intermediaries which may result in higher overall prices.
- There is potential for inconsistent interpretation by firms due to wording. Some provisions require further clarification or re-wording to ensure consistent application by all firms and to avoid unintended interpretations:

- Reference to 'jointly responsible' needs clarification. As written, joint responsibility may not be interpreted to apply to scenarios in which the insurance intermediary is responsible for applying discretionary discounts, where they offer additional products, or where they may charge a fee for a service. In those scenarios, the insurance intermediary may be entirely responsible for the compliance status of the discount / fee arrangements and the insurance undertaking responsible, separately, for setting the renewal prices that are notified to the intermediary.
- The measures could also cause increases in the first renewal premium, again due to the insurance undertaking 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 insurance undertakings 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/Intermediaries:

Concerns were raised in relation to references and inclusion of insurance intermediaries within the proposals.

Central Bank Response

The Central Bank notes the concerns raised and will seek to provide clarity to firms in the Q&A to assist with the implementation. The aim of the measures is to remove any potential opportunities for price walking and therefore we believe it is important that insurance intermediaries are within scope.

Question 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.

Submissions

Some respondents signalled that there would be unintended consequences if both dual pricing and price walking were prohibited.

Some of the unintended consequences provided:

- The prohibition of dual pricing in addition to price walking has the potential to make it very difficult to attract new business customers, as new business discount levels will become extremely limited. As a result, it will make it more challenging for a new entrant to build market share.
- A restriction of new business offers may lead to negative outcomes for some consumers, particularly those who are vulnerable and who rely on the ability to shop the market to limit their spend on insurance.
- Issues with consumer initiated renewal negotiations.
- An impact on price-based competition that may discourage new entrants or limit existing players growing their portfolios to produce economies of scale, both of which lead to lower consumer prices.
- The dual pricing ban leading to less innovation and increasing the pace of consolidation in the market as insurers and distributors look to create efficiency savings, which may reduce consumer choice.

One respondent noted the specific impact the proposals may have on insurance intermediaries and consequently consumers. This submission stated that the insurance intermediary's ability to increase and discount fees will be restricted if they are included in the Central Bank's definition of renewal price and subsequent renewal price.

The rationale behind the proposal that discounts can only be applied on the basis of a request instigated by the consumer needs to be explained. This is likely to result in the consumer paying higher prices.

Central Bank Response

Having considered the feedback received and evidence from the Review, the Central Bank has determined that it will introduce a ban on price walking with effect from 1 July 2022.

Differences in pricing are permitted so long as an insurance undertaking or insurance intermediary does not set a subsequent renewal price that is higher than the Equivalent First Renewal Price (EQFRP), or discriminates against consumers based on tenure, or systematically exceeds the first renewal price for consumers. In response to feedback received, the requirement for discounts to subsequent renewal prices to be negotiated "at the initiative of the consumer" has been removed.

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

Submissions

Some respondents foresee practical difficulties with implementation, including:

- Implementation is likely to have a significant impact on systems, processes, documentation and pricing models. Sufficient lead time will be required.
- Companies may not have equivalent data for year one renewals or historical 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 year one customer.
- Provision 2(2) (a) is not practically implementable based on its current wording, i.e., it would not be always possible to know the first renewal channel of all historical policies. It makes more sense from a consumer perspective that the equivalent first renewal price is calculated with the most recent or current renewal channel used by the consumer.
- There are also practical difficulties for the insurer in determining the appropriate channel.

- Calculating first renewal prices when a policy is in a closed book. Pricing information about "close matched products" held by other insurers even within the same group would be sensitive commercial information that would be proprietary to each individual insurer and would not generally be accessible to, or capable of disclosure by, other entities within the group. Any sharing of pricing information by entities that do or may operate in the same market and do or may compete, could give rise to competition law concerns. This proposal should be explored with the Competition & Consumer Protection Commission (CCPC).
- Clarification is required on the effective date of the Regulations.
- The ability to implement new claims models and /or technical price.
- Making price comparisons across renewals and between renewal books (if a book is closed to new business) may be difficult for some products in scope.

In order to ensure premiums are lower than the EQFRP, insurers would need to: calculate for every policy the equivalent new business price one year ago net of discounts; then calculate the equivalent first year renewal technical premium; and then apply the capping based on the equivalent new business price from year one to arrive at EQFRP. This will have the following implications:

- The insurance industry being less likely to cap policies at year one renewal leading to higher rate increases for some consumers. The knock-on effect of this will be lower retention for insurers, potentially increasing costs to consumers.
- Create higher dissatisfaction with insurance prices and lower confidence by consumers in the Irish insurance industry.
- Deter insurers from implementing rate changes as they know a rate change will negatively affect retention which could potentially reduce competition in the insurance market.

Some submissions noted that the issues identified in the response to unintended consequences could also be considered as a practical difficulty and the responses to Question 6 should also be considered in this response.

Clarity was sought on the calculation of new business discounts, specifically whether the difference between a new business premium and the EQFRP will be treated as a new business discount, if the EQFRP should be calculated for every new business policy and should the full difference be displayed as a new business discount.

Central Bank Response

The Central Bank will provide additional guidance on the EQFRP, closed books and channels in the Q&A document to address the concerns raised in the feedback.

Clarification will be provided that the EQFRP must be calculated on the assumption that the consumer has used the same channel as they used when they most recently renewed their insurance policy.

EQFRP is calculated based on the first renewal price rather than the new business price; therefore, it is not intended to affect new business discounts that are offered to consumers.

In relation to "closed books", firms will be required to identify a close matched product, where possible. The EQFRP may reflect differences in the cost to serve for a close matched product.

Question 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.

Submissions

Some respondents indicated that they foresee practical difficulties if both dual pricing and price walking were prohibited , while other respondents did not foresee difficulties.

Submissions identified practical difficulties that were previously identified for questions 6 and 7.

Central Bank Response

Having considered the feedback received and evidence from the Review, the Central Bank has determined that it will introduce a ban on price walking with effect from 1 July 2022.

Differences in pricing are permitted so long as an insurance undertaking or insurance intermediary does not set a subsequent renewal price that is higher than the EQFRP, or discriminates against consumers based on tenure, or systematically exceeds the first renewal price for consumers.

Question 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?

Submissions

Some respondents were supportive of the Central Bank's proposals or had no alternative proposals.

A number of respondents provided suggested alternatives, which included:

- Close the disparity between pricing for direct and broker channels - particularly for new business where an insurer may offer a premium for substantially less in the direct channel compared with the broker channel, which can create a poor customer experience.
- Collecting more publicly available market pricing data or information to help provide greater transparency on pricing for the consumer.
- Conducting a review of the application of the proposals after a period of operation.
- Clarifying the desired outcomes the Central Bank is aiming to achieve with these proposals along with the measures of success.

- Requiring firms to have internal frameworks that could address many of the issues adequately, effectively and with less complexity if implemented consistently across the market.
- Widening the proposed Annual Review and Record Keeping to require firms to identify other pricing differentials, beyond tenure alone, and to demonstrate how their approach is delivering fair value.
- 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. The Bank ought to consider all forms of unjustified differential pricing and take measures to address consumer harm, with subsequent monitoring of the impact on the market and on consumers.
- Conducting future behavioural work to identify priority information for consumers to have under the revised CPC and how this information would be received and processed through different means of communication.
- Conducting further examination of the shift in payments habits of consumers who do not engage with their insurer online.

In order to achieve a market-wide step change in approach, specific regulation would be required to facilitate an ongoing, equitable competitive environment.

Any regulations should be proportionate and cognisant of not placing an excessive additional burden on firms.

Central Bank Response

The Central Bank welcomes the feedback provided by respondents to this question. These issues will be considered further.

Question 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.

Submissions

Some respondents saw dual pricing and / or price walking practices as posing a reputational risk to the industry. Some of the reasons given include:

- Renewing customers may be expecting lower premiums following the implementation of the proposed price walking rules; however, this may not be the case for all.
- Industry research consistently shows that customers are frustrated with having to negotiate their premium down from what is initially offered. Under the proposed measures, it is likely that consumer initiated discounts will become more prevalent in the market, and this may lead to an erosion of consumer trust as a large proportion of customers find that the initial price offered by insurers consistently exceeds the price that can be negotiated over the phone.
- Poor or incomplete media coverage of the ban may lead to some misinformed consumers believing that the ban applies to dual pricing as well as price walking. Communications in relation to the intervention should be clear that dual pricing will continue and that a gap between new business and renewal pricing will remain.
- Consumers may also be led to believe that all renewal premiums for all renewal customers will fall. This may not be the case.
- Price walking has been a source of controversy and negative commentary. Removing it from the market will improve consumer confidence without jeopardising competition. The ability to offer new business discounts is not comparable, however, as this is established in many industries.
- Price-walking can specifically affect longer tenure customers, thus causing a reputational issue in its current form. Dual Pricing is widely used across industries, however, and is seen as a necessary tool to attract new business.
- The channel pricing discrepancy will remain under the current proposals, leading to the same product being sold by two or more suppliers for sometimes vastly

different premiums. This could cause frustration for consumers and may lead to consumer distrust.

- There is a lack of recognition in public and media debates of the benefits as well as the disadvantages of differential pricing, and this is what poses a reputational risk to the insurance industry. More awareness is needed of the benefits for those customers who actively engage with their insurance provider and switch regularly to ensure that they obtain the most competitive premium for their needs while understanding the cover differences in addition to the price change.
- Media and policy makers are often not fully informed on the complexities of new business and renewal pricing, which creates a reputational risk for the industry.
- Current practices lack transparency and are unintuitive to customers. Customers are unaware of the practices and believe they will be rewarded with a lower premium if they renew. But the interventions could exacerbate some areas of reputational risk: more frustration and less trust if customers increasingly have to negotiate down premiums over the phone; poor media coverage could give the belief that the ban applies to dual pricing also; and customers may believe that all renewal prices will fall post implementation.
- The reputational risks are clear from the widespread media coverage. The idea that loyal customers may be penalised does not sit well with many people.
- The Central Bank should consider the limitations identified in relation to some of the current proposals and the ability for them to address the ongoing issue of trust in the sector.

Central Bank Response

The Central Bank welcomes this feedback and will consider it in the context of planned communication activities around the publication and introduction of these measures and also when developing supporting materials and content.

Pricing Practices -
Annual Review and Record Keeping

Question 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.

Submissions

The majority of respondents were in agreement with the proposed requirement, with just one respondent disagreeing. In general, the submissions noted the potential for this requirement to ensure pricing practices provide fair consumer outcomes beyond tenure. In addition, it was noted that the proposed requirement has the potential to develop a consumer focused culture and to increase oversight and control of pricing matters for all relevant stakeholders and that it should help to increase focus within the industry. It was also noted that a regular review is important to allow the identification and remediation of any deficiencies.

The reasons for non-agreement with this proposal can be summarised as follows:

1. The Review found no evidence to show that insurance intermediaries 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 intermediaries is not apparent.

2. The Product Oversight and Governance requirements (POG) 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, the POG requirements assert that it is arguable that the measures proposed here are a duplication and may lead to overlapping of requirements.

3. Insurance intermediaries that are not involved in price setting should not fall within the scope of these proposals. The term "insurance provider" should be defined to exclude insurance intermediaries that do not set premiums.

4. The cost of compliance for insurance intermediaries is significant and the sector is already highly regulated by the Central Bank, particularly in the area of remuneration, in respect of which transparency is already a requirement.

The feedback queried whether guidance would be provided on reporting and record keeping and what form this guidance would take. Additional feedback suggested that the scope of the proposals may need to be clarified in order to reflect the different roles played by insurance undertakings and insurance intermediaries.

Another response suggested using the information provided to the Central Bank as part of the annual review to update the general public on the implementation of these measures noting that this would serve as a mechanism to highlight any deficiencies identified and actions taken to rectify them. They are also of the view that there is scope to potentially publish some of the data on firms' pricing practices as a means of increasing transparency and consumer trust.

Central Bank Response

The aim of the measures is to remove any potential opportunities for price walking; therefore, both insurance undertakings and insurance intermediaries are within scope of the Regulations.

Insurance undertakings and insurance intermediaries are required to undertake an annual review of their motor and home insurance pricing policies and processes to ensure they are in compliance with the Regulations.

Through its ongoing supervisory and regulatory work, the Central Bank will assess how the Regulations are being implemented and their impact on consumers and the insurance market more broadly.

Question 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.

Submissions

In general, respondents were in agreement with the focus of the review. One response was not in agreement, citing the potential overlap with existing POG requirements to which product producers are already subject.

Further clarity was requested and it was noted that in addition to assessing adherence to the requirements in the Regulations, firms are also required to adhere to General Principle 2.1 of the CPC. It was noted that a firm could take the wrong interpretation that the review is narrowly focused.

Other comments proposed extending the scope of the review so that firms are required to consider the extent to which their products offer fair value for money for consumers, and to take appropriate action where necessary.

Another submission suggested the annual review of pricing practices and policies should be considered a component part of a broader Fair Pricing Governance Framework that ensures pricing activities are well controlled, governed and overseen within each firm. They also suggest a need for the Central Bank to clarify on the types and potentially acceptable ranges of Fair Pricing Management Information ("MI") that might support the assessment of compliance, particularly the obligation to ensure that personal consumers are not systematically discriminated against based on tenure.

Central Bank Response

As part of its ongoing consumer protection work, the Central Bank plans to consider more generally what treating customers fairly requires of firms. These comments will be considered in the context of that work.

Question 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.

Submissions

The majority of respondents were in agreement with, and shared a positive view of this proposal. It was noted that retaining records to monitor activity and refine processes and procedures will assist insurance providers and ensure providers have adopted required governance, control and oversight of their responsibilities. It was further noted that this proposal will ensure that insurance providers are satisfied that they continue to meet regulatory and legal requirements.

Other feedback stated that the record of a material decision should be more in depth than only consideration of adherence to the new rules. Others requested that the Central Bank provide guidance on materiality thresholds to ensure consistency of application.

One respondent did not agree with the scope of the proposal and believed that insurance intermediaries should not be included within the scope of the Annual Review, or be subject to the record keeping requirements as they have no role in setting premiums. It was noted that insurance intermediaries that are product producers are already subject to the POG requirements in the Insurance Distribution Regulations and therefore there is unnecessary duplication of compliance requirements, which should be avoided.

Central Bank Response

This requirement means that insurance undertakings and insurance intermediaries will be required to undertake an annual review of their motor and home insurance pricing policies and processes for all customers to ensure they are in compliance with the Regulations. It should be noted that this is not a requirement to review practices and processes more broadly. However, the Central Bank expects the Annual Review to be meaningful, that it is signed off at an appropriate level and that records are kept and available for review, if required.

The Central Bank does not intend to provide further guidance on "materiality" at this time. It is for firms to interpret in accordance with their own business models.

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

Submissions

The majority of the responses did not identify any practical difficulties arising as a result of the proposed measures, although further guidance was requested by some.

One respondent commented that the proposed measures should not apply to insurance intermediaries who do not price insurance pointing out:

1. Requiring insurance intermediaries to annually review pricing policies and processes would be impractical and a likely unintended consequence, given that with the exception of MGAs (in certain respects) insurance intermediaries do not price insurance.

2. No evidence has been provided by the Central Bank that insurance intermediaries 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 set out.

3. It was suggested that the Central Bank should compare the definitions in these proposed changes with those in the CPC to ensure that it distinguishes between those insurance intermediaries that price insurance and those that do not.

Others commented on the time and resources that will be required to implement the necessary changes. In particular, respondents highlighted that it is important that sufficient time is afforded to firms to ensure that the changes are implemented accurately and completely.

In some cases, respondents requested further guidance from the Central Bank on the requirements and scope of the review to ensure compliance. One respondent queried how long records need to be retained and also highlighted the importance of sufficient time being afforded to make the necessary implementations. This respondent set out some practical difficulties as the scope of the proposed requirement currently extends to product lines such as motor, fleet or van where they are sold to personal consumers, and they believe this may create practical difficulties in defining the scope of an effective review for those products. They requested that the Central Bank be clear as to the intention in respect of the applicability of the regulations in these scenarios.

Other feedback requested confirmation on whether the designated person or function with responsibility for executing the annual review within firms will need to be capable of judging whether the insurance provider complies with the new draft regulations.

Central Bank Response

As noted under Question 3 above, insurance undertakings and insurance intermediaries will be required to undertake an annual review of their motor and home insurance pricing policies and processes to ensure they are in compliance with the Regulations. The Central Bank expects the Annual Review to be meaningful and that appropriate records are kept and available if required. The Central Bank also expects that the Annual Review should be undertaken by suitably qualified members of staff who are familiar with the Regulations and how they apply to their firm's business model.

Question 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.

Submissions

Some respondents did not have any views on unintended consequences that may arise. One respondent stated that insurance intermediaries should not be included in the scope of the Annual Review.

Respondents highlighted a number of unintended consequences, such as, the issue of timelines and the risk of errors in implementation that could impact customers and require remediation at a later stage if timelines are rushed. It was also pointed out that an unintended consequence could be misinterpretation by firms that the Annual Review and material decisions are only focused on adherence to certain provisions and could therefore result in inconsistency in how these proposals are implemented by firms. Clarity and guidance was requested in order to ensure continuing compliance.

A number of respondents stated that an overly complex review and record keeping process / framework introduced by a firm could become officious and time consuming and that Central Bank guidance on expectations in this regard would be beneficial to ensure consistency of approach and that supervisory expectations are clear.

Central Bank Response

For clarity, firms should note that the requirement to complete an annual review does not require firms to review each customer's insurance policy individually, rather the requirement is to ensure general motor and home insurance pricing policies and processes are compliant with the Regulations. However, the Central Bank expects the Annual Review to be meaningful, that it is signed off at an appropriate level and that records are kept and available for review, if required.

Automatic Renewals

Question 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.

Submissions

Feedback on this proposal was largely negative. There are only a small number of stakeholders who responded positively, agreeing that both an opt-in for automatic renewals and prior written consent to be provided are appropriate measures to introduce.

The majority of respondents acknowledged the importance of increasing transparency of automatic renewals for customers. These respondents noted that their consumers see automatic renewal as a useful service. The majority of responses also noted that written consent is not the appropriate means for getting automatic renewal consent and creates unnecessary barriers in the consumer journey. It was stated that there is no definition given for written consent and clarification on this was requested.

Some of the reasons provided that oppose written consent were as follows:

1. This proposal needs to be considered in the context of sales / distribution channels. The proposal will be inefficient for customers that will be now required to use multiple channels.

2. It may negate the existing customer benefits from digital processes, the impact on environmental & sustainability changes and insurers may have to pass on additional costs to consumers.

3. It adds additional complexity for all customers in purchasing insurance through all channels, with the potential for heightened impact on vulnerable customers.

4. It will be the only aspect of the insurance journey that would require written consent and would mean that some customers would need to wait on average an

additional 3-5 days to receive the written consent document and return it for processing.

5. The need for written consent before entering an auto renewal arrangement potentially exposes customers to a lapse or a period off cover, resulting in a risk that customers may be uninsured, particularly when urgent cover is required.

6. Practically this requirement would mean that some customers would not be able to bring a newly purchased car home from a car dealership. Mortgage approval could be delayed, or homes left uninsured after customers acquire the keys to their new home.

7. Written consent does not take into account customers who are visually impaired or have poor literacy skills.

8. Requiring written consent may lead to consumers using multiple channels of communication for the same transaction which is inefficient and undesirable.

9. It is vital that insurance intermediaries are not 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 intermediary does business.

10. It would be more appropriate to obtain this consent on a recorded call, or through a customer tick-box on a website, both of which can then be recorded on documentation issued to the customer.

11. The proposal may cause issues for customers who use direct debits for their policies, where sufficient lead-in time is required. In many cases, an automatic renewal arrangement may commence a few days before the renewal date of a policy in order to allow a direct debit payment to be raised.

12. The draft Regulation 12(1)(b)(iv) relating to the cancellation of an automatic renewal arrangement is technologically neutral in that cancellation can be executed "by way of telephone, e-mail, online and post". The same options should form the basis of how the customer opts in / gives consent also. This would be

consistent and would reflect how the customer has chosen to contract with the provider in terms of the broader policy itself, with more customers favouring online methods which offer customers efficient, convenient and a sustainable means of consenting to automatic renewal.

In relation to the requirement for a customer to opt-in to automatic renewal, again there was a mixed response. A large number of the submissions believe that there was a lot of risks by having an opt-in approach and felt an opt-out approach would be better for customers, giving the following reasons:

1. Essential to ensure customers are aware of the existence of an automatic renewal arrangement; however, consent should be on an opt-out basis.

2. A better solution is to offer a range of accessible and easy options for customers 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. A number of the submissions identify that the call recording process will provide a more effective means of holding details of consent.

3. If an opt-in approach is to be followed, it should be technologically neutral and should only apply to the products examined in the Review, i.e., private car and home insurance products for personal consumers.

5. Customers 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.

6. Concerns that some customers may be left without insurance if they forget to provide written opt-in consent.

7. The draft regulations seek 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.

8. There is also a risk that customers would lose cover for pre-existing conditions if they accidentally fail to renew their policy and have to re-serve waiting periods. If a customer fails to renew and loses cover, they could also be liable to an additional Lifetime Community Rating loading charge, which can be significant, and this would be detrimental to the consumer and cause undue stress.

9. Consideration should be given to those who may be mid-claim (e.g., in a hospital) at the time of renewal and who may not be in a position to renew despite having previously opted out of auto renewal.

Some positive responses to the proposals were also made noting that the new requirements will act as a prompt for consumers to shop around. The proposals to introduce new consumer consent and disclosure requirements to ensure that the automatic renewal process is more transparent will also help customers make informed decisions.

Other points raised in the answer to this question are as follows:

1. Can the Central Bank confirm the position 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?

2. Confirmation sought that only policies incepted after the application of the regulation will be within scope for the proposed automation renewal provisions.

3. The market analysis conducted by the Central Bank does not appear to identify any particular customer detriment with the exception that the documentation and transparency for some firms is not at the level expected by the Central Bank.

4. Extent to which the regulations apply to subsequent renewals is not clear.

Central Bank Response

The Central Bank recognises that the opportunity to automatically renew insurance policies can be beneficial for consumers and can potentially mitigate the risk of personal detriment in the event that a consumer forgets to renew their policy on time.

However, the Review found that the level of information provided on policy renewal notices to automatic renewal customers is not consistent across insurance providers. In order to address this inconsistency and to ensure maximum transparency for consumers, so that they are aware of their options with regard to automatic renewal, the Regulations also set out the information that must be provided to consumers in advance of the automatic renewal of an insurance policy, including the right to cancellation. This will benefit consumers as they will have access to the same information, no matter who their provider is, and they can make better informed decisions when it comes to renewal.

In respect of the proposal in the Consultation to require automatic renewal to be "opt-in" rather than "opt-out", we have concluded that this proposal requires further consideration to avoid the risk of any unintended consequences, including any scenarios that might lead to consumers finding themselves without critical insurance cover. This further work will include an assessment of the positive and negative implications of an opt-in requirement for policyholders under different scenarios and policy types to assess whether further consumer protections are required.

Question 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.

Submissions

The majority of respondents were in agreement with this question but with some concerns mainly around the overload of information for consumers and important information being missed in this regard.

In addition, one respondent expressed a belief that there is already a requirement to provide this information. It was also suggested that the Central Bank should consider consolidating the information requirements and reduce the burden of compliance on regulated entities.

To avoid the risk of misinformation going to customers, it was suggested that the documentation directs the customer to the CCPC's website more generally rather than to a specific URL which may be subject to change. Respondents highlighted concerns regarding the level of maintenance of the site with up-to-date information, including, the practicality of "a hyperlink to, or website address of, the relevant section on the Competition and Consumer Protection Commission's website relating to getting insurance quotes".

It is also important to note that websites may not be accessible to many customers including some vulnerable customers or those without access to the internet. In this regard, it would also be helpful to provide alternative means to access the information (e.g., via a postal address).

Other feedback stated that the requirements set out in the proposals are comprehensive and it is an important step towards a fairer, more competitive, more dynamic and more transparent non-life insurance market.

With regard to Regulation 12 (1)(c), as consulted upon, which only applies in respect of some classes of insurance – i.e., those not captured by the Consumer Insurance Contracts Act (CICA), the requirement is to confirm whether it is proposed that there will be any changes to the terms of the contract; this will technically include a requirement to confirm where there are no changes. This respondent indicated that the requirement for classes of insurance captured by CICA is different – it requires notification only where there are changes. It was suggested that the requirement should be consistent across all classes of insurance, whether covered or not by CICA. In this regard, the respondent suggested that the regulation be amended for consistency with the existing CICA requirement.

Central Bank Response

The Central Bank has noted the concerns raised around providing hyperlinks and URLs which may be subject to change. We are therefore revising the Regulations to require including the relevant website details for the Competition & Consumer Protection Commission and, where relevant, the Health Insurance Authority.

The Central Bank has noted the concerns around information overload and will consider this as part of our ongoing consumer protection work at a domestic and European level.

The Regulations have also been amended to ensure consistency with CICA.

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

Submissions

The majority of respondents were in agreement with the proposed requirements believing they are appropriate; however, a comment was received that this is already a requirement and that it may cause confusion. The following points were made:

1. In many cases, an automatic renewal arrangement may commence a few days before the renewal date of a policy in order to allow a direct debit payment to be raised.

2. The proposals refer to the right to cancel which is clear, fair, and appropriate.

3. Provision 12(2), as consulted upon, is already a requirement under SI 74/2007 Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007 as amended by SI 577/2018 Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) (Amendment) Regulations 2018 so it might confuse insurers' obligations in relation to pay-in-full customers.

4. Proposal relating to the cancellation of an automatic renewal arrangement is technologically neutral in that cancellation can be executed "by way of telephone, e-mail, online and post". They recommend that these same options should form the basis of how the customer opts-in / gives consent also. This would be consistent and would reflect how the customer has chosen to contract with the provider in terms of the broader policy itself, with more consumers favouring online methods which offer consumers efficient, convenient and a sustainable means of consenting to automatic renewal.

5. Another stakeholder asked the Central Bank to consider this requirement in the context of the volume of information and paperwork that is provided to consumers at renewal time. The consolidation of information and paperwork requirements should aid consumers by making the insurance process more straightforward by highlighting the information that is actually important.

Central Bank Response

The Central Bank has noted the concerns around information overload and will consider this as part of our ongoing consumer protection work at a domestic and European level.

Question 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.

Submissions

The majority of respondents agreed that the proposals should apply to the automatic renewal of all personal non-life products.

Some respondents had concerns in relation to the expansion of the scope here noting that the nature of some of the products is very different to the focus of the Central Bank's Review, i.e., private car and home insurance. Travel, pet and gadget insurance were identified as three products which should not be included in scope of the proposals.

Some of the main points made in relation to this were that the nature of these products is that they are very low cost with most customers not seeing annual price increases.

Others stated that travel insurance provides continuation of cover and consumers are not penalised for pre-existing conditions that were diagnosed after a trip was booked. If the policy lapses, consumers will be required to declare this and be charged an additional premium. In addition, it was noted that there is no difference in the rating criteria between new and renewal customers for these low cost, non-complex products so restricting automatic renewal is not justified and will only inconvenience customers and potentially put them under very significant financial risk.

Respondents recommended that before any further renewal requirements are placed on other personal non-life insurance products, a thorough review is undertaken by the Central Bank in order to accurately assess any detriment, adverse consequences or benefits that can arise for consumers. It was noted that pet insurance should be considered in more detail for this proposal due to the nature of pet 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 to take out a new policy due to their pet's age.

The other respondents who did not agree with this proposal applying to all non-life insurance policies believed the main concerns are with health and dental insurance, noting:

1. Health and dental insurance should be removed from the scope of these proposals. The Health Insurance Acts outline the principles underpinning private health insurance. Lifetime cover and open enrolment are fundamental to its operation.

2. Under Open Enrolment, private health insurers must accept all applicants for insurance cover, regardless of their risk status, age, etc., subject to prescribed waiting periods. Lifetime Cover guarantees all consumers the right to renew their policies, irrespective of factors such as age, risk status or claims history. Once a consumer holds private health insurance, an insurer cannot stop cover or refuse to renew their insurance, except in very limited circumstances.

Central Bank Response

The opportunity to automatically renew insurance policies can be beneficial for consumers and can potentially mitigate the risk of personal detriment in the event that a consumer forgets to renew their policy on time.

Based on the issues identified through our consultation, we have concluded that the proposal relating to prior written consent requires further consideration to avoid the risk of any unintended consequences, including any scenarios that might lead to consumers finding themselves without critical insurance cover. This further work will include an assessment of the positive and negative implications of an opt-in requirement for policyholders under different scenarios and policy types to assess whether further consumer protections are required. The requirements in relation to disclosure remain for all non-life insurance products.

Question 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.

Submissions

The main practical difficulty discussed by most respondents was in relation to the written consent requirement to opt-in to an automatic renewal option. A number of the responses mentioned the difficulties of a written response noting:

1. A practical difficulty of having to ensure that consumers would be in a position to opt out of automatic renewal via means by which the insurance intermediary does not trade.

2. There is an administrative burden placed on both customers and insurance providers in requiring written consent from customers in order to allow an automatic renewal arrangement. This burden could be overcome by allowing the consent to be received orally over a recorded call or via a tick-box on a website.

3. There is a risk of customers not returning the required proposed written consent to insurance providers, thus leading to the policy not automatically renewing the following year, even if the customer had requested their automatic renewal to occur.

4. Any requirement for consent should be technologically neutral. This is particularly important, given the expected focus from the Central Bank on vulnerable consumers in the CPC Review. All customers should be able to choose the easiest and most sustainable way for them to interact with their insurer.

5. For some firms, it may not be possible to separate out monthly direct debit functionality from auto renewal functionality. This may impact consumer outcome due to additional difficulties in offering monthly direct debits as an option at new business.

Other practical difficulties relate to IT and other changes required and therefore the 1 July 2022 implementation date is not realistic.

One stakeholder highlighted the effect this change could have on the mindset of consumers who have items that automatically renew for years and will expect it to continue and also how some low premium products are so commoditised that customer behaviour in relation to them is more akin to a subscription service.

Other Comments:

- Further clarification is required on the provisions.
- More specific requirements as to exactly what is expected by firms in relation to digital and verbal consent is required to ensure consistent treatment for customers by all firms.
- A recommendation to stagger the implementation of Automatic Renewal provisions 10 – 14 to 6 months after the extended implementation date of Pricing Practices provisions 1 – 8. This will also enable any changes in documentation that could come from the CPC review to be implemented in parallel to avoid changing documentation packs twice.
- The initial implementation should focus on the personal motor and home insurance products, and that additional time be allowed for implementation across the remaining non-life insurance products.
- Concern was expressed that there may be certain groups of consumers who could have a difficulty in taking advantage of the process.

Central Bank Response

The Central Bank recognises that the opportunity to automatically renew insurance policies can be beneficial for consumers and can potentially mitigate the risk of personal detriment in the event that a consumer forgets to renew their policy on time.

Based on the issues identified through our consultation, we have concluded that the proposal relating to prior written consent requires further consideration to avoid the risk of any unintended consequences, including any scenarios that might lead to consumers finding themselves without critical insurance cover. This further work will include an assessment of the positive and negative implications of an opt-in requirement for policyholders under different scenarios and policy types to assess whether further consumer protections are required.

Question 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.

Submissions

One respondent did not see any unintended consequences and three others referred back to previous answers where they had referred to unintended consequences they believe may arise. The main consequences detailed by the stakeholders were in relation to the opt-in requirement resulting in lapses in policies or people being unintentionally uninsured and the written requirement resulting in the same outcomes should people forget to return their documentation. These points had been made previously by a number of respondents in previous answers.

Below are the points that were made on these issues:

1. Avoidance of scenarios where the written consent requirement results in a break in cover. Where the insured is undergoing treatment and may need to make a claim for such treatment which might overlap the renewal period, it would be important that the insured, who may have difficulty in providing a written consent, is not deprived of any health insurance cover during that period of transition to avoid any prejudice to their cover or to a live claim relating to it.

2. Requiring written opt-in consent may lead some customers to be left without insurance should they forget to return the consent.

3. Customers becoming unintentionally uninsured with dramatic consequences much more likely than in the home and motor space.

4. An unnecessary administrative burden being placed on both the consumer and the insurance provider, should written consent be required. The proposed measures may lead to increased costs for insurance providers that will ultimately be passed on to consumers.

5. The potential for material consumer detriment as a result of the proposed provisions could be very significant for those affected.

Other issues that were raised in the feedback included difficulties for customers obtaining insurance if they have been without it for a period of time, the dependency between monthly direct debits and auto rollover functionality and the change required in consumer behaviours.

1. Being without insurance for a period can then raise difficulties for those consumer trying to source insurance elsewhere.

2. Transparency around the implications of not accepting automatic renewals should be considered. Older drivers, vulnerable customers, and large proportions of insurers' back books are used to having their policies automatically renewed. We want to ensure such legislation does not result in an increase in the number of uninsured drivers or customers left on the roadside without insurance. It is near impossible to have 100% response rates from communications with customers. This may result in vulnerable customers becoming more vulnerable.

3. Some consumers who have been on auto rollover for a number of years, but have now taken out a new business policy over the phone and did not give consent to auto rollover, may forget they no longer have it at the next renewal. This may mean they unknowingly become uninsured.

4. The dependency that may exist between monthly direct debits and auto rollover functionality leads to unintended consequences.

5. Clear policy documentation and sales processes are required to ensure that the implications of not providing consent is made clear.

Further issues were raised by respondents concerning the direct impact of the proposed regulations and the ability of firms to meet time requirements:

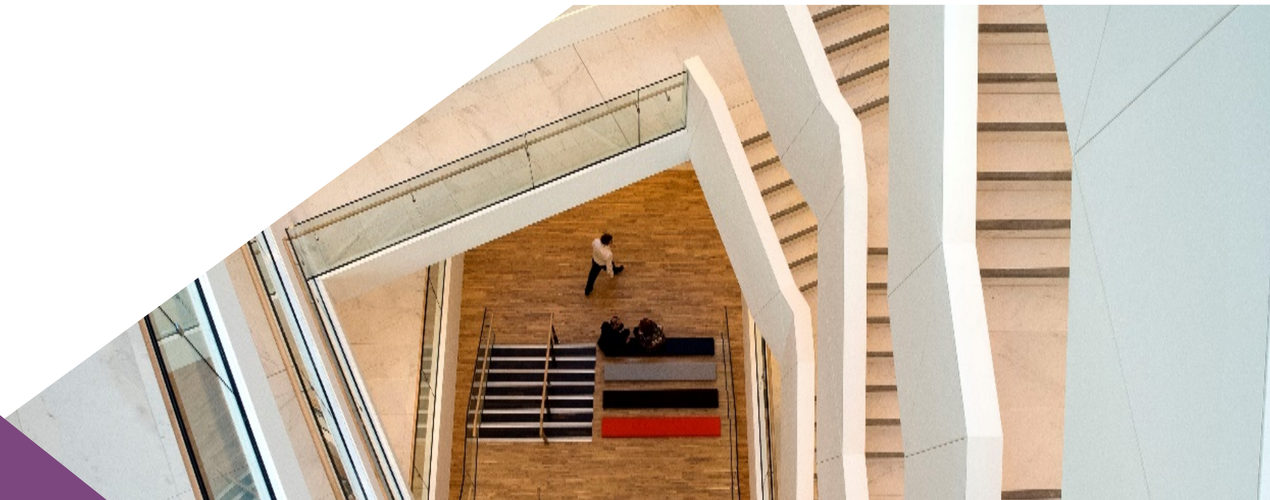
1. Unreasonable time frame for the reform of the regulations was also cited in one submission. A more reasonable timeframe should be permitted with a request for 12 months' lead-in time. If timelines are not adequate, rushed or poorly executed, change programmes may ultimately lead to errors, further remediation costs and ultimately poor customer outcomes.

2. The net benefit to consumers of the proposed regulations specifically for low cost insurance products such as pet or gadget insurance. 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.

Central Bank Response

The Central Bank recognises that the opportunity to automatically renew insurance policies can be beneficial for consumers and can potentially mitigate the risk of personal detriment in the event that a consumer forgets to renew their policy on time.

Based on the issues identified through our consultation, we have concluded that the proposal relating to prior written consent requires further consideration to avoid the risk of any unintended consequences, including any scenarios that might lead to consumers finding themselves without critical insurance cover. This further work will include an assessment of the positive and negative implications of an opt-in requirement for policyholders under different scenarios and policy types to assess whether further consumer protections are required.



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