

Summary response to Central Bank Consultation

1. Introduction - Positive impacts on consumer engagement

1.0 The Health Insurance Authority (“Authority”) takes the opportunity to consider the proposals made by the Central Bank in relation to price walking, dual pricing, lack of oversight of pricing practices and autorenewals. The Authority raises no general objections to the proposals outlined.

1.1 Our current figures for June 2021, indicate that 2.34 million consumers hold in-patient private health insurance policies.¹ The Authority also recognises the opportunity this consultation provides to embed effective cultures which “build on shared values”. We value and welcome the opportunity therefore, to make a submission on automatic renewals.²

1.2 We consider the proposals in general will:

- anchor “consumer protection risk management frameworks to drive positive behaviours,”³
- increase consumer knowledge of how insurance pricing operates,⁴
- provide relevant and balanced information to consumers,⁵
- increase transparency,⁶
- encourage consumers to actively engage,
- encourage switching,⁷
- increase consumer trust,⁸
- potentially reduce the cost of premiums,⁹

¹ There are an additional 105,000 insured persons with products that provide outpatient benefits or health insurance cash plans, see <<https://www.hia.ie/publication/market-statistics>> (accessed 22/09/2021).

² Automatic renewals is interpreted to mean “the practice where an insurance contract allows for a policy to be automatically renewed, unless the customer tells the insurance provider otherwise before the renewal date. As part of the Review, we sought to gain a more in-depth understanding of how the process operates in practice and also how the customer is considered as part of the process.” Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021. See <<https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp143/differential-pricing-review---final-report-and-public-consultation.pdf?sfvrsn=5>>, (accessed 02/09/2021).

³ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.15.

⁴ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.15.

⁵ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.10.

⁶ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.10.

⁷ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.15.

⁸ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.11.

⁹ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.13.

- significantly reduce *unbeneficial* occurrences of differential pricing,¹⁰
- provide a greater range, selection of products which meet the needs of the consumer,
- incentivises more innovative, competitive and market responsive products.¹¹

1.3 The proposed new provisions will require:

- *Written consent from a personal consumer prior to entry into an automatic renewal process.*
- *Consumers' right to cancel the automatic renewal.*
- *Notification in advance of the automatic renewal date, requiring certain information to be set out relating to:*
 - *When the policy will automatically renew and how to cancel the automatic renewal;*
 - *Any changes in terms, fees and charges;*
 - *Reference to the Competition and Consumer Protection*
 - *Commission's website relating to switching; and*
 - *A statement advising consumers to keep their arrangements under review as there may be suitable alternatives in the market.*¹²

1.4 The Authority notes the findings made in the “relationship between automatic renewal status and policyholder [where] customers who, in the Consumer Survey, reported greater engagement in the insurance market, are less likely to be automatic renewal customers.”¹³ We agree that appropriate information should be provided, as set out in the proposed regulations for information on policy terms, pricing, fees and the pending autorenewal. We consider that any private health insurance consumer is better served by making full use of this proposed information in order to encourage customers to shop around, switch insurers, or move to a more appropriate policy with their current insurer.

1.5 The Authority would like to draw attention to the provisions that operate under the Health Insurance Act 1994, (as amended) which provides for open enrolment, lifetime community rating, minimum benefits and the risk equalisation scheme. The cost of health insurance contracts therefore, are regulated by these mechanisms, under the Health Insurance Acts. The Authority however would like to ensure that health insurance policies would not be cancelled where there is *a live claim* in progress, so that the consumer is not deprived of essential hospital treatment or costs associated, during the period where a contract may require express consent to renew but due to ill health or on-going treatment, the consumer may not be in a position, at *that* particular time, to provide such a consent in writing.

¹⁰ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.11. “From a policy perspective, price differentiation can be associated with benefits and costs for consumers, which may require a trade-off between different policy goals (OECD, 2018). For example, it can encourage customers to try new products or providers to avail of lower prices, it can promote new business growth and competition as firms attract customers away from existing providers, it can facilitate expanded market access for consumers who could not afford to pay a single undifferentiated price, and it can promote innovation among firms (CMA, 2018). On the other hand, differential pricing can have an unclear effect on distributional equity (OECD, 2018)” (already cited here), p. 12.

¹¹ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.11.

¹² Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.9.

¹³ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.34.

2. Inclusion of the HIA's comparison tool:

- 2.0 The Health Insurance Authority launched a fully responsive website to provide a private health insurance comparison tool. As a high-level guide it educates and informs consumer decisions on health insurance products. It provides an independent overview of the features and benefits of regulated private health insurance products currently offered to consumers in Ireland. While it is not intended as an official statement of benefits or to offer insurance, financial, legal or other advice¹⁴ consumers can and do access it to compare health insurance policies on the market and to search and compare health insurance plans. Consumers are also invited to access the latest news on health insurance, on our website.
- 2.1 The HIA's comparison tool is a valuable source of independently derived information. It promotes competition, enables switching, provides information from a public agency which is a not-for-profit organisation. It also encourages independent consumer research.
- 2.2 We would encourage the Central Bank of Ireland to incorporate a reference to our comparison tool in the same manner as the example of your reference to the comparison tools offered by the Competition and Consumer Protection Commission. We consider a reference to our comparison tool should be included in the CBI Consumer Protection Code (as amended) to enhance consumer protection. It would serve to place a stronger emphasis on health insurers to alert consumers to this independent information to assist with product selection. In addition to the proposals the Central Bank of Ireland have outlined, we consider the addition of our comparison tool, would also codify a practice amongst the health insurers to advise consumers to regularly review and renew their health insurance contracts.

(Appendix 1 below sets out the Central Bank of Ireland's proposed new regulations for the Code)

(Appendix 2 below sets out the Authority's responses to questions asked in the section on Automatic Renewals and to the proposed provisions of the Code)

¹⁴ While the Authority is proactive in ensuring the correctness and timeliness of price and plan information on the comparison tool, it is offered on an "as is" basis. The Authority does not guarantee the completeness or accuracy of the information available on the comparison tool and take no responsibility for any errors or omissions. See <<https://www.hia.ie/health-insurance-comparison>> (accessed 22/09/2021).

Appendix 1

The proposed regulations

Proposed Provisions for Automatic Renewals

10. An insurance undertaking or insurance intermediary shall not Automatically renew an insurance policy with a personal consumer unless the personal consumer has, prior to the entry into of the insurance policy which is being renewed, provided written consent to such automatic renewal.

11. An insurance undertaking or insurance intermediary shall allow a personal consumer to exercise the right to cancel the automatic renewal of an insurance policy-

- (a) at any time during the duration of the insurance policy, and
- (b) free of charge.

12. (1) Where a personal consumer has provided consent to the automatic renewal of an insurance policy, with a duration of ten months or more, and the insurance undertaking or insurance intermediary proposes to renew such insurance policy, the insurance undertaking or insurance intermediary shall provide a notification on paper or on another durable medium to the personal consumer at least 20 working days prior to the renewal date of the insurance policy which shall include the following:

- (a) a statement that the insurance policy will renew automatically if the personal consumer does not cancel the automatic renewal before a specified date;

- (b) details on how the personal consumer can stop the automatic renewal of the insurance policy if the personal consumer does not wish to automatically renew, including-

- (i) the existence of the right to cancel the automatic renewal of the insurance policy,
 - (ii) the conditions for exercising the right to cancel the automatic renewal of the insurance policy,
 - (iii) the consequences of exercising the right to cancel the automatic renewal of the insurance policy, and
 - (iv) the practical steps required for exercising the right to cancel the automatic renewal of the insurance policy, including, at a minimum, the options available for cancelling the automatic renewal of the insurance policy
- by way of telephone, e-mail, online and post;

- (c) except where Section 14(6) of the Consumer Insurance Contracts Act 2019 (No. 53 of 2019) applies, confirmation as to whether it is proposed that there will be any changes to the terms of the insurance policy upon renewal;

- (d) details of any fee payable specifically in respect of the automatic renewal of the insurance policy and the services provided for

such fee;

(e) a hyperlink to, or website address of, the relevant section on the Competition and Consumer Protection Commission's website relating to getting insurance quotes;

(f) a statement that the personal consumer should keep their insurance arrangements under review as there may be other alternatives in the market that could provide savings for the personal consumer for similar cover.

(2) Where a personal consumer has provided consent to the automatic renewal of an insurance policy, with a duration of ten months or more, and the insurance undertaking or insurance intermediary does not propose to renew such insurance policy, the insurance undertaking or insurance intermediary shall provide a notification on paper or on another durable medium to the personal consumer at least 20 working days prior to the renewal date that the insurance undertaking or insurance intermediary does not wish to invite a renewal.

(3) Regulation 12(2) shall not apply where Regulation 5(1)(b) of the Non-Life Insurance (Provision of Information) Regulations 2007 (S.I. No. 74 of 2007) applies.

13. (1) Where a personal consumer has provided consent to the automatic renewal of an insurance policy, with a duration of less than ten months, and the insurance undertaking or insurance intermediary proposes to renew such insurance policy, the insurance undertaking or insurance intermediary shall provide a notification on paper or on another durable medium to the personal consumer, at least once a year from the date of entry into of the insurance policy for so long as the insurance policy continues to be renewed, which shall include the following:

(a) a statement that the insurance policy renews automatically including the frequency of the automatic renewal and any end date of such automatic renewal;

(b) details on how the personal consumer can stop the automatic renewal of the insurance policy if the personal consumer does not wish to automatically renew, including-

(i) the existence of the right to cancel the automatic renewal of the insurance policy,

(ii) the conditions for exercising the right to cancel the automatic renewal of the insurance policy,

(iii) the consequences of exercising the right to cancel the automatic renewal of the insurance policy, and

(iv) the practical steps required for exercising the right to cancel the automatic renewal of the insurance policy, including, at a minimum, the options available for cancelling the automatic renewal of the insurance policy by way of telephone, e-mail, online and post;

(c) details of any fee payable specifically in respect of the automatic renewal of the insurance policy and the services provided for such fee;

(d) a hyperlink to, or website address of, the relevant section on the Competition and Consumer Protection Commission's website relating to getting insurance quotes;

(e) a statement that the personal consumer should keep their insurance arrangements under review as there may be other alternatives in the market that could provide savings for the personal consumer, for similar cover.

(2) Where a personal consumer has provided consent to the automatic renewal of an insurance policy, with a duration of less than ten months, and the insurance undertaking or insurance intermediary does not propose to renew such insurance policy, the insurance undertaking or insurance intermediary shall provide a notification on paper or on another durable medium to the personal consumer prior to the renewal date that the insurance undertaking or insurance intermediary does not wish to invite a renewal.

(3) Regulation 13(2) shall not apply where Regulation 5(1)(b) of the Non-Life Insurance (Provision of Information) Regulations 2007 (S.I. No. 74 of 2007) applies.

14. (1) Subject to paragraph (2), Regulations 10 to 13 shall only apply in relation to an insurance policy entered into after the commencement of these Regulations (including a renewal in a case where the insurance policy concerned was concluded before such commencement).

(2) Regulations 10 to 13 shall not apply in respect of an automatic renewal of an insurance policy that a personal consumer agreed to before the commencement of these Regulations.

(3) Regulations 10 to 13 shall only apply in respect of non-life insurance policies, meaning insurances of one or more of the classes falling within Part 1 of Schedule 1 to the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) or Part A of Annex I to the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994).

Appendix 2

1. Views of the Health Insurance Authority in response to the questions set out in section 5 to the proposed measures on automatically renewed non-life insurance policies

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.*¹⁵

We note at para. 14(1) that the proposed provisions which may be added to the new Code would require written consent to be implemented only after the commencement of the regulations of the Code.¹⁶ The Authority considers that, in general, this is a positive position to adopt. However, the Authority suggests that consideration is 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. There are implications for consumers who have a break in their cover which exceeds 13 weeks in terms of waiting periods and lifetime community rating loadings.

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.*

The Authority agrees that consumers ought to be provided with information similar to the terms outlined in your Consultation. We consider that health insurers should alert consumers to the opportunity to change their policies at renewal time and to refer to our comparison tool as an aid to promoting greater competition. It is an important step towards a better functioning, competitive, fairer, dynamic and more transparent non-life insurance market.

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.

The Authority considers it appropriate that consumers are notified of any changes to any policy terms, fees and charges. The Authority considers the information should be provided to all insureds' irrespective of their policy tenure. The Authority supports referrals of any party to consumer rights information also provided by the Central Bank, the Competition and Consumer Protection Commission and the Financial Services and Pensions Ombudsman. The Authority considers and welcomes the proposal to include an advisory statement to consumers to keep their contract/policy arrangements ***under review*** as there may be suitable alternatives in the market, as a very positive step included with the information proposed to be provided to all new and all tenured insureds. We also consider that the consumer should be referred to our comparison tool to identify and compare health insurance policies currently on the market.

¹⁵ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.55.

¹⁶ Banc Ceannais na hÉireann, Central Bank of Ireland, Eurosystem, Review of Differential Pricing in the Private Car and Home Insurance Markets, Final Report and Public Consultation, July 2021, p.54.

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.

The Authority considers that **all insureds** must benefit and be equally provided with information on the policy concerned, any changes to terms, fees or charges and also advised of the policy duration and the renewal dates, for every year the policy is active. We consider these reforms will support and benefit competition in the market and consumers of private health insurance also.

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.

The proposed written consent, prior to any automatic renewal, enables new policy holders to take more control over the kind of policy and benefits they wish to purchase. We consider therefore the proposal to keep the insured **informed** is an important reminder of their entitlement to shop around and avail of more competitively priced 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.*

Any breaks in cover greater than 13 weeks may impact waiting periods and life time community rating loadings under our Acts. This must be balanced against the benefit of encouraging consumers to research and switch where possible. The HIA considers that it would be important that this is highlighted to consumers. There is also the practical difficulty associated with events outlined in the response to question 1. i.e., the event that a consumer may be mid hospitalisation/treatment and as such, is not in a position to renew and the implications of this on the future costs of their health insurance and indeed access to benefits as a result of waiting periods.

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.*

The Authority considers that all consumers who acquire a health insurance policy should be required to provide written consent *prior to* entering into the automatic renewal arrangement. However, 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. There are, as submitted here, consequences for consumers who have a break in their cover which exceeds 13 weeks in terms of waiting periods and lifetime community rating loadings which would apply for 10 years.