Society of Actuaries in Ireland

Public Consultation on the Review of Differential Pricing in the Private Car and Home Insurance Markets

Submitted to the Central Bank of Ireland

October 2021

Preface

The Society of Actuaries in Ireland ("Society") is the professional body representing the actuarial profession in Ireland.

The Society welcomes the opportunity to submit this response to the Public Consultation on the Review of Differential Pricing in the Private Car and Home Insurance Markets. In preparing this response, our focus has been on the public interest and the responses do not purport to reflect the views of the insurance industry.

We would be happy to respond to any questions on this paper. Please contact Philip Shier, Head of Actuarial Practice, at philip.shier@actuaries.ie.

1 Overarching Comments

We welcome the Central Bank of Ireland's ("CBI") final report and public consultation on differential pricing in the private car and home insurance markets. It is important that the private car and home insurance markets deliver fair outcomes for consumers, particularly for those who are vulnerable.

The CBI highlighted in their consultation that there is evidence of cross subsidy by years of tenure in the private car and home markets i.e. those consumers who remain with their current insurance provider pay a significant loyalty penalty. Their proposal is a positive step forward to help address this cross subsidy, whilst also balancing this against the need to retain a competitive market. We do believe, however, that by focusing the solution on tenure while allowing differential pricing between new business and renewal to persist, and indeed by encouraging the use of subjective discretionary discounts, some customers may remain disadvantaged.

It should be borne in mind that the CBI have not defined what is meant by "fair" and by "unfair" practices in their consultation paper. For some, fair pricing could be the objective of setting a price commensurate to the level of risk and the associated cost incurred, to others it may mean a market operating in a competitive way whereby those most financially vulnerable can afford insurance premiums. The CBI recognise in their consultation that vulnerability is not solely limited to income/ financial capability and can extend to, but is not limited to, those who are vulnerable due to age or those with behavioural biases who are less likely to negotiate or look for alternatives.

Under the current system, customers who choose not to, or are unable to, shop around subsidise those who do. As a result, the potential remains for a cohort of vulnerable customers to be disadvantaged. More generally any change to the system will have different impacts on different types of customer e.g. a complete ban on discounts would have a negative impact on those who do shop around. To ensure a consistent approach is applied by the market, further guidance from the CBI would be welcomed.

Taking all of the above into consideration, we believe that widening the proposed Annual Review and Record Keeping requirements to require Firms to identify other pricing differentials beyond tenure and to demonstrate how their approach is delivering fair value to different cohorts of consumers would provide greater protection in the short and long run, while allowing an equitable competitive market to continue.

The insurance market continues to make developments in data analysis and modelling techniques. While these will bring benefits to the market and for consumers, it is important that Firms avoid unfairly taking advantage of consumers' behavioural biases, and operate in a fair and transparent manner. The CBI's measures are a welcome step forward in this regard, and we envisage they will be reviewed and considered for appropriateness in the years to come.

Please note that, for completeness, all terms referred to below including but not limited to Actual Premium to Technical Premium ("APTP"), "differential pricing", "dual pricing", "price walking", "year one renewal" etc. are as those defined by the CBI in their consultation.

2 Pricing Practices

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

The objective of the proposed regulation is to specifically address price walking, as identified by the CBI as the area of greatest customer detriment. We agree that some intervention is necessary based on the supporting evidence presented in the CBI report and welcome the proposed interventions as a positive step forward.

We believe that the proposed interventions should reduce the breadth of the current cross subsidisation across customers of different tenure while allowing a competitive new business market to continue. However, they are not without unintended consequences (as discussed in 2.5) which have the potential to perpetuate, and indeed create, elements of unfairness.

We believe that by widening the proposed Annual Review and Record Keeping requirements to require Firms to identify other pricing differentials, beyond tenure alone, and to demonstrate how their approach is delivering fair value to all cohorts of consumers would provide greater protection in the short and long run, while allowing an equitable competitive market to continue.

An alternative measure for consideration by the CBI is discussed further in 2.9.

2.2 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.

The CBI's data gathering exercise, detailed analysis and results presented in the report were solely based on ***Private*** Motor and Home Insurance consumers/ products.

The proposed regulations are intended to be applied to all motor and home insurance markets for ***Personal Consumers***. Whereas all home products are designed, priced and sold to personal consumers, the motor market is much broader and products may be sold to personal consumers, commercial consumers or both.

As a consequence, we foresee there may be potential issues with the application to products in scope of the proposal, such as:

- The relationship between price and tenure found for the cohort of the Private Motor and Home policies analysed by the CBI may not apply similarly to the other motor products e.g. motorcycles, classic cars etc. which were not analysed but are in scope of the proposed regulations.
- There are motor products in the market that are predominantly for commercial/business use but may have some personal consumer policies e.g. horse lorries, small vans. Due to the practical complexity of defining personal consumers within these commercial products, the current definition is likely to bring all policies within such commercial products within scope in order to demonstrate compliance with the regulations.
- It may be difficult to apply appropriate premium comparisons for small heterogeneous products or those which are individually priced (or experience rated), for example family fleet policies.

We believe that clarification of exactly which motor products are in scope is required to ensure that the proposed regulations are applied consistently across the industry and the desired outcome for all cohorts of consumers is achieved.

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

Although the CBI reported that they did not find evidence that vulnerable customers are disproportionately impacted by differential pricing, a positive implication of the proposed interventions is that they will provide a level of protection for the cohort of vulnerable customers who may find it difficult to shop around at renewal.

The CBI report shows that the APTP ratio can vary considerably for home and motor policies, with some customers paying more than 3 times the expected cost of their policy. The report also shows that a significant proportion of these customers are unaware of the practice of price walking, believing that their premium will reduce with tenure as loyalty is rewarded.

We note the following positive implications of the proposed regulation:

- The risk of price changes at subsequent renewals that are not linked to changes in risk is partially mitigated.
- In the short term, as the market moves to comply with the new rules, some customers may benefit from the reduction in cross subsidisation by tenure.
- The proposed intervention may narrow the tail of the distribution in APTP ratio, promoting fairness and improving value for money for the cohort of customers with longer tenures.
- New business discounts continue to encourage customers to try new products/ or providers, promoting new business growth and competition.
- The ability to request discretionary discounts is valuable for those who are most price sensitive and potentially financially vulnerable.

Further we welcome the requirements contained within Regulation 3 on how the regulation should be applied to closed books and expect that this (and other factors) will mitigate against the proliferation of new products being brought to market regularly, as observed in the Health Insurance Market and discussed in section 2.5.

We note that the intention of the proposed intervention is to improve the level of trust consumers have towards the industry; however due to the potential unintended consequences we do not necessarily see increased trust as a guaranteed outcome of this intervention. This is discussed further in section 2.5.

The display of a new business discount, while not included in the proposed changes, is referenced in the report as being considered as part of the planned wider review of the Consumer Protection Code. We understand that this will require Firms to include the premium differential between new business and the equivalent first renewal within policy documentation. It is important that this new requirement is considered in full and is clearly defined to ensure the benefit from the potential increase in transparency is not outweighed by any risk of misinterpretation or confusion given the many discounts and promotions currently in use in the market.

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

The proposed interventions focus very specifically on differential pricing by tenure but do not attempt to remove all causes of deviations between level of risk and cost of service, and the price paid by the customer. For example, straightforward removal of tenure as a rating factor from claims models may result in other rating factors becoming more significant as a result of correlations. This may mean cross subsidies could be established through other factors.

While all insurers are required to comply with CPC requirements to treat customers fairly, the lack of specific regulations or guidance in relation to differential pricing by other factors may create an uneven playing field where different insurance providers have different interpretations of how the spirit of this regulation should be applied more widely. As set out later, we believe regulations which would increase the onus on Firms to identify pricing differentials and enable a clear view on how their approach is delivering fair value will support better customer outcomes over the long run.

We understand that the CBI considered the FCA approach of banning dual pricing but felt that this was not necessarily appropriate for the Irish market, in particular considering the differing market dynamics in Ireland to those in the UK. As a result, we note the following negative implications for consumers of dual pricing continuing:

- new business discounts will likely still be the main approach to generate new business as opposed to promoting product, service or pricing (risk selection) innovation.
- customers will not trust that their renewal price is the best price that can be offered by their existing insurance provider.
- the level of trust between consumers and the industry may not improve as a result of the regulations.

If the changes result in a restriction of new business offers in the market, some vulnerable customers, particularly those who are vulnerable due to low income levels and rely on the ability to shop around the market to limit their spend on insurance, may experience a negative outcome relative to today's market.

Other potential negative implications in the form of unintended consequences and practical difficulties are discussed below.

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

Uncertainty within an individual personal consumer's renewals

There is a risk that the interpretation of these regulations is oversimplified by the media, leading to an expectation that all personal consumers in scope will receive a price reduction in their next renewal following implementation. In reality, we expect there to be winners and losers and it is difficult to predict how Firms will respond. In particular, some cohorts of personal consumers could experience unexpected price changes on renewal.

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 is discussed in more detail further down). 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. Firms will have to manage the size of their overall insurance exposure and their processes to ensure the implementation of these regulations does not lead to an increase in their expense ratios. Firms will also need to be mindful of volatility potentially impacting capital requirements, which may have subsequent impacts on the premiums charged to the consumer.

Discounts remain available only to those willing and able to shop around and negotiate (i.e. "haggle"):

- Consumers may not realise that a differential between new business and renewal prices will continue.
- Only those customers who are motivated and have the ability both to shop around at renewal for alternative new business prices, or to haggle for discretionary discounts, will receive lower prices. As a result, the potential remains for a cohort of vulnerable customers to be disadvantaged. Renewal prices more generally may have to support the funding of a discretionary discount pot for those customers motivated to ring in.
- The consistent consumer feedback in relation to trust with insurers often comes back to "why do I have to ring my insurer to get the best price?". As a result, it is uncertain as to whether these regulations will increase the level of trust between consumers and the industry as intended. This could be further exacerbated by an inconsistency of discounts offered within Firms and across the market.
- The regulations encourage customers to ring their Firms for a discretionary discount. All Firms today may not operate this facility and may offer the best price available within the original renewal offer.
- A Firm's expense base may increase, which may subsequently be reflected in consumer premiums, for example to facilitate call centres dealing with increased numbers of customers negotiating and expecting discretionary discounts.
- Based on current experience, it is expected that lower tenure customers will be more likely to ring up for these discretionary discounts compared to higher tenure customers. Consequently, the continued use of new business discounts perpetuates the cross subsidy between new and renewal policies.

Proposals may limit insurers' ability to implement new pricing that is more closely aligned to risk cost

Under the proposed regulations, we believe that new business discounts may remain the main approach to generate new business as opposed to promoting product, service or pricing (risk selection) innovation.

We also consider that the proposed regulations may make it more difficult for Firms to implement new claims models, new question sets, new technologies and/ or rating platforms on the same product. This may create an unintended disincentive for Firms thereby limiting the offer of more competitive premiums or premiums more closely aligned to the underlying risk cost. This is explored in more detail below.

An updated technical price model may include new rating factors and statistical techniques that better identify and segment risk. It may also incorporate more recent time periods where there could be changes in the environment and driving patterns which also change this view of risk. As a result, the Technical Price for an individual policy may change significantly, either up or down, following an updated technical price model. This could be as much as +/-20%, or a wider range still. Today, a Firm has the ability to cap/collar year-on-year rate increases and decreases on individual policies at renewal to, for example, 5%. This allows a Firm to gradually move existing renewals on to the new view of risk, over a number of renewal years, allowing them to manage overall expected policyholder retention.

Under the proposed regulations, Firms may be limited to the following options for deployment of updated technical price models:

1. *Implement the new technical price in full into pricing and all years' renewals.* This may lead to some customers receiving significant increases in price, causing them to lapse. Other customers meanwhile may receive reductions in price and so renew at reduced average premiums. This results in fewer policies renewing overall, a reduction in premium for those who do renew and, overall, less premium available to cover expenses.

2. *Implement the new technical price in a constrained way.* Implement it in full for year one renewals. As premiums for year two+ renewals can be no higher than year one, any reductions as a result of the new technical price models have to be applied. However, any increases for year two+ renewals caused by the new technical price model are capped (as long as the premiums charged are less than year one renewals) in order to reduce the year-on-year price increase to customers. As all reductions flow through, but only limited increases are applied (in order to limit the impact on retention), the result is a rate reduction and an increase in the expected loss ratio.

3. *The Firm may decide to take no action,* and trade off the benefit of a stable future expected retention and insurance exposure, against any negative impact from widening the APTP distribution and the size of cross subsidies.

The proposal may not lead to customers receiving a price that is more comparable to their risk i.e. an APTP equal to 1

- Lower tenure customers may be more motivated to contact Firms seeking discounts.
- Insurers may focus on compliance with the regulation by ensuring renewal prices across tenure are the same, rather than focusing on offering prices reflective of the risk presented.
- Risk cost may reduce by tenure beyond year one renewals. There is however no requirement in the proposed regulations for insurance providers to pass on this reduction to consumers and to follow the shape of risk cost by tenure. Consequently, longer tenure customers may continue indirectly to cross subsidise shorter tenure customers.

Potential for product proliferation

We considered whether the proposed regulations would result in product proliferation in the personal motor and home insurance markets, similar to the Health Insurance market. Our expectation is that this risk is mitigated, to a certain extent whereby:

- The proposed regulations include specific requirements regarding "close match" products. Firms, as a result, will have to charge premiums in closed books that are no greater than the equivalent first renewal price of the most comparable open product they have. There may be practical difficulties in operating this due to potential differences in IT systems, rating algorithms and question sets/data sets.

- Firms are required by the CPC to offer customers the most suitable product for their needs. Offering multiple similar products which are individually priced for each customer would add complexity and cost to Firms' sales processes.

2.6 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.

In addition to some of the items raised above:

- New business prices are often set at a level that is loss making (or at a minimum, at a lower margin than the overall portfolio). This cost (the loss created by claims and expenses on new business being larger than the premium received) is "recouped" at renewal, potentially over several years. Explicit bans on dual pricing would limit a Firm's ability to recoup the loss at renewal and would likely result in a redistribution of premium between new business and renewing customers. This may mean insurance premiums become less affordable for those most financially vulnerable
- This would likely discourage customers from shopping around, thereby reducing the competitiveness of new business prices in the market.

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

The unintended consequences considered in 2.5 can also be considered as practical difficulties, in particular the ability to implement new claims models and /or technical price. We do not repeat the details here. We further note that our observations below may also be considered unintended consequences given the sometimes inextricable link between practical difficulty and subsequent consequence.

Complications in dealing with products that are closed to new business

On occasion, a product may be closed to new business as a result of poor performance and poor rating strength, with the intention for it to be separately remediated and put into run off.

This may mean that the Technical Price of one product closed to new business, (due to poor risk mix) could be much higher, but the requirement to compare the Actual Premium of open products means that the APTP of the product as a whole is ignored. This could result in a product being undercharged, leading to a cross subsidy across products and restricting a Firm's ability to charge a premium commensurate with the underlying risk.

We further note comparing Actual Premiums between two different products, where the product, risk mix, rating factors and technology differ, may not always be possible or appropriate.

Difficulty in appropriate premium comparisons for small heterogeneous products or those which are individually priced (or experience rated)

The ability to make price comparisons across renewals and between renewal books (if a book is closed to new business) may be difficult for non-private personal motor business e.g. special vehicle types, fleet rating.

See related comments in relation to scope of products in answer 2.2

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

We do not foresee any additional practical difficulties if both dual pricing and price walking were prohibited, except where new business rating platforms/IT systems are different to renewal rating platforms/IT systems and change is required to ensure the same premium is calculated.

2.9 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?

A key observation in the CBI's consultation is that it is important that consumers who are more price sensitive and tend to shop around are able to seek competitive new business prices, and associated new business discounts.

We support in principle the direction that the CBI have taken in their proposal to limit pricing practices related to price walking. We consider that the CBI's proposal is a positive step forward to reduce the breadth of the cross subsidisation across customers of different tenure whilst also balancing this with maintaining a competitive market.

We believe however, that by focusing the solution on tenure while allowing differential pricing between new business and renewal to persist, and indeed by encouraging the use of subjective discretionary discounts, some customers may remain disadvantaged.

We believe that by widening the proposed Annual Review and Record Keeping requirements to require Firms to identify other pricing differentials, beyond tenure alone, and to demonstrate how their approach is delivering fair value to different cohorts of consumers would provide greater protection in the short and long run, while allowing an equitable competitive market to continue.

This approach would bring a heightened focus to risk-based pricing and, where data or claims experience is not available to new entrants, it would promote the use of appropriate and fair assumptions in pricing. It would also encourage and foster the view that improvements in pricing sophistication means improvements in the identification and quantification of risk.

The disadvantage of increasing the onus and oversight of each individual Firm (as opposed to fully banning dual pricing), is that Firms would define fairness differently and implement changes at different times. We believe that, in order to achieve a market-wide step change in approach, specific regulation would be required to facilitate an ongoing, equitable competitive environment. Furthermore, any regulations should be proportionate and cognisant of not placing an excessive additional burden on Firms.

2.10 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.

We agree that both dual pricing and price walking pose a reputational risk to the industry. Current market practices lack transparency and are unintuitive to customers. This is demonstrated by the CBI's consumer research which shows that a significant number of customers are unaware of the practices, believing that they will be rewarded with a lower premium if they renew with their insurer.

Due to the potential unintended consequences of the proposed interventions it is not clear whether the interventions will improve the level of trust between consumers and the industry, and so will not necessarily address this reputational risk. Further, we see potential for the interventions to exacerbate some areas of reputational risk;

- 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 necessarily be the case as discussed earlier.

3 Pricing Practices: Annual Review and Record Keeping

3.1 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.

We welcome the continued focus of the CBI on insurance providers improving governance, control and oversight of pricing practices.

We believe that it is important to put the onus on insurance providers to have the right governance in place to ensure that the impact on customers is fully considered in pricing decisions and that pricing practices are subject to due consideration at the appropriate fora.

As noted in the CBI's report, Firms are updating existing policies or introducing additional policies and frameworks that consider customer fairness. We believe the requirements in relation to annual review and record keeping will support this increased focus on ensuring pricing practices provide fair consumer outcomes.

3.2 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.

We understand that the scope of the draft regulations 9(1) to 9(4) in relation to the annual review is focused on the impact on customers of differential pricing by tenure.

We expect Firms to respond to the new regulations by ceasing to use tenure as a rating factor. On this basis, it is reasonable to expect that the scope of the annual review will focus on an analysis of price variations by tenure which arise from indirect factors such as the use of discretionary discounts, age or other rating factors correlated to tenure.

While the CBI did not find evidence that vulnerable consumers are adversely impacted by differential pricing, the CBI did observe that Firms do not specifically consider pricing outcomes with respect to vulnerable consumers.

We believe that extending the scope of review so that Firms are required to consider the extent to which their products offer fair value for money for cohorts of consumers, and to take appropriate action where necessary, would reduce the risk of poor consumer outcomes and unintended consequences for vulnerable consumers. We acknowledge that the CBI intends to consult on vulnerable consumers separately as part of the Code Review. Therefore, this may already be a future consideration for the CBI.

3.3 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.

We agree in principle that due consideration, and a retained record of the same, should be given prior to implementing a material decision.

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

In our view, the annual review process needs to be designed so that there is an appropriate balance between independence and specialist knowledge or experience in pricing. This person/ or function appointed with responsibility for executing the annual review will need to be capable of judging whether the insurance provider complies with the new draft regulations.

We believe that Firms would welcome guidance from the CBI in respect of the scope of the review, and overall expectations on Firms in the context of the implementation of the annual review. We believe that further guidance would ensure a consistent approach across industry, and support Firms demonstrating they comply with the spirit, not just the letter, of the new regulations.

Secondly, we note the Head of Actuarial Function ("HoAF") is required to annually opine on the overall underwriting policy. In doing so there is an expectation that they consider all material underwriting and pricing policies and processes. We would welcome guidance from the CBI in relation to how they would expect the HoAF to address the annual review.

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

The relevance of the annual review may diminish over time, following the appropriate implementation of the actions required to no longer differentially price by tenure. For example, unintentionally, the review may become focused on minor price variations or become a technical exercise to explain, for example, variations in the APTP ratio by tenure. As a result, due to the reasonably specific scope of review, as defined in the draft regulations, this may result in other more material impacts on customers of pricing decisions not being highlighted at the relevant fora, including the Board.

As previously stated, we believe that an extended annual review could be considered by the CBI. Notwithstanding this comment we note that the Insurance Distribution Directive is now in force, and in particular its requirements of Firms in relation to product oversight and governance. We are cognisant that Firms are making progress in developing appropriate frameworks for assessing the 'fairness' of each product (which includes the pricing of that product). Considering this, the scope of any review should build on the work done and not unintentionally create an additional burden for insurance providers.

We further note the findings from the CBI Review in relation to vulnerable consumers are being further considered as part of the CBI Code Review. We believe there is a risk to Firms of developing and implementing an additional annual review which might not subsequently be fit for purpose as the Code evolves.

4 Automatic renewal

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

We agree with the proposed regulation that an insurance provider may not renew an insurance policy automatically unless a personal consumer has provided his or her consent prior to first entering into the automatic renewal arrangement. We believe however that the requirement for written consent has the potential for consumer detriment. Currently no other aspect of the insurance journey requires written consent.

Consumers may not understand why they can verbally confirm to go on cover this year, confirm for payment to be taken, supply payment details and confirm for their data to be processed but cannot confirm to auto rollover at the same time.

Also, some Firms may not be in a position to offer monthly direct debits without auto rollover being automatically attached, due to IT limitations. For these Firms there is an unintended consequence that the ability to offer monthly direct debits is tied to receiving written consent for auto rollover first. Usually those most financially vulnerable would not be in a position to pay in full and would opt for monthly direct debits, and this may mean it is more difficult for them to obtain cover quickly and easily.

It should also be noted that the other proposed regulations encourage consumers to contact (most likely by ringing) Firms to seek and negotiate discretionary discounts. Requiring written consent will lead to consumers using multiple channels of communication for the same transaction which is inefficient and undesirable.

In particular, insisting on written consent doesn't take into account consumers who are visually impaired or have poor literacy skills.

4.2 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.

We agree that the information to be provided will ensure consumer clarity in a consistent way across the market.

Consent given at new business should also be included in the associated new business documentation.

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

Yes, we agree with the proposed requirements.

4.4 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.

Yes, we agree that these proposals should apply to the automatic renewal of all personal non-life insurance products.

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

There will be practical difficulties in implementing a smooth and easy process for consumers to give their written consent.

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.

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

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.

Also, the dependency that may exist between monthly direct debits and auto rollover functionality leads to unintended consequences as described earlier.

Pembroke House
28-32 Pembroke Street Upper
Dublin 2, D02 NT28
Ireland
Tel: + 353 1 634 0020
Email: info@actuaries.ie
Web: www.actuaries.ie