

CP158 Central Bank Of Ireland Consultation Paper on the Consumer Protection Code

Introduction

This paper is a response to specific items described in the CP158 Consultation Paper issued by the Central Bank of Ireland (the Bank) in March 2024 by Ornella Underwriting Limited (We/Us/Our/Ornella).

Section2: Informing effectively

Ornella welcomes recognition that simply adding papers to an already burdened set of documents is counter-productive and detracts from, rather than enhances, understanding since it means that customers are less inclined to read the documents issued.

While most documents have a utility, one document in particular issued with papers for all new motor insurance policies appears to have none at all.

Changes to the Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007 were implemented in September 2021 by the passing of SI 436/2021 Non-Life Insurance (Provision of Information) (Amendment) Regulations 2021.

This change took the expedient measure of applying renewal information regulations to new policies by removing paragraph 4 from the principal regulations, which is the paragraph relating to their specific application to policy renewals.

The 2007 regulations require insurers to issue a certificate of No-Claims Discount (NCD cert). This document proves to a prospective new insurer that the person to whom it was issued has a given number of claims free driving years, based on the history of that policyholder not only of their time with the issuing insurer but in many cases of the history that insurer accepted from a previous insurer. It is therefore a record of the past, on which the new insurer will base their discount.

The expedient change to the 2007 regulations had the unhappy effect of requiring a new insurer to issue an NCD cert as part of the new policy paperwork despite having had no risk under which claims might have occurred. The thus created "new business NCD cert" has no utility for the customer. It doesn't add to their history as presented on the NCD cert from the expiring insurer. They cannot present it anywhere. No claims can have been added, no additional years of history can have occurred. Since their entire history is wrapped up in the document issued by the expiring insurer, this document does not add to their record.

If the interests of consumers is served by providing useful information and not over burdening them with additional paperwork that does not meaningfully add to their understanding of the product, this document is not in the consumer's interest. The Bank should take steps to remove the requirement to issue this document.

The 2007 regulations provide that the NCD cert contains:

(a) the percentage and monetary value of the discount, if any,

(b) the point on the discount scale, if any, and

(c) the number of years, if any, in respect of which no claim has been made against the policy of insurance concerned.

Item c on this list is misleading. If a policyholder has moved insurer each year then all that will ever be shown on an NCD cert in this section is one even though the policyholder may have had five or more successive years, with different insurers, with no claims being made.

The Bank should consult with representatives from the industry on how best to represent the full history of a policyholder on this document.

Section 3.3: Insurance Switching

Ornella notes with dismay the proposal to add an additional layer of cost and effort to the renewal process in the form of a pre-renewal renewal notification. The aim of this additional layer of activity is stated as:

The purpose of this additional renewal notification is to provide consumers additional time to consider their options, make enquiries, and to possibly find a product/provider that better meets their needs.

The phrases “consider options and make enquiries”, and “find better products or better insurers” are comparative. As a matter of logic, if a consumer is going to act on receipt of the proposed notification BUT in advance of their invitation to renew, they cannot know that the alternative insurers are going to have a better product, cover, or price. These can only be known once the expiring insurer has issued their terms, rendering any such pre-renewal research redundant. To the extent that consumers act on it at all, they will be acting in a vacuum of information about the offer on their current policy. It is even possible that some consumers will be minded to accept an offer from a new insurer without having the original insurer’s offer to hand.

The consultation paper does not present any research on whether consumers feel rushed or need more time, but we submit that four full weeks is more than adequate and have never heard a complaint that the current period is too short.

There is a point at which renewal research becomes too early. Increasing the notice period to a full 8 weeks (nearly 2 months) before the renewal date as envisaged means that quotes for cover on the day of issue have a high likelihood of being invalid by the renewal date. Furthermore, the information on which such quotes are based has an increasing likelihood of being out of date at the renewal date as claims can occur and the subject matter of the policy changes.

Finally, the issuing of renewal notices is already a labour-intensive and costly endeavour for the market from insurers to brokers. Doubling the workload and postage will simply mean more cost that ultimately will be passed to policyholders.

Elsewhere in the consultation paper it is acknowledged that

"consumer protection frameworks should be proportionate in terms of achieving the outcome sought without being unduly burdensome or costly".

We submit this proposal fails to meet this standard by a considerable margin.

It is further claimed that

"our proposals do not represent a new additional burden for firms, but rather a clarification of what is required of them in this regard under their existing obligations".

The pre-renewal renewal notice is demonstrably additional to existing obligations and cannot fall within the scope of this claim.

Additionally, the consultation paper claims that

"This is not to say that there will not be associated costs, but rather that those costs are already implicit in the framework and should not be additionally significant"

is similarly at odds with a requirement to introduce a whole new workstream to the lines of insurers and brokers.

Ornella urges reconsideration of this measure as it is positively detrimental to the interests of consumers because it seeks to have them pre-empt the offer from an existing insurer, might cause them to accept an offer without the existing insurer's offer, fails to meet a requirement that it not be costly or burdensome, and is entirely outside the scope of any claim that somehow insurers and brokers are already paying for this work.

We would urge the Bank to resist pushing the existing renewal notice period back further without further qualitative research into the causes and propensity of the current 4 week notice period being too short.

Consumer Protection Code

General Principles 2.12 deletion

It is proposed this Provision *"complies with the letter and spirit of this Code"* will be deleted. We still believe that spirit of the code remains valid for inclusion.

Provision of Information 4.33 deletion

It is proposed the Provision *"A regulated entity must, when offering a motor insurance policy to a consumer, set out clearly for the consumer the basis on which an insurance undertaking may calculate the value of the vehicle for the purposes of settling a claim where the vehicle is deemed to be beyond economic repair following a road traffic accident, fire or theft"* is deleted. In consideration of the frequency of queries raised by policyholders as to how value is calculated in a claim, it seems prudent that this remains valid for inclusion.

Section 48 - Conduct of Business Regulations:

Part 2, Chapter 15, Regulation 123

The timeline of “3 working days” contradicts those in other Provisions e.g. complaint acknowledgement, issuance of documents. We would expect there to be consistency between timelines.

We would expect “a person acting on behalf of a consumer” to exclude an appointed retail insurance intermediary, otherwise email traffic will become unmanageable and have the unintended consequence of impacting customer service.

Part 2, Chapter 4, Regulation 43

Can the Bank clarify that this relates to platforms available directly to the consumer?

Part 2, Chapter 12, Regulation 107

Can the Bank clarify, in relation to 107 (4) (b), if email is considered electronic or is the intention of this regulation for a response to be sent to a website contact form?

Terminology

Can the Bank clarify the difference between “a representative of the consumer” and “a person acting on behalf of a consumer” and “Trusted Contact Person”? Is “a representative” intended to be a professional e.g. broker or solicitor and “a person” being a nominated representative for a vulnerability e.g. a de facto consumer or are they a “Trusted Contact Person”? For consistency, can the defined terms within ADMA legislation be used, where applicable, and a single term be used to describe persons not covered by the ADMA definitions?