

## CMA MARKET INVESTIGATION INTO PRIVATE MOTOR INSURANCE

AGEAS UK COMMENTS ON THE MODIFIED DRAFT ORDER  
CIRCULATED FOR CONSULTATION ON 27 FEBRUARY 2015

This paper sets out the comments of Ageas UK<sup>1</sup> on the modified draft Order that was published by the CMA for comment on 27 February 2015.

**1 IMPLEMENTATION DATE FOR THE NCB PROTECTION REMEDY**

- 1.1 Ageas UK welcomes the CMA's decision to put back the implementation date of the NCB protection remedy. Whilst the CMA has not yet explained its reasoning for changing the implementation date, Ageas UK assumes that the CMA now accepts that the original proposed date (1 September 2015) was not realistic.
- 1.2 However, Ageas UK (in common, it believes, with others in the industry) retains hesitations regarding whether the CMA's proposed new implementation date for the remedy, 1 August 2016, is still too early.
- 1.3 Assuming that the final Order is made towards the end of March, the CMA's new proposed implementation date would give PMI providers just over 16 months to implement the remedy. Ageas UK respectfully submits that it cannot be assumed that PMI providers will be able to implement the remedy within a 16 month period. It urges the CMA to give detailed consideration to the steps that PMI providers and others will need to take in order to implement the remedy, before finalising the implementation date.
- 1.4 In its submission dated 6 February 2015, Ageas UK suggested that the implementation date should be no earlier than March 2017. For an explanation of why Ageas UK suggested that date, the CMA should refer back to Ageas UK's previous submission. However, in particular, the CMA should bear in mind the following:
  - 1.4.1 A key factor in determining the timetable for implementation will be the period of time that the software houses will require to carry out the development work necessary for the remedy. Ageas UK trusts that the CMA is engaging with the software houses to establish their views on how long they are likely to require. There are indications that the software development work alone could take up to 18 months. If the CMA considers that the work can be done within a shorter time frame, then it would be helpful if it would publish its reasoning in that regard for review and comment.
  - 1.4.2 It is crucial that the final deadline recognises that implementation will require time over and above that required by the software houses. Additional time will be required at the outset to confirm the technical requirements/specifications of the remedy. And, once the software development work has been completed, time will be required to test and roll out the new arrangements.
  - 1.4.3 It would in any event be prudent for the CMA to err on the side of caution in terms of how long implementation might take. The PMI providers themselves cannot fully control the implementation process since they are largely beholden to third party software houses (who, if the implementation deadline proves too challenging, could in

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<sup>1</sup> In this submission, references to "Ageas UK" mean Ageas (UK) Limited and, where applicable, its subsidiaries, excluding Tesco Underwriting Limited. Tesco Underwriting Limited is a joint arrangement with Tesco Bank and its views do not form part of this response.

effect be put in a position where they determine which PMI providers can comply and which cannot, depending on which PMI providers' requirements they choose to prioritise). There would be a risk of material consumer detriment if PMI providers were unable to comply in time and therefore decide not to offer NCB protection as an option.

- 1.5 In light of the timing challenges, Ageas UK would welcome confirmation from the CMA that the new rules will apply by reference to when the NCB protection offer is *first* made to the consumer. PMI providers will often, for example, provide renewal quotes to consumers, say, six weeks prior to renewal. Ageas UK assumes that the new rules will not apply where a consumer is provided with a renewal in, say, mid June 2016 for a policy that renews in early August 2016, even if the consumer ultimately waits until early August 2016 to take up the offer (otherwise, in effect, the remedy would apply from mid-June, or whenever the PMI provider chooses to issue the renewal offer).

## **2 THE FIRST AVERAGE NCB DISCOUNT TABLES**

- 2.1 Ageas UK notes the CMA's revised wording for paragraph 5 of Schedule 2.<sup>2</sup>
- 2.2 Ageas UK understands this change to mean that, if the remedy comes into force on 1 August 2016 (as the CMA currently envisages), PMI providers will at that point be permitted to provide consumers with tables of average discounts that are based on reasonable estimates of NCB discounts for the previous calendar year, rather than being required to provide tables based on actual data. Using the dates currently proposed in the modified order, those tables can then be used until 1 February 2017 when they will be replaced with tables based on policies written in 2016.
- 2.3 Ageas UK welcomes this change, since it seeks to tackle the concern that there would otherwise be a retrospective element to the remedy (since PMI providers would otherwise be required to produce tables relating to periods prior to the remedy being implemented).

## **3 OUTSTANDING ISSUES**

- 3.1 In its submission dated 6 February 2015, Ageas UK flagged a number of other comments and concerns regarding the draft Order. These additional issues have not been addressed in the modified Order (although Ageas UK recognises that the CMA might choose to address some of them in a revised explanatory note).
- 3.2 Ageas UK refers the CMA back to the comments in its submission dated 6 February 2015. This sets out its concerns that, in particular:
- 3.2.1 It may be unrealistic to expect PMI providers to produce and disseminate tables of average NCB discounts for a given calendar year by 1 February of the following year. Ageas UK considers that 1 April would be a more appropriate date, but it encourages the CMA to consult with the software houses on this issue, since they will be the ones who disseminate the information such that it can be made available to consumers.
- 3.2.2 The above issue is exacerbated by having the same deadline (currently 1 February) for submitting the annual compliance statements and updating the tables of average NCB discounts – this will place an unnecessary burden on PMI providers and there is no reason why the deadline for the annual compliance statements should not be put

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<sup>2</sup> This now says: "Where a PMI Product was supplied from 1 August 2016 to 31 January 2017 ... the Average NCB Discount may be calculated as a reasonable estimate of the mean NCB discount to be applied to that PMI Product, for that number of NCB Years, in a calendar year."

back to, say, one month after the deadline for updating the tables (eg 1 March – or 1 May if the date for updating the table is put back to 1 April as requested above).

- 3.2.3 The draft Order and explanatory note do not address how the timing aspects of the remedy are intended to apply during offer periods (eg where a consumer is first presented with a policy quote with NCB protection as an option before a deadline in the Order - for example, before 1 February when the next year's table of average NCB discounts becomes available - but where the quote remain "live" after the deadline).
- 3.2.4 Ageas UK retains some hesitations that the CMA's proposed step-back tables (as illustrated in Table 2 of the Explanatory Note) do not lend themselves well to reflecting the specificities of certain policies. However, it notes that PMI providers can adapt the tables to the terms and conditions of an NCB protection offer by adding additional columns to the tables. It would welcome confirmation from the CMA that it will be receptive to parties presenting to it draft versions of their proposed tables, so that the CMA can confirm that they are within the spirit and intent of the Order.
- 3.2.5 Ageas UK remains of the view that the FCA would be in the best position to monitor compliance with the Order and to lead on any engagement with PMI providers regarding its operation.