

DIRECT LINE INSURANCE GROUP PLC

PRIVATE MOTOR INSURANCE MARKET INVESTIGATION - REMEDY IMPLEMENTATION RESPONSE TO COMPETITION AND MARKET AUTHORITY'S FORMAL CONSULTATION ON MODIFIED ORDER

1. Introduction

- 1.1 Direct Line Insurance Group plc (**DLG**) welcomes the opportunity to provide further comments as part of the formal consultation on the Competition and Market Authority's (**CMA**) modified draft remedies order (**Modified Order**). DLG has already provided the CMA with comments on both the Order and Explanatory Note in response to the CMA's previous formal consultation.¹
- 1.2 DLG is pleased that the CMA has taken the decision to extend the deadline for the implementation date of the obligation to provide information about NCB protection. However, DLG would like to reiterate the comments already made to the CMA regarding the obligation to provide a dynamic and customer specific Step-back Formula.

2. Article 3: Obligation to provide information about NCB Protection

- 2.1 DLG is pleased the CMA has recognised that its proposed timeframe for PMI Providers to provide information on NCB Protection was unrealistic, and has consequently amended the Modified Order to extend the timeframe by 11 months from 1 September 2015 to 1 August 2016. DLG is also pleased that the CMA has amended the Modified Order to allow for the different preparation and reporting periods under the Annual PMI Compliance Statement.
- 2.2 However, DLG would like to reiterate the comments regarding the duplicative requirements for insurers to provide both a step-back table and a Step-back Formula. As DLG has explained to the CMA,² [CONFIDENTIAL]. The Modified Order still requires insurers to provide both (a) details on their step-back procedures and Step-back Formula as part of the NCB Protection Statement³ and (b) a separate table including the Step-back Formula in NCB years that would be applied at the next renewal in the event of a claim as part of the NCB Protection Information.⁴ This is duplicative and confusing for customers, as it requires the same information to be provided twice during the customer journey, but in different ways.
- 2.3 As DLG has already emphasised to the CMA,⁵ a more efficient and cost effective way to achieve the same objective would be to require insurers to provide a standard table covering both requirements of the step-back table and Step-back Formula, instead of an individualised and customer specific table. Changes that require dynamic linkages to underlying prices and policies, i.e. to provide details on how the Step-back Formula apply to an individual customer, [CONFIDENTIAL] even within the extended timeframe.
- 2.4 However, if the standard table includes a link to the same Step-back Formula from the NCB Protection Statement, customers will be provided with sufficient information to effectively assess the 'costs and benefits' of taking out the product.⁶ This would be significantly easier and quicker for

¹ See DLG's Response to the CMA's Formal Consultation, 6 February 2015.

² See DLG's Response to the CMA's Formal Consultation, 6 February 2015, section 2.

³ See paragraph 3(a) of Schedule 1a.

⁴ See paragraph 1(c) of Schedule 2.

⁵ See DLG's Response to the CMA's Formal Consultation, 6 February 2015, section 2.

⁶ Paragraph 11.5 of the CMA's Final Report.

insurers to achieve from an administrative and IT perspective, and would involve considerably less costs. In addition to being less complex to implement, a standard table would also be much clearer and therefore less confusing for customers to understand.

- 2.5 DLG therefore encourages the CMA to carefully assess the duplicative requirement for both a step-back table and a customer specific Step-back Formula. Requiring information on the Step-back Formula to be dynamic and customer specific will add considerable time and cost for insurers to implement, but with no benefit. A standard non-dynamic table would include all the information a customer requires, and would be a far more efficient solution.

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