

A software provider.

29th January 2015

Project Officer
Private Motor Insurance Market Investigation
Competition and Markets Authority
Victoria House
Southampton Row
London WC1B 4AD

Dear Sirs,

With reference to the Private Motor Insurance Market Draft Order, 7 January 2015

[Redacted] would like to thank the Competition and Markets Authority for inviting feedback on implementation timelines for the proposed CMA Draft Order for NCD protection (the "Order").

[Redacted] is a [Redacted] insurance technology supplier and [Redacted] supplier of software systems to the general insurance market in the UK, [Redacted].

[Redacted] provides broking systems that enable intermediaries to quote and bind business on behalf of insurers and provide the policyholder with point of sale policy documentation. [Redacted] systems transmit that policy data to the insurer via industry standard electronic messages. Due to the diversity of our intermediary customers, which range from large call centres to small high street brokers, we maintain a wide range of systems that will each require amendment to comply with the Order.

Further, [Redacted] will be required to negotiate and agree IT technology standards with around fifty insurers offering NCD protection within the UK market, such that the corresponding changes may be made to their insurance products in order that they correctly function within [Redacted]'s systems. To date, [Redacted] has been in receipt of entirely contradictory (and mutually exclusive) interpretations of the requirements of the Order from a handful of insurers.

[Redacted] software is used by over one thousand brokers and, while [Redacted] understands the rationale for the CMA undertaking a review of the selling of NCD protection, [Redacted] would strongly urge the CMA to review the timelines for implementation; [Redacted] does not believe that the requirements of the Order, as currently understood, can be implemented by 1 September 2015.

From informal consultation with [Redacted] broker customers, feedback has been consistent that even if [Redacted] were able to make the IT system changes required to support the Order (which it cannot), brokers would find it extremely challenging to make the necessary business and process changes in the time available. This would leave them with no option but to withdraw the sale of NCD protection until such time that they can support the requirements. This will no doubt be to the detriment of the consumer.

[Redacted] is aware that the British Insurance Brokers' Association and the Association of British Insurers have a suggested timeframe for completion of the work of sixteen months from commencement in March 2015, when the requirements are finalised. [Redacted] supports this timescale wholeheartedly, which correlates with our own estimates. [Redacted] would not be able to complete the necessary work outlined in the Draft Order in any shorter period.

[Redacted] has reviewed the Order and assessed the potential impact on its customers and has a number of concerns relating to the implementation timescales.

- A typical software lifecycle consists of five key steps (requirements, design, development, testing and implementation). Currently [Redacted] does not have clear requirements regarding the Order. If requirements are not to be finalised until March as indicated this will mean that design and development must be completed in a three month period, by June 2015, in order to complete integration testing and implementation by mid-August.
- The proposed changes affect all parts of the insurance lifecycle, covering quotation, new business, amendment, renewal and claim. [Redacted]'s software platforms cover this full lifecycle, but based on the requirement to change new business processing alone, [Redacted] estimates the effort to be in the order of 500 to 600 person days.
- [Redacted] typically delivers two major releases of its software each year for each system. With the current releases in plan, the earliest that this development could start would be June 2015; and in order to deliver any level of change in line with the proposed date of 1 September [Redacted] would need to abandon existing delivery plans and commitments, thus increasing business risk across the [Redacted] user community.
- Each motor insurance product and associated documentation suite available on the [Redacted] panel will require enhancement to generate the new data output required to support the remedies. This will require each of [Redacted]'s insurer partners to undertake internal development, to an as yet undetermined set of IT standards, and integration testing with the changed [Redacted] systems. We have over fifty insurer partners providing hundreds of products which will require rating, documentation and electronic interchange message changes. From past experience this will require each insurer to enter a period of end-to-end testing with [Redacted] which typically lasts between two and four weeks, for each of the hundreds of products.
- After such testing, the change will need to be deployed to all one thousand broker client systems. As you will understand, a number of our largest brokers operate strict IT "best practice" approaches with regard to implementing change, security and testing that will necessitate intensive and thorough testing within their own IT environments before they can deploy such new software. This is typically a three month exercise from the point of [Redacted] software delivery.

Whilst the consultation is focussed on the implementation schedule for the proposed changes, [Redacted] would like to take the opportunity to make two further observations on the proposed changes for the CMA's consideration.

- [Redacted] is concerned that if the step back table must be implemented as defined, then it must clearly be stated that this is for guidance purposes only. The actual step back applied may be affected by a claim from over twelve months ago, or by whether or not the NCD was protected at the time of a first or subsequent claim. In addition, if the NCD protection at the time of the claim was with another insurer it will be difficult to know the claim position at the point of sale. After informal consultation with the [Redacted] brokers [Redacted] anticipates that, if these scenarios are not accounted for, and the step back information is proved to be inaccurate, the policyholder could have greater cause to seek recourse from the broker or insurer than if no advice was provided at all.

- [Redacted] would also contend that the scope should incorporate new business sales only, as by the time a policy renewal takes place the insurer will have had ample opportunity to make the customer aware of the NCD step back rules, and the impact of claims on protected bonus.

Under [Redacted]'s project assurance framework, [Redacted] is currently assessing this change at the highest level of risk (in terms of both likelihood and impact). Under risk management best practice at this stage [Redacted] would be in discussion and dialogue around risk mitigation and working through the scope, resource, time and quality dimensions. Time and scope are the two key contributory factors, and ones that can only be flexed if the CMA agrees to review scope and extend the compliance timeframe. If a balance between scope, resource and time cannot be found quality will be at risk, affecting insurers, brokers and ultimately consumers.

[Redacted] would suggest that the following timetable, whilst still aggressive could be more achievable:

Phase	Completion
Requirements	March 2015
Analysis	Q3 2015
Development	Q4 2015
Testing	Q1 2016
Insurer scheme and document updates	Q1 2016
Insurer integration and electronic messaging integration upgrade testing	Q1 2016 (completion date dependant on insurer capability but anticipate 6-12 months)
Deployment/delivery for customer acceptance	Q3 2016

For the reasons set out above, [Redacted] would strongly urge the CMA to reconsider the implementation timetable and the potential adverse consequences of the adhering to the current proposed timescales.

[Redacted] would be more than happy to engage with the CMA to discuss any aspects of the implementation in order to provide further information that would enable them to make a more informed decision.

Yours sincerely

[Redacted]