

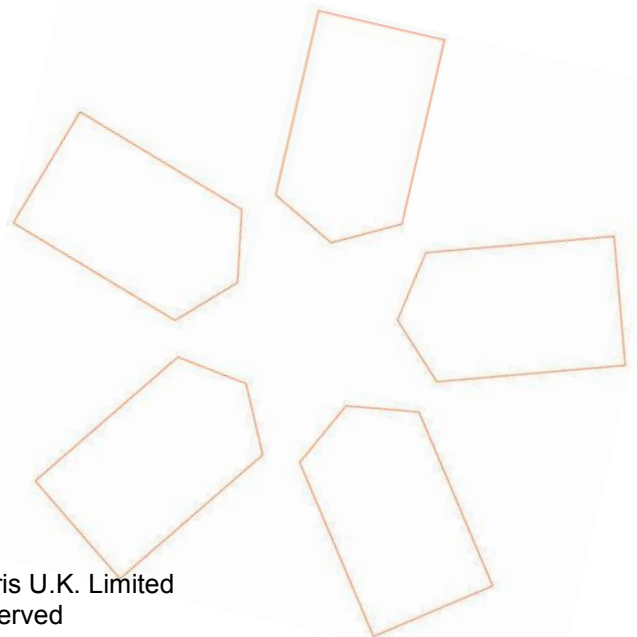


POLARIS U.K. LIMITED

Response to Competition and Markets Authority on the Private Motor Insurance Investigation Draft Order

Version: 1.0
Status: Final
Date: 04th February 2015
Author: Polaris UK Limited

Copyright© 2015 Polaris U.K. Limited
All rights reserved



Amendment History

Version	Date	Author	Narrative
1.0	04/02/2015	Polaris UK Limited	Polaris feedback on CMA draft Order

References

Doc Ref	Title	Version
N/A	CMA Private Motor Insurance Investigation Draft Order 2015	
N/A	CMA Private Motor Insurance Investigation Order Explanatory Notes	

1. Introduction

Polaris is an insurer and broker owned body that is dedicated to supporting standards for the UK general insurance industry. In addition to standards, Polaris offers the ProductWriter software suite (a means of insurance product definition and rating) and imarket (a network linking brokers and insurers for the transaction of commercial lines business). These are infrastructural services and Polaris has no access to individual insurer's terms and conditions. Similarly, no insurer has access to any other insurers' terms and conditions.

As part of supporting the standards, Polaris provides secretarial and administrative support to an Electronic Trading Practices Group (ETPG). The ETPG is a non-profit making forum with open entry for insurers, software houses, intermediaries and industry bodies to consider industry-wide issues impacting electronic commerce and develop voluntary standards to increase efficiencies and facilitate trade in the industry.

The functions of the ETPG are to:

- ✱ Establish and maintain technical, business and systems best practices which enable and promote the use of eTrading for Personal Lines business
- ✱ Develop and document member's requirements and views on matters pertaining to best practices, guidelines and standards for Personal Lines eTrading.
- ✱ Develop, document and maintain guidelines and good practices which support the successful implementation of Personal Line eTrading standards.
- ✱ Provide a forum for members to identify and contribute to future initiatives which rely upon standards or would benefit from the subject matter expertise of the ETPG community.
- ✱ Provide advice and guidance to existing and potential members of the eTrading community.
- ✱ Commission ad hoc activity to consider specific issues affecting Personal Lines eTrading and explore ways to address these issues.

The Group was formed to address the fact that, with large numbers of insurers trading with large numbers of brokers, some standardisation in technical protocols and inter insurer-broker business practices is necessary for trading to take place.

Without the support of the ETPG, each insurer (of which there are approximately 50) and each broker (of which there are approximately 2,500) would have to enter into individual agreements about technical and business standards which would be time consuming, expensive and operationally inefficient for all parties.

Neither Polaris nor the ETPG has any involvement in areas of members' competitive interests e.g. members' pricing, terms and conditions or product development.

2. Feedback on Draft Order

The table below contains our feedback on the draft Order based on a review of the requirements.

Please note that the initial points focus on implementation deadlines, both for the Order and for updates to NCB Information. However, we also request providing clarification on a number of questions regarding the scope of the Order.

Software system providers will insist on a signed off change specification to enable to them to proceed, and answers to these points are important as they affect the changes that need to be made by the distribution channel participants.

1. Implementation deadline	<p>The current 1st September 2015 deadline for implementation of the Order cannot be met in the broker channel due to the number of parties that will need to make changes i.e.:</p> <ul style="list-style-type: none"> a) Insurers will need to assess the changes needed to their product rules and documentation b) Insurer will specify the changes to broker software suppliers c) Broker software system suppliers will need to produce a works order for the changes for each provider d) The changes will be made by the software provider but the differing levels of sophistication of each broker software supplier will affect the time it takes them to make the changes (best case estimate was 3 to 4 months, worst case 12 months) e) Providers must then test these changes f) Brokers using customised software systems may need to make further system changes. <p>Unless the current implementation deadline is changed the broker channel would not be able to comply with the Order, leaving them with no alternative but to withdraw NCB Protection.</p> <p>For these reasons an extension of the current 1st September implementation deadline is requested. Feedback received by Polaris suggests that the broker channel would need 16 months from the date of finalisation of the Order, and on this basis a revised deadline of 1st July 2016 is requested.</p>
2. Renewals	<p>Renewals are usually produced by providers 4-6 weeks prior to renewal date to comply with ICOB rules that renewals must be issued to a proposer at least 21 days before renewal.</p> <p>Please clarify whether the implementation deadline applies to the policy due date or the date of issue of the renewal invitation.</p>
3. Annual update of the average NCB table within 1 month	<p>The Order requires that the average NCB table must be updated by 1st February each year to reflect the Average NCB for the previous year.</p> <p>Feedback Polaris has received indicates that this will not be achievable in the intermediary channel because broker system providers are responsible for producing and maintaining policyholder documentation and they will be required to make changes for every member of their panel. Therefore, a longer period for implementation is requested.</p>
4. Type of vehicles covered by the Order	<p>In Part 1 Item 2 (Interpretation) of the Order, a PMI Product is defined as a product covering privately owned motor cars (excluding motorcycles). This definition means that motorcycles and cars owned by companies are excluded.</p> <p>Please clarify why privately owned motorcycles are excluded and whether vehicles such as motor caravanettes and small vans that are privately owned are intended to be covered by the legislation given the definition specifically states "cars".</p>
5. Guaranteed NCB	<p>At the CMA/ABI/BIBA meeting that took place on 21st January 2015 CMA advised that it would consider whether guaranteed NCB should be covered by the Order given that it involves additional cost for the consumer.</p> <p>At present the prescribed wordings that must be used refer specifically to Protected NCB and the step-back table in its current format would not be suitable for use if guaranteed NCB is to be covered by the Order. We would be grateful if CMA could advise the position regarding guaranteed NCB as soon as possible, and if guaranteed protection is to be covered by the requirements</p>

	<p>whether:</p> <ul style="list-style-type: none"> a) CMA intend revising the current draft Order or b) Whether they will implement revisions as a revised version of the Order at a future point.
6.	NCB information
	<p>Explanatory Note 29 suggests that NCB Protection Information can be included in policy wordings and at the 21st January CMA/ABI/ BIBA meeting CMA confirmed that the NCB Information tables were intended to be generic tables that could be added to policy documents.</p> <p>However whilst the table of average NCB scales is generic the information to be provided in the stepback table must be risk specific to comply with the Order because:</p> <ul style="list-style-type: none"> a) it includes the number of years NCB being granted for a specific individual b) explanatory Note 37(b) states that the effect on NCB Years at next purchase date must be shown in the table and the step-back for a policyholder that had already incurred one or more claims would be different to a policyholder with no previous claims. <p>Please clarify the position.</p>
7.	Effect of the Order on Mid-Term Adjustments (MTA)
	<p>The Order states that an NCB Protection Statement and NCB Information must be provided whenever an offer is made of NCB Protection, and therefore it is clear that the CMA requirements apply to both new business and renewal.</p> <p>Please clarify whether the Order should also apply to mid-term adjustments. Whilst we appreciate that offers of NCB Protection are not made mid-term, a change to the risk data could affect the premium and therefore the implied price of NCB Protection could change as a result.</p> <p>If the Order does apply to mid-term adjustments please confirm whether the customer should be advised of the actual cost (which is typically a pro-rata charge until renewal date) or whether the annual implied price difference should be advised.</p>
8.	Oral provision of information
	<p>For telephone and office based sales the provider (insurer or broker) will need to supply information that is risk specific. During the journey the quote details may change several times to reflect cover variations. The order states that the NCB Statement and NCB Information must be provided at the time of making an offer, therefore this information may need to be provided several times which places a heavy burden on sales staff.</p> <p>For these reasons would it be possible for the Order to allow providers instead to:</p> <ul style="list-style-type: none"> a) offer consumers the option to consent to this information being provided in writing (for example, by email) at the end of the call b) provide the information orally but only at the end of the quote journey - i.e. in advance of purchase of the product c) provide the NCB Protection Statement just once, with only the NCB Protection Information being repeated if the cover changes.