



Industry Prepares for CMA PMI Order deadline

The Competition and Markets Authority (CMA) Private Motor Insurance (PMI) Order comes into force from 1st August 2016, affecting all policies written as private cars (excluding motor cycles) where NCD Protection is being provided or offered (unless it is an integral part of the product, rather than being an option). It will result in extensive changes to broker and insurer systems and processes, and policyholder documentation.

This article provides a high-level view of the background to the Order, its requirements and what the industry, led by Polaris and its stakeholders and with BIBA assistance, is doing to prepare for the 1st August.

Why was the Order Introduced?

On 28 September 2012, the Office of Fair Trading (OFT) referred the supply or acquisition of private motor insurance (PMI) and related goods and services in the UK to the Competition Commission (now known as CMA) for investigation and report.

The CMA concluded that legal remedies were required to improve information on NCD protection, as this was an area where consumer lack of information was most acute. As a result, the Order was passed in March 2015.

Who is affected?

Consumers considering purchase of NCD Protection for private cars (and vehicles that are written under a private car policy, but specifically excluding motor cycles) used primarily for social domestic and pleasure use must be provided with CMA prescribed information. The timing of this information depends on the distribution mechanism, and whether the quote is being provided orally or in writing.

What Information Must Be Provided Under the Order?

When “offering” NCD Protection the following requirements apply :

1. The consumer must be advised of:
 - the “implied” price of the protection i.e. the difference in premium if they take NCD Protection compared to not doing so
 - the average percentage discount scale awarded to consumers in the calendar year that concluded more than one month prior to the NCB Protection Offer
 - the effect that claims will have on the policyholder’s NCD, with and without NCD Protection
2. Warnings must be displayed to consumers that NCD Protection does not protect the overall price of the policy, and that premiums may still increase following an accident, even if NCD Protection has been purchased.

3. A declaration is required from all providers (both insurers and brokers) on an annual basis to CMA confirming compliance with the Order, and providing details of the average NCD tables that are to be used. A CMA Template must be used (this can be found in Schedule 3 of the Order at <https://assets.digital.cabinet-office.gov.uk/media/5509879f40f0b613e6000029/Order.pdf>)

When will changes to insurer and broker systems take place?

System requirement changes have been finalised and development is in progress. Further updates will be provided during Q1 and Q2 of 2016.

What changes are being made?

- Insurer systems and broker software systems are currently being updated to provide the information needed to fulfil the Order i.e. the average NCD scales, step-back formula and implied price.
- The changes are being made for private cars (including motor homes) and commercial vehicles to ensure compliance with the Order (as commercial vehicles may sometimes be written under a private car policy)
- Some insurers may also make changes to their commercial vehicle products (even though this is not required under the Order).
- Polaris, in conjunction with insurers and software houses, has developed a document template that meets the requirements of the Order, and which brokers can use to provide written information to their customers. This document will be in a standard format, to simplify broker processing.
- Where customers become eligible for NCD Protection at renewal and NCD Protection isn't currently in force, additional changes are being made to software systems so that the price including NCD Protection (and the implied cost) is available if needed. This will give brokers the information they require to meet the Order if the customer decides that they wish to take up NCD Protection.