



Information on the CMA Order for Brokers

Background

As previously advised, The CMA (Competitions & Markets Authority) PMI (Private Motor Insurance) Order comes into force from 1st August 2016. This bulletin provides information on the requirements of the Order and its implications for brokers when processing risks that have been written under a private car policy.

The CMA Order applies to private car policies, in the name of an individual and used primarily for Social Domestic & Pleasure (SD&P) purposes, excluding motorcycles, motor caravans and any vehicle over 3.5 tonnes. Although commercial vehicles do not form part of the order, Sabre is electing to include.

It requires a set of information to be provided to customers when an NCD Protection offer is made to them, whether this is oral or in writing, for new business and renewal (but not for mid-term adjustments). The Order only applies where NCD Protection is optional (but if so, the requirements of the Order apply whether or not a charge is payable).

Why is this information needed?

The requirements of the Order are aimed at ensuring consumers understand what benefits they will get if they choose to purchase No Claims Discount (NCD) Protection, compared with not doing so. It was introduced by CMA for the following reasons:

- A CMA study highlighted that NCD Protection is one of the most commonly purchased add-ons.
- Consumers in the study considered it to be a very valuable benefit but, when asked what benefit it provided, many misunderstood the level of protection provided.
- Having researched the information supplied by insurance providers, CMA concluded that consumers were often not given sufficient information to allow them to assess the benefits that NCD Protection provided, compared to its cost.

For these reasons they decided that remedies were required, and the Order was passed in March 2015.

What information has to be provided for risks that fall within the scope of the Order?

The information, in a prescribed format, that must be provided for written offers (either in hard copy or on-screen) at time of making the offer is:

- A warning that protecting NCD does not guarantee premiums will not increase and drawing the consumer's attention to the step-back table
- A table which shows the number of years NCD the policyholder has earned, and the effect on the earned NCD Years if they have claims, with and without Protection
- An additional table showing the average percentage that each year of NCD equates to on the insurer's scale. This enables the consumer to estimate the effect in monetary terms of a change to their NCD Years
- The implied cost of purchasing NCD Protection – i.e. the difference in retail price between purchasing or not purchasing NCD Protection.

Recognising that motor insurance may be sold orally, the Order allows for a subset of information to be provided orally, but in this case the written information must be sent to the policyholder if the quote is accepted.

The information required under the Order needs to be provided for both new business and renewals, but not for mid-term adjustments.

Insurers and brokers must also provide a statement annually to CMA, which confirms compliance with the Order and also provide the average NCD scale data (for brokers this means providing the Average NCD Scale for every insurer on their panel).

When do the requirements come into force?

The Order comes into force from 1st August 2016. Any quote or renewal invitation issued from this date must comply with the Order. New business quotes provided before this date do not need to comply, even if the intended start date for a policy is on or after 1st August or is guaranteed past the 1st August.

What changes will my software provider be making?

Broker software system providers are preparing to make the required information available to you for written offers, so that the information is provided on screen and in documentation for private car policies.

You will find that CMA data fields are completed for commercial vehicles for Sabre products, but not others (even after 1st August). This is because there is no legal requirement to comply with the Order for commercial vehicle policies but we have chosen to implement the Order's requirements for commercial vehicles as well as private cars. Please provide the data to your customer if it is available.

An important requirement is for you to provide a statement to CMA on 1st August 2016, and on 1st February every year thereafter which confirms compliance with the Order and shows the Average NCD Scales that are being used in your system. This means you will need to provide details of the Average NCD scale for every insurer on your panel. Again, your system provider will assist you in sourcing the information so that you can comply with the requirement.

How soon will the system changes be made?

Changes must be in place for 1st August 2016, but may take effect before that date. Therefore the new data may be visible on your system prior to 1st August, but this will be dependent on your software provider and each insurer implementing changes.

Insurers are unlikely to make changes live on the same date. This means you may find that the CMA data fields may be populated or the data field may be empty, greyed out or not displayed at all. This will be due to the insurer not yet having implemented the changes needed. From 1st August 2016, if for any reason the required CMA data is not available but should be present, the software house system will show the quote result as "Error – Decline", or "refer" with a warning message. This is software house specific; therefore please check with your provider for clarification.

The reason for this, is that the Order must be complied with, therefore even if the insurer was able to provide the data manually to you, you would then need to enter it manually into your system to produce documentation and this would be too time consuming given the amount of the data required.

Is there anything we must do to prepare?

If you have developed your own set of call scripts for use in oral sales you will need to review them, to ensure the information you provide to customers meets the requirements of the Order.

Also, if you need to make manual adjustments to premiums (for example to price-match or rebate part of your commission) you must ensure that the implied price of NCD Protection continues to be accurate. Depending on the type of change being made your system provider may be able to recalculate the implied price – however, in some circumstances you will be responsible for the recalculation. To help you ensure this is accurate, we plan to publish guidance in June on the circumstances in which manual recalculation is likely to be needed, and how this should be calculated.

To ensure you are fully compliant with the CMA order, we recommend that you refer to the full report from the CMA, which can be found in the following location (these links can also be found on our website www.sabre.co.uk/news):

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/453475/Private_Motor_Insurance_Market_Investigation_Order_2015.pdf

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/453476/Private_Motor_Insurance_Order_2015_explanatory_note.pdf