

ALLIANCE FOR INSURANCE REFORM



Submission to Central Bank of Ireland Consumer Protection Code Review

Following are the observations of the Alliance for Insurance Reform regarding the Central Bank's review of the CPC, framed by the Bank's Discussion Paper on the subject. Our observations are formed by the experiences of our members (see Appendix) in dealing with insurers.

Q.1 What are your views on availability and choice of financial services and products for consumers?

When it comes to liability insurance for small organisations, there is little or no choice available. Individual underwriters have effective monopolies of many sectors of Irish endeavour, and renewals are presented on a "take it or leave it" basis by brokers.

Q.2 How important are new providers and new delivery channels to serving consumers' financial needs? Critical. The Government is aware of this and established an Office for Insurance Competition at the Department of Finance in 2020. A key role for the CBI in this regard is ensuring that new insurers, fully regulated elsewhere, can enter the Irish market quickly.

Q.3 In implementing its consumer protection mandate, how should the Central Bank reflect the importance of competition in its regulatory approach? We believe that it is a lack of competition that has held motor insurance prices and in particular liability insurance prices at artificially high levels since the implementation of the Judicial Guidelines in April 2021. However, these would appear to be two separate issues and our experience with the CBI leads the Alliance to believe that the CBI does not operate effectively as a consumer protection agency.

Also, the definition of 'consumer' in the CPC is in urgent need of review. The turnover limit of €3m is outdated and is no longer adequate to protect SMEs.

Q.4 Do you agree that the Central Bank should develop guidance on what it means for a firm to act in the best interests of its customers? Yes.

Q.8 How can regulators ensure that neither firms currently in the market, nor new entrants, have unfair advantages which could be a barrier to fair competition? Full data transparency including unrestricted access to Insurance Ireland's Insurance Link and the reinstatement of the Blue Book would be a big help.

Q.11 The Code requires regulated firms to provide a statement indicating that they are 'regulated by the Central Bank'. Do you think this is useful for consumers?

This statement lacks credibility given perception that CBI is light-touch in its supervision of insurers when it comes to consumer protection.

Q.14 What can firms do to improve transparency of pricing for consumers? There is currently no transparency with regard to the calculation of liability premiums. A scale to allow for the calculation of premiums, based on turnover or other parameters, would be invaluable.

Currently, there is a clear view among our members that the price of insurance has disengaged from the level of risk and is more anchored to issues such as ability-to-bear and insurer profit targets.

Q.15 In relation to pricing, are there examples of firms using unfair practices to take advantage of customer vulnerabilities? The general experience of our members is that when competing underwriters vacate a sector, leaving only one underwriter in situ, premiums increase substantially, despite no increase in risk.

Q.19 Given that vulnerability should be considered more as a spectrum of risk than a binary distinction, how should firms' duty to act in their customers' best interests reflect this? How can the CBI ensure premiums do not increase substantially and unsustainably when competitors leave a sector?

We are working on the basis that the Consumer Insurance Contracts Act 2019 (CICA) will be integrated into the new Consumer Protection Code. Our members note that Section 14(6) of the CICA is being widely ignored by brokers and underwriters.

The insurer shall, within a reasonable time before renewal of a contract of insurance (and in any event no later than 20 working days before renewal), notify the consumer on paper or on another durable medium of any alteration to the terms and conditions of the policy, using plain intelligible language in doing so.

Enforcement of this Section is essential, backed by sanctions, in order to make it effective. And the wording needs to be tightened up so that the QUOTE is supplied no later than 20 working days before renewal, not just general background information.

And finally, it is our view that there is currently no supervisory body in Ireland advocating for financial consumers in a general way. The CBI continues to be more concerned with prudential issues, so we need a stand-alone body such as the Financial Conduct Authority [FCA] in the UK to champion the interests of consumers.

Peter Boland

31st March 2023

APPENDIX

MEMBERSHIP LIST

The Alliance brings together 48 civic and business organisations from across Ireland, representing over 55,000 members, 700,000 employees, 622,000 volunteers and 374,000 students in highlighting the negative impact of persistently high premiums and calling for real reforms that will quickly reduce liability and motor insurance premiums to affordable levels and keep them that way. Our members include:

- AOIFE Ireland (Association of Irish Festival Events)
- Car Rental Council of Ireland
- Childminding Ireland
- Coach Tourism & Transport Council of Ireland
- Community Reuse Network Ireland
- Convenience Stores and Newsagents Association
- Cork Business Association
- Disability Federation of Ireland
- Early Childhood Ireland
- Family Business Network Ireland
- Federation of Irish Sport
- Galway Chamber
- Galway County Public Participation Network (PPN)
- Historic Houses of Ireland
- Home and Community Care Ireland
- Incoming Tour Operators Association Ireland
- Ireland Active
- Ireland's Association for Adventure Tourism
- Irish Caravan and Camping Council
- Irish Charity Shops Association
- Irish Concrete Federation
- Irish Contract Cleaners Association
- Irish Hotels Federation
- Irish Road Haulage Association
- Irish Showman's Guild
- Irish Street Arts, Circus and Spectacle Network
- Irish Travel Agents Association
- ISME
- Licensed Vintners Association
- Motorsport Ireland
- National Campaign for the Arts
- National Community Care Network
- Nursing Homes Ireland
- Play Activity and Leisure Ireland
- Quick Service Food Alliance
- Restaurants Association of Ireland
- Retail Excellence
- RGDATA
- Sligo PPN
- Society of the Irish Motor Industry
- South Dublin County PPN
- Sport Ireland
- Thatch Insurance Action Group
- Theatre Forum
- Union of Students in Ireland
- Vintners Federation of Ireland
- Volunteer Ireland
- The Wheel (Ireland's national association for community, voluntary and charitable organisations)