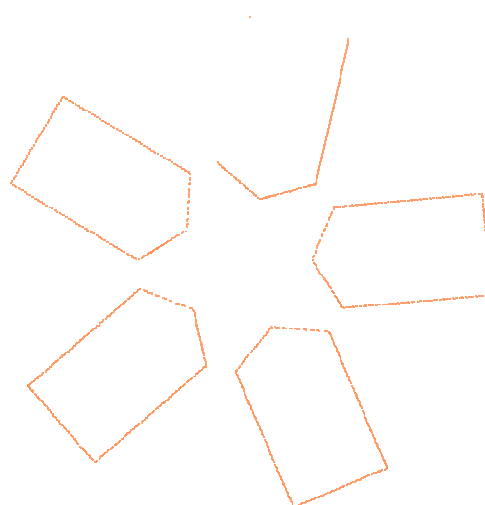




# POLARIS U.K. LIMITED

## Information on the CMA Order for Brokers

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## 1. Background

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The CMA (Competitions & Markets Authority) PMI (Private Motor Insurance) Order comes into force from 1st August 2016. This article 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. It does not apply to commercial vehicle policies, vehicles used primarily for business purposes, or policies in a company name.

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 (and mid-term adjustments, but only where Protected NCD can be added mid-term).

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).

## 2. Why is this information needed?

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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:

1. A CMA study highlighted that NCD Protection is one of the most commonly purchased add-ons.
2. 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
3. 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.

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

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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 are:

1. A warning that protecting NCD doesn't guarantee premiums will not increase and drawing the consumer's attention to the step-back table
2. 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
3. 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
4. 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 sub-set 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 and mid-term adjustments, but only where Protected NCD can be added to a policy mid-term.

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. This will require brokers to provide the Average NCD Scale for every insurer on their panel.

## **4. When do the requirements come into force?**

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The Order comes into force from 1<sup>st</sup> 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 1<sup>st</sup> August or is guaranteed past the 1<sup>st</sup> August.

## **5. What changes are my software provider making?**

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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 may also find that CMA data fields are completed for commercial vehicles for some insurer products, but not others (even after 1<sup>st</sup> August). This is because there is no legal requirement to comply with the Order for commercial vehicle policies but some insurers 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 1<sup>st</sup> August 2016, and on 1<sup>st</sup> 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. Your system provider may be able to assist you in sourcing the information so that you can comply with the requirement.

## **6. How soon will the system changes be made?**

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Changes must be in place for 1<sup>st</sup> August 2016, but may take effect before that date. Therefore the new data may be visible on your system prior to 1<sup>st</sup> 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 1<sup>st</sup> 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". 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 function may not be available within their system and would be time consuming given the amount of data required.

## **7. Is there anything brokers need to do to prepare?**

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If you have developed your own set of call scripts for use in oral sales, or if you are running any bespoke web quote and buy journeys or document suites 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.

Finally, although this publication is designed to provide a summary of the key points of order, we strongly recommend that you take the time to fully familiarise yourselves with your obligations under the order. A copy of the final Order and the explanatory notes that provide additional clarification can be found at <https://www.gov.uk/cma-cases/private-motor-insurance-market-investigation>.