

**The Private Motor
Insurance Market
Investigation
Order Guide
Rules and Reporting**



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Cracking the Code of the CMA's Private Motor Insurance Market Investigation Order 2015: Your Path to Compliance

Background

On September 28, 2012, the Office of Fair Trading (OFT) initiated an inquiry into the provision and procurement of Private Motor Insurance (PMI) and associated products and services within the United Kingdom. This inquiry was subsequently transferred to the Competition Commission, which is now known as the CMA (Competition and Markets Authority), for a thorough investigation and the subsequent release of a comprehensive report.

The CMA's investigation revealed a significant deficiency in consumer information, particularly regarding No Claims Bonus (NCB) Protection. Recognising the urgency of addressing this issue, legal remedies were deemed necessary. Consequently, an Order was officially enacted in March 2015, with its implementation scheduled for New Business starting from August 1, 2016, and Renewals commencing on September 1, 2016.

The CMA's Private Motor Insurance Market Investigation Order 2015 can be found here:

https://assets.publishing.service.gov.uk/media/5a748de9e5274a44083b7989/Private_Motor_Insurance_Market_Investigation_Order_2015.pdf

Who does it apply to?

Both Insurance brokers, Managing General Agent's (MGA) and insurers hold responsibility to ensure that they comply with the rules set out in the order. They are also each responsible to ensure that the return is completed and submitted to the CMA. Insurance brokers in particular need to ensure that their reports include all insurers/MGA's they work with.

This order pertains to companies that provide private motor insurance to consumers which include offerings related to no claim's bonus protection.

Price Comparison Websites who display the price of private motor insurance policies also need to comply with this order.

Information requirements

Whenever a firm providing Private Motor Insurance (PMI) makes an NCB protection offer they must ensure that they provide clearly and prominently the NCB Protection Statement and NCB Protection Information.

Price Comparison Websites (PCW) must ensure that consumers have access clearly and prominently to the NCB Protection Statement.

Please be mindful if acceptance of the NCB Protection Information is given during a sales call (orally) you must provide the purchaser the information in writing within the policy documents. Along with the NCB Protection Information the purchaser should also be read the NCB Protection statement during the sales/renewals call.

NCB Protection Statement - Private Motor Insurance Providers

When the offer is made in writing PMI providers must ensure that the following text is included:

- ⦿ No claims bonus protection does not protect the overall price of your insurance policy. The price of your insurance policy may increase following an accident even if you were not at fault; and
- ⦿ No claims bonus protection allows you to make one or more claims before your number of no claims bonus years falls. Please see the step-back procedures for details.

When the offer is made orally by the PMI provider, the following must be confirmed (and prominently followed up with the full statement within the policy documents):

- ⦿ No claims bonus protection does not protect the overall price of your insurance policy. The price of your insurance policy may increase following an accident even if you were not at fault.

The statement and step back procedures should be prominently displayed on your website (if you have one).

NCB Protection Statement – Price Comparison Websites

The statements which must be provided by PCW's are as follows:

- ⦿ No claims bonus protection varies between insurers but in general it allows you to make one or more claims before your number of no claims bonus years falls (further information will be provided when you select a policy and proceed with the purchase of the policy on the provider's website); and
- ⦿ No claims bonus protection does not protect the overall price of your insurance policy. The price of your insurance policy may increase following an accident even if you were not at fault.

NCB Protection Information - Written

A PMI provider must ensure that the "implied" price of the protection is given (the difference in premium if they take NCB Protection compared to not doing so). The wording upon making the offer in writing must take the form of the following:

- ⦿ You are considering whether to purchase NCB protection. This would increase your premium by £XXX. You have declared a current NCB of XX years. The tables below show:
 - (i) the average NCB discount awarded to our motor insurance policyholders last year according to their number of NCB years; and
 - (ii) what would happen to your NCB years if you were to make one or more claims in the next 12 months with and without this protection.

Table (i) example

The below table illustrates an example of the requirements set out in the statement:

Number of Years NCB	Average NCB Discount in 2023
1	18%
2	23%
3	25%
4	28%
5	31%
6	35%
7	41%
8	49%
9 or more	54%



Table (ii) examples

The below table illustrates an example of the requirements set out in the statement:

Without NCB protection					
Number of years NCB at inception date	One	Two	Three	Four	Five or more
NCB at renewal date without NCB protection					
One claim in policy year	0	0	1	2	3
Two claims in policy year	0	0	0	0	1
Three claims in policy year	0	0	0	0	0

With NCB Protection					
Number of years NCB at inception date	One	Two	Three	Four	Five or more
NCB at renewal date with NCB protection					
One claim in policy year	1	2	3	4	5
Two claims in policy year	0	0	1	2	3
Three claims in policy year	0	0	0	0	0

NCB Protection Information - Orally

The NCB Protection Information which must be given at the time the NCB protection offer is made orally is as follows:

- 🕒 The price of the NCB protection;
- 🕒 The number of years NCB to be protected;
- 🕒 The discount average discount applied for the number of years protected; and

- 🕒 The number of claims that can be made before the NCB is affected both with the protection and without.

If the offer is accepted, then the following information must be provided:

- 🕒 You have purchased NCB protection. This has increased your premium by £XXX. You have declared a current NCB of XX years. The average NCB discount awarded to our motor insurance policyholders last year according to their number of NCB years were (disclose information from the tables). If you were to make one or more claims in the next 12 months then your NCB would be affected as follows (read table with protection, if you had not taken this protection and were to make one or more claims in the next 12 months your NCB would have been affected as follows (read table without protection).

Please note: As previously mentioned, you must also supply this information within the policy documents.

Prohibition on Wide MFN Clauses and Equivalent Behaviour

Following the CMA's investigation and numerous fines for poor practices. This order also instructs that no agreement can be made between a PCW and PMI provider that restricts a PMI provider from offering lower rates via any other sales channel from that made through the PCW (excluding PMI's providers own website). This instruction also covers any equivalent behaviour.

Reporting/Compliance Statements

Hereafter, we use the word report to mean the required compliance statement and associated document tables.

When do I need to submit my report?

PMI providers are required to submit the report annually before the 1st of February. PCW's must complete their report both quarterly and annually.

What do I need to report? – PMI Providers

PMI providers must attest to compliance with the order. Additionally, they must provide a table showing the discounts and step back schedule outlined above for all its products.

Please be aware: If you are an insurance broker you will need to provide these tables for each any every insurer you work with and each scheme/product if it varies.

The report must be signed by the Chief Executive Officer, the Managing Director or any Director responsible for PMI Products. The CMA ask that the report is submitted via the following link: <https://cma-553899.workflowcloud.com/forms/de37dfdb-713d-4cd7-bf15-ca829fef4a98>

What do I need to report? – PCW

The compliance statements for PCW must include the following:

- 🕒 Attestation that the PCW has not engaged in Equivalent Behaviour during the report period;
- 🕒 List each delisting in the report period and specify the period of the delisting, the identity of the PMI provider delisted and the nature and reason for the delisting.

Both the quarterly and annual compliance statements must be signed by the Chief Executive Officer or the Managing Director. If the firm does not have a Chief Executive Officer nor a Managing Director, the statement must be signed by two directors.

Please note: PCWs must calculate by 1 February of each year the number of PMI Product sales provided by them individually to PMI Providers in aggregate in the previous calendar year and must immediately notify the CMA when they reach, exceed, or as compared to the calendar year immediately prior to the previous calendar year, no longer exceed 300,000 PMI Product sales.

How can Compliance Consultant help?

Here at Compliance Consultant, we understand that the task of managing and returning reports can be tricky for the unfamiliar. It's vital that you get this right as late or incorrect returns may also lead to the imposition of a financial penalty and other disciplinary sanctions.

Don't worry we can help: Whilst we cannot complete the report or compliance statement for you, we provide a service that involves notifying you about your reporting schedule, sending alerts 30 days before deadlines. We're available to assist with any inquiries you may have concerning the reports, and we can even collate the information ready for submission for you.

We also help with reg data returns which you are likely to have to fulfil please get in touch for more detail.

