

Directions to CISGIL issued under the Private Motor Insurance Market Investigation Order 2015

Background

1. On 28 September 2012, the Office of Fair Trading, in exercise of its powers under section 131 of the Enterprise Act 2002 (the Act), referred the supply or acquisition of private motor insurance (PMI) and related goods and services in the UK to the Competition Commission for investigation and report (the Market Investigation).
2. The Competition Commission investigated the matters referred to it pursuant to sections 131 and 133 of the Act. On 1 April 2014, the remaining functions of the Competition Commission in relation to the Market Investigation were transferred to the Competition and Markets Authority (CMA) under Schedule 5 to the Enterprise and Regulatory Reform Act 2013 and the Schedule to the Enterprise and Regulatory Reform Act 2013 (Commencement No. 6, Transitional Provisions and Savings) Order 2014.
3. Following the Market Investigation, the CMA concluded (a) in accordance with section 134(1) of the Act that there are features of the markets for the supply or acquisition of PMI and related goods and services in the UK which, either alone or in combination, prevent, restrict or distort competition; and (b) in accordance with section 134(2) of the Act, that there are adverse effects on competition. The CMA published its findings in a report under section 136 of the Act entitled *Private motor insurance market investigation: Final report* on 24 September 2014.
4. On 18 March 2015, the CMA made the Private Motor Insurance Market Investigation Order 2015 (the Order), in performance of its duty under section 138 of the Act for the purpose of remedying, mitigating or preventing the adverse effects on competition and any detrimental effects on consumers so far as they have resulted, or may be expected to result, from the adverse effects on competition as identified in the *Private motor insurance market investigation: Final report*.
5. Among other things, the Order requires since 1 August 2016 private motor insurance providers (PMI Provider) to provide to customers, when offering and selling no claims bonus protection (NCB Protection), the Implied Price of

NCB Protection (as defined in the Order). This information is to be given to customers:

- (a) at the time at which the PMI Provider makes an offer or invitation to purchase NCB Protection (Article 3.1 of the Order); or
 - (b) in circumstances where the NCB Protection Information was provided orally to a purchaser of NCB Protection, with the policy documents which are subsequently sent to the purchaser (Article 3.3 of the Order).
6. In December 2015 CIS General Insurance Limited (CISGIL) informed the CMA that it would be unable to comply in full with the requirements of the Order as from 1 August 2016. Since then the CMA has monitored closely CISGIL's progress towards compliance through regular dialogue aimed at minimising the extent of CISGIL's non-compliance with the Order and the detriment to consumers arising from it. CISGIL indicated at the time that it would seek to be fully compliant with the Order by the end of October 2016.
7. On 2 September 2016, the CMA published a [press release](#) noting that:
 - (a) in relation to a small proportion of its new business and renewals, CISGIL could only disclose some of the information required by the Order;
 - (b) CISGIL had confirmed that it was working towards full compliance; and
 - (c) until it was fully compliant, CISGIL would make clear to affected customers that it is currently unable to show separately the cost of NCB protection included in the total premium in written offers and documents.
8. In more recent discussions, CISGIL has informed the CMA that, with respect only to its 'Car Insurance' product sold under the 'Co-op Insurance' brand (Co-op Car Insurance), it is still not able to provide the Implied Price of NCB Protection:
 - (a) in the renewal documentation sent to customers (suggesting however that it could achieve full compliance by selling NCB Protection at a fixed, flat rate);
 - (b) on the relevant website when a prospective new customer seeks an NCB Protection Offer; and
 - (c) in the policy documents sent to prospective new customers who purchased NCB Protection on CISGIL's websites or by phone.
9. CISGIL has confirmed however that since 1 August 2016 it has provided to its customers purchasing NCB Protection (both new customers or renewals) all

the information set out in Schedules 1 and 2 to the Order other than the Implied Price of NCB Protection, and that – with the exception of Co-op Car Insurance – it has been fully compliant with the Order in respect of all its other PMI Products.

10. In view of the above, the CMA has engaged with CISGIL in order to identify steps to be taken by CISGIL with a view to (a) ensuring that CISGIL is fully compliant with the Order within a reasonable period of time, and (b) mitigating the customer detriment arising from CISGIL's non-compliance.
11. Having taken into consideration the extent of CISGIL's non-compliance with the Order (including the number of customers affected and the information already provided to them) and the potential detriment arising from such non-compliance, the CMA has decided to give the following directions to CISGIL:
 - (a) no later than 1 February 2017 to provide all renewal customers with the Implied Price of NCB Protection;
 - (b) to implement the necessary IT changes so as to ensure that no later than 1 February 2017 prospective customers seeking an NCB Protection Offer for the Co-op Car Insurance on CISGIL's websites are presented with price information in such a manner that allows these customers to easily calculate the Implied Price of NCB Protection (and to offer customers the option of telephoning CISGIL to obtain such information);
 - (c) no later than 1 February 2017 to include a statement in the documentation sent to these customers making clear that they may call CISGIL to obtain the Implied Price of NCB Protection and that, if they wish, the NCB Protection may be removed free of charge within 14 days;
 - (d) no later than 1 April 2017 to write to customers who purchased NCB Protection from CISGIL following an NCB Protection Offer, which was not fully compliant with the Order, made prior to the implementation of the changes set out in (a) to (c) above so as to inform them that CISGIL should have provided additional information on the price of the NCB Protection, and providing these customers with a telephone number they can call if they have any queries; and
 - (e) to cease supplying NCB Protection in a manner which is not fully compliant with the Order by 1 October 2017.
12. On 4 January 2017 the CMA provided CISGIL with draft directions specifying and describing the steps to be taken by CISGIL for the purposes of securing future compliance with the Order.

13. The CMA has taken into account the representations received on the draft directions, and now issues these Directions.

Directions issued under the Private Motor Insurance Market Investigation Order 2015

The CMA makes these directions (the Directions) to CIS General Insurance Limited, with number 29999R and registered address at Miller Street, Manchester M60 0AL (CISGIL) under Articles 8 and 9 of the Private Motor Insurance Market Investigation Order 2015 (the Order).

1. Commencement

- 1.1 The Directions come into force on 20 January 2017, except paragraphs 3 and 4 which come into force on 1 February 2017.
- 1.2 The Directions continue to be in force until such time as it is varied or revoked by the CMA under the Order. The variation or revocation of these Directions does not affect the validity or enforceability of any rights or obligations that arose prior to such variation or revocation.

2. Interpretation

- 2.1 In the Directions terms have the same meaning as in the Order, unless stated otherwise.
- 2.2 For the purposes of the Directions, a prospective renewal customer is a customer who is protected by a 'Car Insurance' PMI Product supplied by CISGIL under the brand 'Co-op Insurance' at the time CISGIL makes an NCB Protection Offer.
- 2.3 For the purposes of the Directions, a prospective new customer is a customer who is not protected by a 'Car Insurance' PMI Product supplied by CISGIL under the brand 'Co-op Insurance' at the time CISGIL makes an NCB Protection Offer.

3. Actions specified with respect to prospective renewal customers

- 3.1 CISGIL must cease to offer NCB Protection to prospective renewal customers without providing, pursuant to Article 3.1 of the Order, the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 1(a) of Schedule 2 to the Order. Such information must be provided clearly and prominently.

4. Actions specified with respect to prospective new customers

- 4.1 Where CISGIL is not able, in accordance with Article 3.1 of the Order, to provide at the time of making an NCB Protection Offer a prospective new

customer with the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 1(a) of Schedule 2 to the Order, it must:

- (a) provide the prospective new customer with access to the price of the PMI Product without NCB Protection prior to providing the prospective new customer with access to the NCB Protection Offer;
- (b) provide a written statement to the prospective new customer at the time of making an NCB Protection Offer which:
 - (i) states that CISGIL is not able to provide the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 1(a) of Schedule 2 to the Order;
 - (ii) provides sufficient information for the prospective new customer to calculate the Implied Price of NCB Protection, as well as an explanation as to how to do so; and
 - (iii) provides a telephone number so as to allow the prospective new customer to call CISGIL to obtain the Implied Price of NCB Protection;
- (c) if the prospective new customer decides to purchase NCB Protection, provide with the policy documents a written statement which:
 - (i) states that CISGIL was not able to provide the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 1(a) of Schedule 2 to the Order;
 - (ii) provides a telephone number so as to allow the customer to call CISGIL to obtain the Implied Price of NCB Protection; and
 - (iii) provides that, within 14 days of receipt of the written statement, the customer may request CISGIL to remove the NCB Protection from the PMI Product in exchange for the refund of the Implied Price of NCB Protection free of charge, and sets out the process for obtaining such a refund.

4.2 Where CISGIL has given the NCB Protection Information orally to a purchaser of NCB Protection but is not able, in accordance with Article 3.3 of the Order, to provide that customer with the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 3(a) of Schedule 2 to the Order, CISGIL must provide with the policy documents a written statement which:

- (a) states that CISGIL is not able to provide the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 3(a) of Schedule 2 to the Order;
 - (b) provides a telephone number so as to allow the customer to call CISGIL to obtain the Implied Price of NCB Protection; and
 - (c) provides that, within 14 days from receipt of the written statement, the customer may request CISGIL to remove the NCB Protection from the PMI Product in exchange for the refund of the Implied Price of NCB Protection free of charge, and sets out the process for obtaining such a refund.
- 4.3 The written statement referred to in paragraph 4.1(b) of the Directions must be provided clearly and prominently, at the time of making a written NCB Protection Offer, alongside the information provided pursuant to Article 3.1 of the Order.
- 4.4 The written statements referred to in paragraphs 4.1(c) and 4.2 of the Directions must be provided clearly and prominently, after an oral NCB Protection Offer has been accepted, alongside the policy documents referred to in Article 3.3 of the Order.
- 4.5 For the avoidance of doubt, Articles 3.4 and 3.5 of the Order apply to the written statements to be provided pursuant to paragraphs 4.1(b), 4.1(c) and 4.2 of the Directions.
- 4.6 By 1 October 2017, CISGIL must cease to offer NCB Protection to prospective customers without providing, pursuant to Articles 3.1 and 3.3 of the Order, the Implied Price of NCB Protection as part of the NCB Protection Information set out in paragraph 1(a) and paragraph 3(a) of Schedule 2 to the Order. Such information must be provided clearly and prominently.
- 5. Actions specified with respect to certain customers who purchased NCB Protection from CISGIL**
- 5.1 Upon a request being made by an Affected Purchaser that CISGIL removes the NCB Protection from the PMI Product in accordance with either paragraph 4.1(c)(iii) or paragraph 4.2(c) of the Directions, CISGIL must:
 - (a) remove the NCB Protection from the PMI Product purchased by the Affected Purchaser without the Affected Purchaser having to pay any additional fee; and

- (b) promptly refund to the Affected Purchaser the Implied Price of NCB Protection.
- 5.2 For the purpose of paragraph 5.1 of the Directions, an Affected Purchaser of NCB Protection is a customer who received a written statement referred to in paragraphs 4.1(c) and 4.2 of the Directions.
- 5.3 No later than 1 April 2017 CISGIL must send by post and/or email a letter to all customers who purchased NCB Protection from CISGIL following an NCB Protection Offer, which was not fully compliant with the Order, made prior to the implementation of the changes required by paragraphs 3 and 4 of the Directions. This letter must inform customers that CISGIL should have provided them with the Implied Price of NCB Protection and must provide a telephone number that customers can call if they have any queries.

6. Monitoring and compliance

- 6.1 CISGIL must submit to the CMA Additional Compliance Reports on the following dates:
 - (a) 10 March 2017 (with respect to the period running from 1 to 28 February 2017);
 - (b) 12 May 2017 (with respect to the period running from 1 March 2017 to 30 April 2017);
 - (c) 7 July 2017 (with respect to the period running from 1 May to 30 June 2017);
 - (d) 8 September 2017 (with respect to the period running from 1 July 2017 to 31 August 2017); and
 - (e) 16 October (with respect to the period running from 1 to 30 September 2017).
- 6.2 An Additional Compliance Report must contain, with respect to the 'Car Insurance' PMI Product sold under the brand 'Co-op Insurance', for the relevant period:
 - (a) the number of prospective customers to whom CISGIL made an NCB Protection Offer, split by:
 - (i) prospective new customers and prospective renewal customers;
 - (ii) prospective customers purchasing a PMI Product from CISGIL with and without NCB Protection;

- (b) the number of prospective new customers telephoning, in the circumstances set out in paragraphs 4.1 and 4.2 of the Directions, CISGIL for further information on the Implied Price of NCB Protection;
 - (c) the number of customers requesting, and obtaining, the removal of the NCB Protection from their PMI Product pursuant to paragraphs 4.1(c)(iii), 4.2(c) and 5.1 of the Directions;
 - (d) the number of customers telephoning CISGIL in response to receiving the letter set out in paragraph 5.3; and
 - (e) an update from CISGIL on its progress to full compliance with the PMI Order.
- 6.3 CISGIL must ensure that each Additional Compliance Report is signed by CISGIL's Chief Executive Officer, Managing Director or any Director responsible for PMI Products, in accordance with Article 6.4 of the Order.
- 6.4 For the purposes of paragraph 6.1 of the Directions, an Additional Compliance Report is a statement to be provided by CISGIL to the CMA, in addition to the Annual PMI Compliance Statement referred to in Article 6 of the Order, and containing the information set out in paragraph 6.2 of the Directions.

Adam Land
Senior Director
Signed by authority of the CMA Board
19 January 2017