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Aviva Response: CMA Private Motor Insurance Market Investigation (PMI) order & PPI order

Aviva welcomes the proposal to review the thirty-three market remedies and, in particular, supports the removal of the Private Motor Insurance Market Investigation (PMI Order, excluding Part 3). Aviva agrees with the CMA that there are clear and straightforward changes of circumstances meaning that the PNCD elements of the PMI Order are no longer required and can be removed. In addition, Aviva considers that the Payment Protection Insurance Order (PPI Order) can also be removed.

We are pleased to see the CMA's application of the 4Ps framework to its markets work and that it is considering remedies that may no longer be appropriate as part of its drive to support economic growth. As the CMA sets out in its consultation document, ongoing monitoring of and compliance with the remedy requirements, which we consider are no longer necessary, imposes a significant burden to our business.

We therefore welcome the direction of travel this consultation represents and the CMA's proposal to remove these two remedies in particular. This work also supports initiatives currently being undertaken by our sectoral regulators to simplify requirements on firms, as well as the governments wider drive to cut the administrative burden of regulation by 25%.

Private Motor Insurance Market Investigation Order 2015 (except Part 3)

The current PMI order has historically driven several positive outcomes, with standardised and prescriptive wording strengthening the quality and consistency of information provision and price transparency. This has enabled customers to better understand what they are paying for, supporting more informed decision-making.

However, since then, we have seen significant changes across the regulatory landscape, including the introduction of Consumer Duty which has raised the bar for consumer protection while also allowing prescriptive requirements to be stripped away. As such, we consider that these changes have fostered an even greater competitive landscape which means that the prescriptive PMI Order PNCD requirements are no longer required.

Changing Circumstances – Market Developments

Since the PMI Order was introduced, the motor insurance market and information available to customers has evolved significantly. Price comparison websites (PCW's) have expanded substantially in both scale and capability, enabling customers to

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compare core premiums and add-on features, including no-claims bonus protection/PNCD products, with far greater ease and accuracy.

Similarly, insurers now commonly provide significantly greater price transparency throughout customer journeys. These developments have materially improved both overall price transparency and comparability across the market. In addition, the introduction of regulatory frameworks such as Consumer Duty has resulted in PMI providers designing enhanced customer journeys that provide clearer insight and support informed customer choice. Through ongoing customer-journey testing and monitoring, we are able to identify and embed learning on customer outcomes and use this to drive continuous improvement. This represents a material change in circumstances since the Order was first introduced.

Over the same period, pricing models and product structures have become more sophisticated, and customer needs and behaviours have changed. In this context, some of the PMI Order's requirements no longer provide meaningful or relevant information for customers. For example, the move towards personalised pricing means that the averaged NCD tables mandated by the PMI Order now offer limited value and may even obscure customer understanding, while continuing to generate and publish these tables on an ongoing basis imposes considerable cost and operational burden on firms.

Change of Circumstances: Age & Impact

In addition to the above points around the change in market dynamics over the last decade, the increased prominence of personalised price information now provides customers with more directly relevant cost insights than the averaged NCD discounts mandated by the PMI Order.

As pricing methodologies and product offerings have developed, the relevance and usefulness of the PMI Order mandated NCD tables have diminished over time. Many insurers, including Aviva, now offer customers a wider range of cover combinations and pricing options, meaning that the relevance of the average NDC % information to customers is less meaningful to individual customer outcomes.

Additionally, step back tables, are now included in core policy documentation in addition to the prescribed placement in customer journeys. This therefore reiterates that we are going further than the prescribed wording placement in customer journeys as per the PMI Order.

Finally, producing and annually updating NCD tables across all our brands and channels increasingly imposes a resource burden on us that we consider is

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disproportionate to their diminishing customer benefit. This is because it is complex to capture the NCD applied at point of sale for each policy incepted. Therefore, we must undertake a resource-intensive re-rating exercise to calculate average NCD figures.

Changing Circumstances - Regulatory Landscape

The regulatory environment has strengthened substantially since the introduction of the PMI Order. The protections that the PMI Order was designed to introduce are now embedded more effectively with the introduction of new regulation such as the FCA's Consumer Duty, as implemented in 2023 (Open book products) 2024 (Closed book products).

Consumer Duty has established a comprehensive, outcomes-focused framework requiring firms including PMI firms to provide clear, timely, and easily understandable information that supports informed customer decision making. This has driven significant improvements in the clarity, accessibility, and testing of customer communications across the industry.

Consumer Duty has driven deeper and more sophisticated testing practices across the industry, ensuring that communications are clear, relevant, and genuinely support informed decision-making.

For example, the Consumer Duty emphasises that firms must be proactive in supporting customer decision-making and preventing foreseeable harm. Communications must therefore be tailored to the target market's needs, and continuous monitoring needs to be established to understand whether customers genuinely understand the product they are buying. This has supported substantial improvements in how firms assess, evidence, and monitor customer understanding.

Furthermore, the expectations set out by Consumer Duty in relation to transparency, supporting consumer understanding, avoiding foreseeable harm and fair value in particular map closely to the PNCD requirements set out in the PMI order.

While the Consumer Duty is principles based, the FCA also supplements the rules with non-Handbook Guidance. In Finalised Guidance (FG) 22/5 Final non-Handbook Guidance for firms on the Consumer Duty, the FCA points to examples of foreseeable harm, that firms must work to avoid, that are highly relevant to replicating the policy intent of the PMI Order regarding information asymmetries on NCB protection:

- "Consumers incurring overly high charges on a product because they do not understand the product charging structure or how it impacts on the value of the product."

- "Products and services performing poorly where they have not been appropriately tested in a range of market scenarios to understand how consumers would be affected."
- "Consumers being unable to cancel a product… because the firm's processes are unclear or difficult to navigate."
- "Consumers finding it too difficult to switch to a better product or different provider because the process is too onerous or unclear."
- "Products causing harm because inappropriate distribution strategy leads to products being distributed widely."

Additionally, removing the highly prescriptive information requirements mandated under the PMI Order would provide firms with greater flexibility to design and deliver customer communications that are more effective and better aligned to the findings of enhanced Consumer Duty testing. This flexibility would enable firms to adopt innovative and tailored approaches to supporting customer understanding across diverse groups of customers, rather than being constrained by standardised formats.

In parallel, it is also worth noting that the FCA's Pricing Practices reforms have reshaped pricing models and introduced robust protections against harmful price discrimination and unfair renewal pricing.

Together, these regulatory developments establish a significantly higher standard of transparency and customer protection than was present at the time the PMI Order was designed, rendering many of its requirements duplicative and operationally burdensome without proportionate additional consumer benefit.

Summary

The PMI Order has historically played a positive role in improving transparency and supporting customer understanding in the motor insurance market. However, the market and regulatory environment in which it operates have changed fundamentally over time. Advances in pricing sophistication and product design, evolving customer behaviours, and the strengthening of consumer protections through the Consumer Duty and Pricing Practices reforms have significantly reduced the need for the PNCD requirements under the PMI order.

Furthermore, elements of the PMI Order now risk duplicating or cutting across more modern, outcomes-focused regulatory requirements.

Additionally, the Order imposes a material operational burden through the annual NCD Table updates, which requires significant cost and effort, even though - aside from Part

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3 - the requirements it supports are largely superseded by the higher, principles-based standards of Consumer Duty.

Taken against the material operational burden placed on insurers to generate the PNCD information and to ensure ongoing compliance with the PMI Order, including the significant amount of cost and effort incurred annually in order to comply with the CMA's compliance reporting round. For example, preparation of the annual reporting requires a 3-month project, which is co-ordinated across multiple IT and business areas, both internally and externally to Aviva. This places a particular demand on actuarial pricing resources to support calculation and validation and requires cross-functional engagement across the first line of defence.

Aviva considers that there is support for the PMI Order to be removed (other than Part 3 which does not form part of the CMA's consultation) and to be superseded by the higher, principles-based standards of the FCA's Consumer Duty.

Removal of the PMI Order would therefore be appropriate, proportionate, and timely, while still preserving strong consumer protections through the existing regulatory framework.

Payment Protection Insurance (PPI) Market Investigation Order 2011

Aviva also welcomes the removal of the PPI Order, which was introduced to resolve competition issues identified in the PPI market leading to poor customer outcomes. Since the Order came into force over 15 years ago (following the PPI market study and market investigation, initiated in 2006), the market has changed manifestly rendering the provisions of the PPI Order much less relevant.

The majority of providers have now exited the market, with only a small volume of legacy PPI policies now in existence. This means that one of its core purposes, to facilitate shopping around and switching, is no longer relevant. The PPI Order is also highly prescriptive meaning that the layout, format, and content of the annual reviews sent to legacy policy holders cannot be altered. We believe that revoking the prescriptive requirements imposed by the PPI Order would help firms adapt the way they present information to make it clearer and more engaging for customers.