



Association of British Insurers



HM Government



**BIBA
& IIB**

Transparency and access in motor and travel insurance for older people

An agreement on age and insurance

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Introduction

General context

The parties to this Agreement are committed to tackling unjustifiable age discrimination in the provision of goods and services. Consultations and research undertaken by the Government, older people's representatives and the insurance industry have found that while motor and travel insurance is available to people of all ages, older people find it difficult to find the products they require. There is also evidence of a perception among older consumers and their representatives that a change in motor and travel insurance premiums due to a person's age is not always proportionate to risk and the cost of claims.

The Government has announced that it proposes to provide an exception, from any ban on age discrimination in the provision of services, to allow age to be used as a factor in assessing risk. This recognises that such an approach to risk assessment is legitimate when carried out by reference to relevant information from a source on which it is reasonable to rely. All parties however agree that greater transparency is required to improve consumer confidence in the pricing of motor and travel insurance.

General principles

Against that background, this non-statutory Agreement between the Government, the Association of British Insurers (ABI) and the British Insurance Brokers Association (BIBA) is intended to protect the interests of both consumers and insurers when age is used in risk assessment, product offer and pricing, by ensuring fair rights of access to:

- insurance for consumers – a non-statutory agreement to improve access to private motor or travel insurance where age limits are used.
- information for consumers – a non-statutory agreement in respect of all classes of business to improve transparency so that consumers can be confident that age is relevant to the assessment of risk and pricing of products.

This Agreement creates a robust and flexible agreement for cooperation between the parties mentioned below to deliver these objectives. It distinguishes between the statutory requirements and the non-statutory agreement. It clarifies the scope of this Agreement. It sets out how data will be published by the ABI and British Insurance Brokers Association (BIBA); and how insurance providers can improve access to motor and travel insurance for older people.

Parties

The parties to this Agreement are the Government of Great Britain ('the Government'), ABI and BIBA.

Scope

This Agreement applies to the use of age by insurance providers when assessing risk and using maximum age limits. It is limited to motor and travel insurance contracts entered into in Great Britain:

- for which a company is the regulated entity with permission to carry on regulated activities as defined in the Financial Services and Markets Act 2000; and
- that are private, voluntary and separate from the employment relationship.

This Agreement does not apply to:

- Terms on which employees are covered by group insurance policies concluded between an employer and an insurer.
- An applicable class of business in which premiums and benefits are payable without discriminating on age grounds, even if age is a factor in the assessment of the risks.

Adoption of the Agreement is a condition of membership of the ABI. The Agreement is a statement of intent and does not create legal obligations between the parties. Nothing in this Agreement should be construed as conflicting with statutory requirements or with other professional duties and obligations.

Commencement, duration and review

The Agreement will come into effect on 6th April 2012 and does not have an expiry date. It applies to contracts entered into on or after that date.

The Government, ABI and BIBA will formally review this Agreement, including its scope and its effectiveness, no later than 2015.

Any party wishing to withdraw from the agreement will give the other parties at least 3 months' written notice.

Transparency in motor and travel insurance

Publication of relevant information for motor and travel insurance

The ABI will publish data that is relevant to the use of age in the assessment of risk for private motor and travel insurance. This includes, but is not limited to, publicly available data such as Government and commercially available statistics, published research and material such as proprietary company research, claims and other data. The data may be from UK or non-UK sources.

This section describes the minimum content and form in which data will be published, and sets out the frequency with which the published data will be reviewed and updated.

General principles

This section sets out the general principles adopted by the ABI to improve transparency. The data will be published in a form that is intelligible to someone who is not an insurance expert and accompanied by appropriate explanations using plain English. The publication will identify which companies provided the data and the period to which it relates. Technical terms will be explained.

The ABI will confirm that the source and accuracy of any data has been attested by an authorised officer of the firm providing it with an explanatory note to the published data.

The publication requirement will be fulfilled by making the data available free of charge on the ABI website and in electronic format to other organisations. It will also be made available as a hard copy on request.

Motor insurance

Publication for motor insurance will take the form of a table or chart illustrating the average cost of claim per policy calculated by dividing the total cost of claims by the number of policies in force in the year. The data will be broken down by age ranges not exceeding five years for people aged 18 and older, with a single range for ages 80 and above.

Data will aggregate all forms of cover and for all relevant motor vehicles. It will indicate the accident years reported. It will be reviewed and, if necessary, updated at intervals not exceeding one year.

Travel insurance

Publication for travel insurance will take the form of a table or chart illustrating the average cost of claim per policy calculated by dividing the total cost of claims by the number of policies in force in the year. The data should be broken down by age ranges not exceeding five years, with a single range for ages 80 and above.

Data will aggregate all forms of cover and for all destinations. It will indicate the years reported. It will be reviewed and, if necessary, updated at intervals not exceeding one year.

Date of commencement

The ABI will publish the first set of data used as the basis for assessing risks or pricing contracts in private motor and travel insurance no later than 30th June 2012.

Access to motor and travel insurance

Proposals under the Equality Act 2010 do not prohibit insurers' use of age limits, although the Government, the ABI and BIBA recognise that some older customers do not always know how to find and obtain motor and travel insurance.

Improving access for older people

This Agreement addresses concerns about access to motor and travel insurance for older people through non-statutory provisions.

General principles

This section sets out the circumstances in which regulated entities using maximum age limits for motor and travel insurance will comply with this voluntary agreement. They will refer people aged above that maximum limit to a provider or suitable signposting service that can meet their needs. This means:

- Where a member of the ABI is the sole regulated entity with responsibility for the sale of a contract, that insurance company will undertake to comply with the Agreement.
- Where a member of the ABI is not the sole regulated entity, and an intermediary has responsibility for the sale of a contract, the ABI will request those intermediaries comply with this Agreement through their terms of business with the ABI member.
- Where a member of BIBA is the regulated entity with responsibility for the sale of a contract, that broker will undertake to comply with the Agreement.
- Where a contract is marketed and/or sold by regulated entities that are not members of the ABI or BIBA those companies will be invited to participate in this Agreement.

Referral arrangements

This section sets out the criteria and standards that age-based referral arrangements should fulfil and the form in which referral arrangements should be framed where insurance companies who use maximum age limits refer customers to another provider.

In all cases the following criteria should be satisfied:

- That the customer is clearly informed that a product is not available because of their age, or the age of another named person covered by the policy.
- That the customer is clearly informed that cover for people of their age is available through referral to a partner or signposting service.
- That contact details of the partner or signposting service have been clearly stated.

- That permission is sought and granted before customer details have been transferred to a third party.

Where insurance companies use maximum age limits, suitable arrangements to refer customers to another provider may adopt one of the approaches below.

- Referring customers to another provider through a contractual or non-contractual arrangement with a provider who would be willing to offer insurance to people of that age.
- Signposting customers to another provider through a service that holds information about one or more providers who would be willing to offer insurance to people of that age. A suitable signposting service would be required to publish aggregated data on the number of enquiries as set out in this agreement.

Examples of good practice can be found in the ABI's guide for insurers.¹

Association of British Insurers

Where an ABI member transacts applicable classes of business ABI undertakes to do the following:

- Obtain confirmation from the CEO that the firm will comply with the Agreement by completing the ABI's Chief Executives' Declaration of Compliance on Age form.
- Publish on its website a list of firms that have completed the document and update this regularly.

British Insurance Brokers Association

BIBA's find a broker helpline and website services are recognised for the purposes of this Agreement as providing a suitable signposting service. This agreement allows for any regulated entity that is unable to identify a suitable provider to take the referrals for motor and travel insurance customers, to signpost to the BIBA signposting service.

Each year, BIBA will publish aggregated data on the number of requests for applicable classes of business where the customer's age is provided.

Where customers use the BIBA signposting service – a telephone helpline and 'find a broker' website – BIBA will publish a market overview confirming:

- Website enquiries for age on travel and motor
- Call centre enquiries for age on travel and motor

The data will be broken down by class of business and specify age ranges where applicable. Data may aggregate all forms of cover and for all destinations. It will

¹ Equality Act – A Good Practice Guide for Insurers. ABI. 2012.

indicate the years reported. It should be reviewed and, if necessary, updated at intervals not exceeding one year.

Date of commencement

The measures to improve access will commence on 6th April 2012.