

PRIVATE MOTOR INSURANCE MARKET INVESTIGATION

RESPONSE TO STATEMENT OF ISSUES BY AGEAS (UK) LIMITED

A. Introduction

1. Ageas (UK) Limited ("**Ageas**") welcomes the publication of the Statement of Issues.
2. In it, the Competition Commission ("**CC**") invited parties to identify any issues which should be considered despite the CC indicating that it is presently not "*minded to*" pursue them.¹
3. In this response, Ageas explains why the CC should consider MFN clauses as part of its investigation² and provides new evidence to support its position.
4. For the avoidance of doubt, this response is limited to the MFN issue and Ageas should not, by restricting its response in this way, be taken as accepting or supporting any other aspect of the analysis in the Statement of Issues. Ageas is, in parallel, preparing responses to the CC's questionnaire and providing input into the ABI's substantive response to the Statement of Issues.

B. New evidence and analysis on the MFN issue

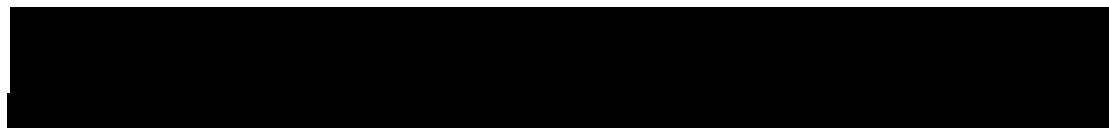
(i) The dampening effect of MFNs

5. In para. 92 of the Statement of Issues, the CC stated:

"Moreover, MFN clauses might have the effect of dampening competition between PCWs as, if a PCW with an MFN clause increases its CPA, it knows that any consequent increase in the price of PMI put through by an insurer would need to apply to all the insurer's online sales. Therefore, the PCW cannot be disadvantaged relative to its rival PCWs (or other rival sales channels covered by the MFN clause). As a result, PCWs may have a greater incentive to increase their CPAs than in the absence of MFN clauses."

6. In fact, the dampening of competition is not limited to CPAs. Ageas' experience is that MFN clauses are restricting its ability to enter into agreements with PCWs for innovative ways of doing business.

7.



¹

At para. 5.

²

Statement of Issues, paras 90-95.

[REDACTED]

8.

[REDACTED]

9. The decision whether to deal with a single PCW which offers a superior service or to continue to deal with all four PCWs is an extremely difficult one for Ageas because it currently makes a significant proportion of its sales through each of the four major PCWs, as explained in Annex 1. It is a choice that arises not as a result of normal competition but because of the extensive use by PCWs of MFNs which distorts competition by deterring or preventing PMIs from developing innovative commercial relationships (covering data provision and price) with individual PCWs.

(ii) The scope of MFNs

10. In para. 94 of the Statement of Issues, the CC observed:

"It also appears to us that the MFN clauses between PCWs and insurers generally relate to online sales and insurers are able to sell at different prices through other channels (eg through their own call centres or through brokers (offline)). Although most consumers research the price of motor insurance online when considering switching, many still use call centres, which provides some constraint on the dampening effect from such MFN clauses (see paragraph 92)." (Emphasis added.)

- 11.
- [REDACTED]

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See para. 94 of the Statement of Issues.

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22. The extensive use by PCWs of MFNs (of an evolving scope) is a feature of the market which dampens price competition to a greater extent than the CC's "*minded to*" analysis recognises.

(iii) The CC's working conclusion

23. The CC's working conclusion, at para. 95, was:

"Although we recognize that MFN clauses can have detrimental effects on competition and have been considered by competition authorities in many contexts, in light of the benefits of MFN clauses and the offline alternatives available to consumers of PMI, and given the apparent competition in the supply of PMI, we do not intend to consider this issue further in our investigation."

24. Ageas makes four comments in response.

25. First, there is evidence that at least one of the major PCWs has recently sought to extend its MFN clauses to apply to offline alternatives to consumers and another is continuing its stance on these. This is important new evidence of the situation changing in the marketplace. It means that MFNs cannot confidently be said to be limited to on-line and it therefore cannot be assumed that offline competition will remain unaffected by the widespread adoption of MFN clauses. The dampening effect on price is, accordingly, more extensive than para. 95 recognises.

26. Secondly, whilst the supply of PMI is intensely competitive, that competition does not prevent MFNs from having detrimental effects on competition. Competition between PMIs will not reduce CPAs in the face of blanket use of MFNs; nor will it promote the development of innovative relationships between PMIs and PCWs as explained in paras. 7 & 8 above.
27. Thirdly, if there are benefits in MFNs, they are not straightforward and come with significant costs. By way of illustration only, there are significant issues to be considered about: whether MFNs are necessary to protect investments by the established PCWs; whether their effect is to shift competition between PCWs away from price and innovation and into (less useful) advertising; and whether they operate as a barrier to entry and expansion.
28. Fourthly, whether or not MFNs ultimately require remedial action under the Act, Ageas submits that the assessment is complex and not suited to summary disposal in the manner proposed in para. 95 of the Statement of Issues.

C. Conclusion

29. This is an important topic which warrants full investigation as part of the CC's investigation.
30. If the CC were to consider the MFN issue in its investigation, despite the "*minded to*" position adopted in the Statement of Issues, Ageas would, of course, provide such further detailed evidence as it has available.

ANNEX 1

AGEAS' USE OF MULTIPLE PCWS

Ageas is the holding company for a number of UK based insurers and insurance intermediaries (brokers). The intermediaries include Kwik Fit Insurance Services Limited, UKAIS Limited, Ageas50 Limited (formerly RIAS Plc), The Green Insurance Company Limited and Express Insurance Limited.

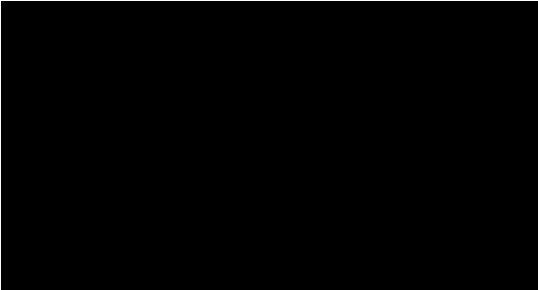
In the Statement of Issues the CC observed that:

*"We note that some PMI providers told the OFT that they needed to be listed on several PCWs, which made the limited number of PCWs more problematic as they had fewer alternatives."*⁵

Ageas itself needs to be listed on several PCWs.

The proportions of new policies sold through PCWs of the five intermediaries are shown in Table 1 below.

Table 1: Average Proportions of new policies sold through PCWs, by Ageas intermediaries

Intermediary	Proportion of new policies sold through PCWs (per cent.)
Kwik Fit Insurance Services Limited UKAIS Limited	
Ageas50 Limited	
The Green Insurance Company Limited	
Express Insurance Limited	

All five intermediaries all sell through all four major PCWs – Confused, moneysupermarket, Go Compare and Compare the Market – except that Ageas50 Limited sells through three of the four on a very limited basis as it is a specialist provider of insurance to the over 50s.

⁵

Para. 49.

