

Competition Commission Private Motor Insurance Market Investigation

Response to Statement of Issues

We appreciate the opportunity to respond to the CC's Statement of Issues. Having contributed to the industry response submitted by the Association of British Insurers, we will avoid restating content from that document.

The following is therefore, by way of high level feedback to highlight some of our concerns:

1. Scope of investigation

There are a number of areas where there is potential for the CC investigation to overlap with FSA/FCA reviews. Consequently, insurers could face conflicting requirements if these activities are not aligned.

Where the CC identifies areas for investigation that would ordinarily fall within the remit of the FSA/FCA, the CC should defer to, or work in conjunction with, the FSA/FCA.

2. The market dynamic where the supplier of services post accident does not always bear the ultimate costs liability

It is vital that the CC's investigation identifies unnecessary cost inflation and addresses related practices for all parties involved (claims management companies, credit hire operators, etc.) not just insurers. If parties are to be excluded from the investigation, we would expect the CC to refer to an appropriate regulator or trade body to ensure that effective measures are imposed upon all market participants.

The CC should also be mindful of insurers' obligations to balance the expectations of comprehensive policyholders, e.g. to receive quality services vs. the basic requirement to restore back to the position that existed pre-accident.

3. Perceived lack of competition in certain segments – Northern Ireland and young drivers

In assessing the extent of market segmentation and the impact from a reduction of rivals operating in specific segments it's important that the CC distinguishes between the varying factors affecting premium and recognises that insurers' pricing strategies reflect their target markets and risk appetite.

With regard to Northern Ireland, we submitted a detailed response to the OFT clarifying market dynamics and drivers of cost, and assume the CC has full access to these documents.