



11 January 2013

Inquiry Manager
Private Motor Insurance Market Investigation
Competition Commission
Victoria House
Southampton Row
LONDON
WC1B 4AD

BY E-MAIL: pmi@cc.gsi.gov.uk

Dear Sir

Response to your statement of issues on the Private Motor Insurance Market Investigation

Swinton Group Limited (**Swinton**) is grateful for the opportunity to comment on the Competition Commission's (CC) statement of issues (SOI) on the Private Motor Insurance Market Investigation.

Swinton is an insurance broker selling private and commercial insurance. Established in 1957, we now have more than 2 million customers and provide sales and service to the public using the telephone, internet and in person at any one of our more than 500 UK-wide branches.

With reference to the theories of harm (ToH) set out in the SOI, we would urge you to consider the following comments:

1. In your analysis of ToH 1 you look at harm arising from the separation of cost liability and cost control. **The most significant cost to insurers is the payment of personal injury claims and substantive changes will take place to limit these costs in 2013.** These changes include the banning of personal injury referral fees, the reduction in solicitors success fees, the banning of ATE (after the event) recoverability and further proposed changes by the MOJ to reduce solicitors recoverable costs and the capping of claim values. All of these have been welcomed by the insurance industry, which acknowledges that this will have a significant reduction in overall claims costs.

The costs relating to credit hire of replacement vehicles and credit repair are significantly less and need to be balanced against the service entitlement of a non-fault party. The provision of a 'like for like' / 'appropriate for needs' vehicle is a consumer expectation and is frequently not fulfilled by the customers own insurer on this basis. Brokers and CMC's that work closely with insurers generally work to accepted protocols and costs are mitigated, however there are some poor practices within the industry and the commission should encourage insurers to look for these.. The CC should note the following:

- A GTA agreement between claims management companies and insurers is in place and should be encouraged as an effective cost control mechanism;
- Insurers should agree acceptable protocols and costs with CMC's to mitigate costs;



- Higher value replacement vehicles (than the customers own vehicle) should be challenged by 'at fault' insurers; and
 - The 'at fault' insurer should not be required to pay claims that are more expensive than they need to be and they do have the right to challenge any inappropriate costs;
2. In your analysis of ToH 2, you make the case for harm arising because the beneficiary of post-accident services is different from, and possibly less well informed than, the procurer of those services. However, your analysis omits the **benefits arising from the service provided to the non-fault driver and their passengers**. Many consumers are not interested in completing paperwork, sourcing hire cars or sourcing repairs. Indeed, because most consumers rarely if ever source these services themselves, they may find it difficult and time consuming to search the market for providers and to oversee the timely repair to their vehicles. We would encourage the CC to fully consider this benefit in its analysis.
 3. In your analysis of ToH 3, you question the market power of the Price Comparison Websites (PCWs). Our view is that that **the PCWs do have significant market power** and hence have the ability to increase their Costs per Acquisition charges which, in conjunction with the MFN clauses (see below) could be deemed to be drive prices higher. In addition there are significant barriers to entry for a new PCW to enter the market.
 4. In your analysis of ToH 4, you make the case for harm arising through a collection of practices such as opt-in cross-selling, opt-out cross-selling and compulsory price increments (arising, for example, through mandatory credit card charges) (**drip-in pricing**). We agree that both opt-out cross-selling and compulsory price increments harm consumers. However, your analysis omits consideration of the **benefits arising from the convenience and utility of additional opt-in purchases**. Swinton cross-sells a wide range of products to complement core insurance cover, including drivers legal protection and motor breakdown. Almost one million of our customers benefit from the utility of these policies, and from the convenience of purchasing them at the same time as their private motor insurance. We believe that this is particularly important as over the last decade price has become the key determinant in the sale of motor insurance (principally driven by the advent of PCWs), which has resulted in providers offering increasingly more stripped down versions of their products that, whilst they may be cheap, may not offer the customer all the cover they want or need. We would encourage the CC to consider separately different drip-in pricing techniques and, in the case of opt-in cross-selling, to fully consider the consumer benefits arising in their analysis.
 5. In your analysis of ToH 5, you consider but then reject detailed analysis of whether MFN clauses harm competition. You correctly identify in paragraphs 92-94 how the dynamic of increasing CPA from one PCW results in higher prices at other PCWs (and in other online channels) and how this leads to higher prices for customers. In the Lear analysis for the OFT, they also highlight the price escalation that results from most or all PCWs using MFN clauses (in the UK market, three of the four PCWs require MFN clauses). You appear to reject further analysis of MFN clauses, though, because you state that MFN clauses protect PCW investments and that in any case consumers can choose to purchase from other non-online venues. We would encourage you to **consider again the area of MFN clauses**: by banning the use of MFN clauses, we believe you



could create both more competition between PCWs and increase cost efficiency in the industry, ultimately reducing end consumer prices.

Finally we would encourage you to not consider customers as a homogenous group. Whilst we appreciate this can make the analysis more difficult, from our experience there are many different groups of customers which each value different things. For example there are groups of customers for whom price is most important and there are other groups of customers for whom piece of mind is more important (and hence the value of add-on products).

We trust that these comments are helpful to you, and look forward to working with you during your investigation. Please don't hesitate to contact us if you have any further questions.

Yours faithfully,

Christophe Bardet
Chief Executive Officer