

COMPETITION COMMISSION INVESTIGATION INTO PRIVATE MOTOR INSURANCE

AGEAS UK'S SUBMISSION IN RESPONSE TO THE NOTICE OF POSSIBLE REMEDIES

Ageas UK¹ has reviewed with interest the Competition Commission's Provisional Findings and Notice of Possible Remedies, published in December 2013.

This submission sets out Ageas UK's comments on the actions that the Competition Commission might take in order to remedy, mitigate or prevent any adverse effect on competition (AEC) or any resulting detrimental effects on customers that the Competition Commission might identify. The comments made in this submission are without prejudice to any comments that Ageas UK may submit on the Provisional Findings report itself and/or in relation to the MSXI data room.

Ageas UK's comments on each of the possible remedies that the Competition Commission has identified are as follows.

1 PRIORITY OF REMEDIES PROPOSED BY THE COMPETITION COMMISSION

- 1.1 The issues raised in the Provisional Findings are complex and it is evident that no single remedy can fully address the concerns that the Competition Commission has identified.
- 1.2 When analysing possible remedies, principles of customer benefit, proportionality and practical effectiveness are key. It is with this mindset that Ageas UK has considered the various possibilities identified in the Notice of Possible Remedies. Ageas UK wonders whether a number of the remedies that the Competition Commission has outlined might impose a potentially significant administrative burden on the industry, adding extra cost and upward pressure on customer premiums, which might ultimately outweigh the potential advantages that the remedies would bring.
- 1.3 It is Ageas UK's view that all market players will need to engage fully with any remedies put in place by the Competition Commission to ensure that their effectiveness is maximised. Ageas UK is wholly committed to playing its part in achieving this.
- 1.4 With regard to ToH 1:
 - Ageas UK considers that **Remedy 1A** could go a long way to addressing the concerns that have been raised regarding the provision of temporary replacement cars. If this remedy were implemented, insurers would be liable for the costs of providing replacement cars to their customers, creating strong incentives to procure cars as efficiently as possible. Meanwhile, consumers would be likely to benefit from enhanced choice, as they would be free to choose their own level of replacement vehicle cover.
 - **Remedy 1C** would also be worth exploring further since, in principle, it could remove considerable cost from the system. In light of the industry's experience with the GTA, Ageas UK does have some reservations as to whether this remedy could be implemented effectively and proportionately (and in a manner that genuinely overcomes the shortcomings of the current GTA). Nevertheless, this would be worth considering further.

¹ In this submission, references to "Ageas UK" mean Ageas (UK) Limited and, where applicable, its subsidiaries, excluding Tesco Underwriting Limited. Tesco Underwriting Limited is a joint arrangement with Tesco Bank and its views do not form part of this response.

- Remedies 1A and 1C are, of course, limited in scope to temporary replacement cars. The Provisional Findings also identifies concerns regarding the cost of repairs. It is conceivable that implementing Remedy 1A could to some degree exacerbate those concerns, since it might encourage certain non-fault insurers to inflate repair costs in an attempt to recoup the costs of providing a temporary car. In this regard, Ageas UK would be supportive of exploring further **Remedy 1D(a)**, since it supports the principle that non-fault parties' claims should be limited to the wholesale cost that they incur in handling the repair (plus a modest amount to cover administrative costs). How this remedy could best be implemented will need to be considered carefully, to guard against possible circumvention. In this regard, it seems clear that a ban on referral fees (Remedy 1G) would not be sufficient.

There may be merit in exploring the possibility of a remedy along the lines of that outlined in **Remedy 1D(b)**, although the likely effectiveness (and proportionality in light of the likely costs) of this remedy would need to be considered carefully.

- 1.5 With regard to ToH 5, Ageas UK is of the view that MFN clauses are capable of affecting competition adversely. It therefore welcomes the Competition Commission's proposed remedy to prohibit "wide" MFN clauses (**Remedy 5A**). Such a prohibition should be effective and relatively easy to implement and enforce.
- 1.6 With regard to ToH 2, Ageas UK is confident that the repairs it handles are carried out to an appropriate standard and that its customers are fully informed of their entitlement. With regard to ToH 4, it makes considerable efforts to ensure that its customers are able to make an informed decision at the point of sale regarding add-ons that they may wish to buy. Nevertheless, Ageas UK is supportive of any measures that ensure that customers understand their rights and the products advised or offered to them. It will willingly consider remedies intended to ensure that consumers' interests are appropriately protected.
- 1.7 Ageas UK's views on these and the other remedies identified in the Notice of Possible Remedies (some of which raise issues that may render them unlikely to be effective) are set out in further detail below.

2 REMEDY A – MEASURES TO IMPROVE CLAIMANTS' UNDERSTANDING OF THEIR LEGAL ENTITLEMENTS

- 2.1 Ageas UK is fully supportive of any measures which improve claimants' understanding of their legal entitlements. It recognises the importance both of consumers being provided with this information and of the information being presented in a way that is clear and accessible. Ageas UK makes considerable efforts to provide clear and comprehensive information to its customers about their entitlement in an event of a claim.
- 2.2 In order to maximise the effectiveness of any informational remedy, Ageas UK's view is that a consistent, industry-wide approach would be required and that the obligation to provide information should extend to all market players, including CMCs and brokers. Ageas UK would willingly participate fully in formulating any such industry-wide standard.

3 TOH 1: SEPARATION OF COST LIABILITY AND COST CONTROL

- 3.1 Ageas UK is supportive of the Competition Commission's provisional findings that an AEC arises from the separation of cost liability and cost control. It agrees with the views expressed widely in the industry that this should be the focus of the Competition Commission's investigation and of any remedies.

Remedy 1A: First party insurance for replacement cars

- 3.2 A remedy along these lines would remove the separation of cost liability and cost control for replacement cars. Insurers would be liable for the costs of providing replacement cars to their customers, creating strong incentives to procure cars as efficiently as possible. This would remove cost from the industry; the savings resulting from the reduction in credit hire costs for the at-fault insurer will more than outweigh the cost of providing a direct hire solution, which would lead to downward pressure on premiums.
- 3.3 Meanwhile, for consumers, this remedy should result in enhanced choice since, in principle, consumers would be free to decide the level of replacement car cover that they wished to buy.² Consumers could choose the level of replacement vehicle cover that they would wish to have in the event of a non-fault accident (as well as in the event of a fault accident, which is a choice that they already have). Thus, for example, a consumer whose mobility requirements were relatively limited could choose to reduce his/her premiums by reducing the level of cover. Enhancing consumer choice in this regard is to be welcomed.
- 3.4 It would however be important that consumers were able to make an informed choice about the level of replacement car cover that they required. By increasing the parameters of choice, this remedy would inevitably increase the potential level of complexity of car insurance for consumers. This remedy could be counter-productive for consumers if it in some way resulted in people taking out replacement vehicle cover that was less than they properly required. With this in mind, it may be in the general consumer interest for all insurance policies to include at least a minimum level of replacement vehicle cover.
- 3.5 For insurers, a switch to a first party model for the provision of replacement cars would present underwriting challenges. Insurers would, at least initially, find it difficult to assess risk for such coverage, because they do not currently hold all of the relevant underwriting data. However, Ageas does not regard these challenges as insurmountable.
- 3.6 This remedy may make it relatively more likely that non-fault insurers seek to retain control over the provision of repairs or management of a total loss claim (and less likely that claims are captured by fault insurers), potentially reinforcing the separation of cost liability and cost control for such claims. If non-fault insurers were to provide replacement car cover to their own customers, there would be a reduced incentive for fault insurers to capture the non-fault claimant's claim as the cost of credit hire would be taken out of the equation. Meanwhile, the non-fault insurer may have an incentive to seek to control the provision of repairs or management of the total loss claim in order to control the duration for which the replacement car would be required which, in turn, would provide greater control over the cost it incurs in providing the replacement car.
- 3.7 If a third party were to control the repairs or management of the total loss claim, that third party would determine the duration for which a replacement car was required which would, in effect, determine the non-fault insurer's liability for the provision of replacement cars. From an underwriting perspective, having repairs or a total loss handled by a different party could make it inherently difficult to assess the likely costs of replacement car claims. It could even potentially skew incentives to handle repairs or manage a total loss quickly – for example, an insurer might well have an incentive to repair vehicles in respect of which it was providing a

² Ageas UK notes that, if this remedy is implemented, consumers might perceive that they are being asked to pay for a cover that they currently receive for “free” (i.e. on the basis that they do not currently pay for replacement car cover in the event of a non-fault claim; rather, they can claim the cost of a replacement car from the fault party). However, Ageas considers that this remedy would benefit consumers in the form of lower premiums overall, on the basis that it would remove cost from the industry.

replacement car more quickly than a vehicle for which a third party insurer was incurring the replacement car costs.

- 3.8 When considering this remedy further, the Competition Commission will need to be mindful of the possibility that certain non-fault parties might try to find “loopholes” that would enable them to try to claim from fault insurers some or all of the costs associated with the provision of replacement cars. For example, a party who handled both the repairs and the provision of a replacement car might conceivably inflate its repair claim to recover some or all of its replacement car costs. Or a party might try to argue that any excess payable to its own insurer for its replacement car should be recoverable from the fault party. Such conduct could lead to uncertainty within the industry, skewed incentives if parties were to try to “game” the system and a likelihood of expensive litigation. Ultimately, it could also risk undermining the bringing together of cost liability and cost control that this remedy would be seeking to achieve. Ageas UK considers that this remedy should not include subrogation.
- 3.9 Ageas UK would encourage the Competition Commission also to explore whether this remedy could be achieved through a non-legislative solution, for example through a code of conduct regulated by the FCA (whilst recognising that any such solution would need to be structured in a manner that complied with the general competition law rules).

Remedy 1B: At-fault insurers to be given the first option to handle non-fault claims

- 3.10 In its Notice of Possible Remedies, the Competition Commission has outlined three variations of this remedy, which Ageas UK summarises as follows:
- 3.10.1 Option 1: Fault insurers are given the opportunity to contact non-fault claimants to try to “capture” them, but non-fault claimants retain choice as to whether or not they are captured.
- 3.10.2 Option 2: Fault insurers are given the opportunity to capture non-fault claimants, with the non-fault claimant having no choice but to be captured.
- 3.10.3 Option 3: As with Option 2, but the non-fault claimant has no choice but to be captured only with regard to temporary replacement cars (i.e. the fault insurer cannot force a non-fault claimant to be captured with regard to repairs).
- 3.11 Ageas UK considers it unlikely that any of the above variations of this remedy is likely to bring material benefits to consumers. In this regard:

3.11.1 General comments

All three options would be likely to lead to administrative cost and, in particular, delay in the claims handling process. A system would need to be developed and implemented such that fault insurers would be notified of claims involving their customers. Fault insurers would then need to be given an appropriate period of time in which to contact the non-fault claimant. To work effectively, the remedy would require a “standstill” period during which the non-fault claimant’s claim (including its entitlement to a temporary replacement car) could not otherwise be progressed. Delay in providing a replacement car and thus regaining mobility would be likely to be of detriment to the non-fault claimant.

This remedy would also need to take account of unreported claims and cases where liability was split or disputed. These are likely to be particularly problematic and subject to delay due to uncertainty as to the appropriate process to be followed. It is even conceivable that the number of split or disputed liability claims might increase if

this remedy were to be implemented, which would clearly not be in the best interests of consumers in terms of the cost and duration of claims.

3.11.2 Option 1

Fault insurers already have the possibility of trying to capture claims and, indeed, in common with other insurers, Ageas UK will seek to capture claims when it can. Where a claim is captured, the separation of cost liability and cost control which is at the root of ToH 1 is removed.

One of the biggest obstacles to being able to capture claims is having the ability to contact the non-fault claimant (either at all or sufficiently early in the claims process that capturing the claims remains a viable option). Having in place a mechanism to enable fault insurers to identify and contact non-fault claimants would help address this obstacle.

However, this remedy might not lead to a dramatic increase in the number of non-fault claimants who would be captured. There would be a very clear incentive for the person to whom the non-fault claimant had contacted at First Notification of Loss ("FNOL") to try to persuade them not to be captured. The obligations on parties at FNOL to contact the fault insurer would need to be clearly set out. Nevertheless, it is not clear how businesses' conduct at this stage of the claim could properly be policed particularly in the absence of a common regulator for the various relevant entities.

Ultimately, whilst Ageas UK would welcome steps that would increase fault insurers' ability to persuade a non-fault claimant to be captured (with the non-fault claimant ultimately retaining choice), it has some hesitations as to whether the frictional costs associated with this remedy (e.g. the cost of identifying and contacting the third party insurer; the cost of calls with a customer who is deciding whether to take up the offer) might be outweighed by any potential cost savings arising from an increase in the number of captured claims.

3.11.3 Option 2

Option 2 would remove the separation of cost liability and cost control in all cases where the fault insurer chose to exercise its right to capture the claim. It should also remove considerable cost from the industry. Fault insurers would handle the repairs and temporary replacement cars for the cost of which they were liable. They would therefore have an incentive to handle claims as efficiently as possible.

However, option 2 would also completely remove non-fault claimants' choice as to who would provide them with repairs and/or a replacement car. Instead, a non-fault claimant would be required to use the services of the fault driver's insurer, regardless of the identity or reputation of that insurer.

Whilst Ageas UK is broadly in favour of giving fault insurers the possibility of capturing claims, it considers it important that consumers retain choice. As noted above, Ageas UK will often seek to capture claims where it can. Likewise, it is aware that other insurers will often seek to capture claims where an Ageas customer is the non-fault claimant. However, in all cases, Ageas UK takes considerable comfort from the fact that the non-fault claimant will only choose to be captured if it considers that it is in its interests to be so. This enables Ageas UK to explain the benefits of being captured to non-fault claimants of other insurance companies and offers Ageas's customers protection against being captured by fault insurers whose service offering might be of a lower standard.

Ageas UK would have considerable hesitations about the possibility of consumers losing choice by being “forced” to be captured by an insurer that they had not chosen to deal with, particularly where the level of service offered might be lower than that to which the customer would have obtained from its “own” insurer. Such an approach is also likely to lead to frictional costs as a result of increased complaints.

3.11.4 Option 3

Option 3 would raise the same issues as Option 2, albeit only with regard to temporary replacement vehicles.

In circumstances in which the provision of a replacement car was captured but the provision of repairs was not captured, fault insurers would have no control over the time taken to complete the repairs and, therefore, of the costs that they would incur in providing the replacement vehicle.

Remedy 1C: Measures to control the cost of providing a replacement car to non-fault claimants

- 3.12 This remedy would appear to involve a new set of arrangements to replace the existing GTA. The new arrangements would provide guidance on hire durations and would establish a cap on hire rates, with non-fault parties entitled to include in their claims a specified allowance for administrative costs.
- 3.13 Consistent with others in the industry, Ageas UK recognises that, whilst the GTA has been helpful in limiting costs, it has not proved to be a fully effective solution. This proposed remedy would appear capable of modest improvement on the current position but, on balance, may be unlikely to remove much cost from the system.
- 3.14 Ageas UK’s main comments on this remedy are that:
 - 3.14.1 In principle, a remedy along these lines could reduce hire rates and, thereby, take considerable cost out of the industry. However, there are likely to be practical challenges in implementing such a remedy (and it is clear that any such remedy would need to represent a significant departure from the current GTA).
 - 3.14.2 The weaknesses of the current GTA include that it is not compulsory on all players in the industry, hire rates remain too high and it does not limit hire durations.
 - 3.14.3 To be effective, any new measures would need to be compulsory for all relevant players in the market (including insurers, CMCs and CHOs).
 - 3.14.4 The administration of this remedy would appear likely to involve high frictional costs. Creating and administering an online portal, and engaging an independent body to set prices, would come at a cost.
 - 3.14.5 Whilst a remedy along these lines could potentially address hire rates, it is unclear whether (and, if so, how) it could in practice address excessive hire durations. In Ageas UK’s view, hire durations are a bigger concern than hire rates. It is conceivable that any reduction in hire rates could lead to even greater (upward) pressure on hire duration.
 - 3.14.6 The extent to which these measures did in fact address hire rates would of course depend on the level at which the rates were set by the independent body. The Competition Commission has outlined two possible mechanisms for setting rates, one

based on a basket of retail rates (less a percentage to reflect differences for average direct hire rates), the other based on a basket of direct hire rates (plus an uplift to cover credit charges). There is likely to be a wide divergence of views from across the industry as to what the precise rates should be. It is also possible that the existence of the mechanism for setting the cap on hire rates could itself put upward pressure on the underlying rates that are used for the purposes of calculating the caps, diminishing the impact of this remedy and potentially leading to higher rates across the board. Any potential value arising from this remedy would be destroyed if rates were set at a level that was “too high”, as has happened under the GTA.

Remedy 1D: Measures to control non-fault repair costs

Remedy 1D(a) – Non-fault claims to be limited to the wholesale price paid to repairers, plus an allowance for an administrative charge

- 3.15 Ageas UK welcomes the underlying rationale behind this possible remedy, which would seek to prevent non-fault parties from inflating their claims in the ways that the Competition Commission has identified.
- 3.16 The inherent practical difficulty presented by this remedy would be in determining what the appropriate “wholesale price” should be in any given claim.
- 3.17 As the Competition Commission notes in its Notice of Possible Remedies, there is a concern that this remedy might encourage inflated bills from repairers to insurers in exchange for referral fees. The Competition Commission envisages a ban on referral fees (remedy 1G) to address this concern.
- 3.18 However, the reality is that there are numerous ways in which a non-fault party could seemingly incur (and pass on to the fault insurer) a “wholesale price” that could reasonably be regarded as inflated. Any remedy along these lines would need to establish a workable test for identifying the appropriate wholesale price for any given repair, taking into account (and appropriately attributing) any relevant discounts, rebates or other commercial advantages received by the non-fault party. Measures would also need to be introduced to prevent non-fault parties simply agreeing dual price lists for repairs, i.e. agreeing to pay higher prices for non-fault repairs than for fault repairs.
- 3.19 Whilst Ageas UK would strongly support the rationale for any remedy along these lines, it has considerable hesitations as to whether any such remedy could be defined in sufficiently precise terms that would prevent circumventions and whether, given its inherent complexity, it could be properly enforced.

Remedy 1D(b) – Repair claims to be limited to standardised costs

- 3.20 At first glance, this remedy would appear relatively straightforward and, if rates are appropriately set, could remove considerable cost from the industry. A tariff would be established for each type of repair, which non-fault parties would then charge to fault insurers. Non-fault parties would be incentivised to procure repairs for no more than the amount of the tariff (otherwise they would suffer a loss) and, indeed, would have an incentive to procure repairs for less than the tariff if they could (in which case they would retain the difference).
- 3.21 The main practical challenge with this remedy would be the inherent cost and complexity of developing and administering a cost estimation system capable of handling the myriad of different types of repair that present themselves in practice. The current cost estimation systems are of much more limited scope than would be required to implement this remedy.

- 3.22 Similar to remedy 1C above, it would be important that the tariffs established under any such mechanism were set at the right level and, in particular, that they were not set “too high”. That would seem to imply active management and review of the cost estimation system by an independent body, such as Thatcham. However, it is not evident what the independent body would use as its reference for setting the tariffs. As with remedy 1C, there would be considerable scope for divergence across the industry as to the levels at which the tariffs should be set. The tariff setting body would need to be given clear guiding principles by which to identify the appropriate rates. It would also be necessary to consider carefully the application of competition law in the event that insurers (or other market players) had involvement in establishing the rates.
- 3.23 The Notice of Possible Remedies suggests that this remedy would apply to subrogated claims. In practice, it would need to apply to all claims, subrogated or otherwise. If credit repair were not included in the scope of the remedy, the risk of circumvention would be substantial.

Remedy 1E: Measures to control non-fault write-off costs

Remedy 1E(a) – Fault insurer has the option to take responsibility for handling salvage

- 3.24 Remedy 1E(a) could involve the fault insurer paying to the non-fault party an agreed pre-accident value of the vehicle, with the fault insurer then taking responsibility for handling the salvage of the vehicle.
- 3.25 The potential advantage of this remedy is that it would put the fault insurer in control of the salvage process and, accordingly, would create incentives to maximise the salvage value recovered.
- 3.26 This remedy would also have the advantage of being neutral with regard to the non-fault claimant’s claims experience. Who handles the salvage of the vehicle has no impact on the non-fault claimant.
- 3.27 There would be an administrative burden in operating this remedy, since non-fault parties and fault insurers would need to exchange communications to “agree” the process for handling each salvage.
- 3.28 Fault insurers would of course need to decide whether to exercise their option to take responsibility for handling the salvage process. Doing so would incur some cost. Presumably, ownership of the vehicle would need to be transferred to the fault insurer.
- 3.29 On balance, Ageas UK wonders whether the administrative and other costs associated with this remedy might outweigh the anticipated benefits.

Remedy 1E(b) – Salvage claims to be based on actual salvage values

- 3.30 Ageas UK notes that its own salvage claims are currently based on actual salvage values. However, whilst implementing this remedy across the board would be conceptually attractive, it would share many of the practical difficulties associated with remedy 1D(a). Establishing and enforcing appropriate rules for determining the “actual salvage proceeds” in a particular scenario could be challenging and would need to guard against potential circumvention mechanisms (such as, for example, annual volume rebates paid by a salvage company to an insurer).

Remedy 1F: Improved mitigation in relation to the provision of replacement cars to non-fault claimants

- 3.31 Ageas UK fully supports the principle that a non-fault claimant should be provided with a temporary replacement vehicle that meets (but does not exceed) their needs. It is also supportive of proportionate measures to enhance fault insurers' ability to verify claims that are made to it. Care would however need to be taken to ensure that such a system did not become overly burdensome to administer. Appropriate enforcement of the system would also be necessary, given the clear incentive that certain players in the market (for example, CMCs and CHOs) have to persuade non-fault claimants to take temporary replacement cars.

Remedy 1G: Prohibition of referral fees

- 3.32 Whilst Ageas UK agrees that a prohibition of referral fees may be required as a supportive measure to remedy 1D(a), it is of the view that a ban on referral fees would not be a remedy in itself.
- 3.33 As Ageas UK has previously submitted to the Competition Commission, referral fees are a symptom of the underlying problem, rather than the problem itself. Ageas UK notes that the ban on referral fees in isolation in personal injury cases has had limited impact on the problems in that sector which the prohibition was intended to address. Ageas UK's experience from the personal injuries sector is that seeking to ban referral fees raises numerous issues with regard to definition, monitoring and potential loopholes.

Claims involving commercial vehicles and motorcycles

- 3.34 Whilst the Competition Commission's terms of reference are confined to the insurance of private motor cars, inevitably many accidents that give rise to insurance claims involve commercial vehicles and motor cycles.
- 3.35 It is important that any remedies with regard to ToH 1 appropriately address the treatment of claims where a private motor car is involved in an accident with a commercial vehicle or a motor cycle. There would need to be consistency as to how different types of accident were handled. It would be deeply unattractive (for consumers and for the industry alike) if different regimes were to apply depending on what sort of vehicles were involved in the accident.

4 TOH 2: POSSIBLE UNDERPROVISION OF SERVICE TO THOSE INVOLVED IN ACCIDENTS

- 4.1 Ageas UK fully supports the proposition that consumers should be entitled to high levels of service in the event of an accident. As noted above, it places considerable importance on providing clear and comprehensive information to its customers about their entitlement in an event of an accident. It also seeks to provide repairs that are of a high quality and are guaranteed.
- 4.2 Ageas UK has carefully reviewed the CC's summary of the findings of the MSXI report (as set out in the CC's working paper "WP MSXI Vehicle Inspection Report"). In particular, Ageas notes the finding that a significant proportion of vehicles (irrespective of insurer) are not repaired to a satisfactory standard. In common with others in the industry, Ageas UK has hesitations regarding the weight, if any, that can be put on the report's findings. However, Ageas UK has not yet had the opportunity properly to assess the evidence used to support the report's findings.

Remedy 2A – Compulsory audits of the quality of vehicle repairs

- 4.3 Whilst Ageas UK has doubts as to the validity of the MSXI report's findings, it would in principle willingly support any proportionate initiative to ensure repairs are performed to an appropriate standard.
- 4.4 With regard to the possibility of compulsory audits of repair quality, Ageas UK wonders whether this may involve a level of cost that is disproportionate to any perceived concerns regarding the quality of repairs. However, Ageas UK reserves its right to comment further on this remedy when it has been able to consider the MSXI report and the underlying data more fully.

5 TOH 4: ADD-ONS

Remedy 4A – Provision of add-on pricing from insurers to PCWs

- 5.1 Ageas UK is fully supportive of any measures to improve transparency for consumers purchasing motor insurance policies from PCWs. Ageas UK endeavours to provide transparency to its customers and to others involved in the supply chain.
- 5.2 The description of this remedy in the Notice of Possible Remedies refers only to the provision of add-on pricing from insurers to PCWs. However, the Competition Commission should note that many add-on products are in fact provided by brokers and so any remedy would need to include brokers (and possibly others) as well as insurers.
- 5.3 Given the work currently being undertaken by the FCA, Ageas UK's view is that the FCA would be best placed to determine and implement any remedy under this head. To the extent that the FCA does require any action, this would need to be factored into any remedy imposed by the Competition Commission. It would be unhelpful if there were to be any conflict or inconsistency between action required by the FCA on the one hand and the Competition Commission on the other.

Remedy 4B – Transparent information regarding no-claims bonus

- 5.4 Ageas UK would willingly consider any remedy that improved the transparency of information provided to consumers regarding the calculation of no-claims bonuses. Again, Ageas UK endeavours to offer transparency to its customers and to others involved in the supply chain.
- 5.5 Ageas UK notes that NCB scales are complex and so publication of these would unlikely to be an effective remedy or indeed aid consumers' understanding and could be misleading to consumers. Ageas UK's view is that using a consistent form of words across the industry when explaining NCB to consumers could help and be usefully formulated by a body such as the ABI. Ageas UK would welcome the opportunity to input into this process.

Remedy 4C – Clearer descriptions of add-ons

- 5.6 Ageas UK would support any remedy that aided consumers' understanding of add-ons, although Ageas UK already endeavours to ensure that its customers fully understand the add-ons that it offers.
- 5.7 Ageas UK does however have concerns about the practicalities and would make the following general points. First, in light of the work on insurance add-ons already being undertaken by the FCA and its oversight of insurers, brokers and PCWs, Ageas UK considers that the FCA would be best placed to identify and implement any add-on related remedy. Second, any remedy would need to be addressed to distributors of insurance products rather than (or as

well as) to insurers. Third, the Competition Commission will need to be mindful of the need to factor in the cost implications of any remedy imposed under this head and the appropriate balance of information that consumers find useful to assist them in making the appropriate buying decision. Ageas UK has reservations about the possibility of standardised information being provided to consumers due to the differing nature of add-on products and the fact that this could stifle innovation.

6 TOH 5: MOST FAVOURED NATIONS CLAUSES IN PCW AND INSURER CONTRACTS

Remedy 5A – Prohibition on wide MFN clauses

- 6.1 Ageas UK has commented throughout this investigation that, whilst it welcomes the existence of PCWs (on the basis that they provide ready access to a wide variety of insurance providers and the ability to compare prices and products), MFN clauses potentially affect competition adversely. It is therefore strongly supportive of the CC's proposed remedy to prohibit "wide" MFN clauses. To be effective any such prohibition would need to apply to contracts with distributors as well as insurers.
- 6.2 Ageas UK's view is that when considering the scope of the ban, prohibiting all MFNs except for a permitted limited type is preferred, rather than prohibiting particular types of MFNs. This means that it is not necessary to produce an exhaustive list of "prohibited" MFNs; and the remedy will be less easy to circumvent, as there will be very limited scope to argue that a particular type of MFN does not fall within a prohibited category.
- 6.3 There is no reason why this remedy could not be put into effect quickly, with a very short implementation period. No adjustment period would be required. [●].
- 6.4 The most effective way of implementing this remedy would be likely to be by way of an order rather than through the use of undertakings. This is because an order could apply to future entrants to the PCW market, as well as to existing PCWs.
- 6.5 To maximise its effectiveness, the order would need to prohibit not only direct "wide" MFNs, but also behaviour designed to achieve the effect of a wide MFN, such as a threat to delist an insurer/distributor if it offered insurance products at a better price elsewhere or treating an insurer less favourably because of its refusal to offer guarantees on best pricing.

Ageas UK looks forward to continuing its engagement with the Competition Commission on the above issues.

17 January 2014