

### **First Central response to the Notice of Possible Remedies**

As you know 1<sup>st</sup> CENTRAL has contributed throughout this enquiry providing views particularly concerning MFN's. 1<sup>st</sup> CENTRAL has had visibility of, and been able to participate in, the ABI response that is being submitted and is in broad support of its contents. There are however a few points that 1<sup>st</sup> CENTRAL would like to make in addition to the ABI submission.

ToH 1 – 1<sup>st</sup> CENTRAL are in broad agreement with the views set out by the ABI. There were a few points that were fed back to the ABI and are included here as we haven't seen the final ABI submission yet:

Remedy 1B – (g)

How might this remedy be circumvented? How could this circumvention be avoided?

Due to the complexity with this remedy there are a number of opportunities for this to be circumvented as a result of this process building in delays, costs and poor customer journey. As this remedy doesn't address the underlying issues, it will be very difficult to avoid circumvention.

Remedy 1D (f)

What are appropriate benchmarks for inputs into price control? To what extent are cost estimation systems helpful? What other indices would need to be used?

Re the 2nd paragraph of the ABI response in terms of TTS time saving, lower costs and better keys to keys time. Given the majority of the industry is currently using Audatex, this would be a wholesale move to TTS and something that insurers would perhaps not fully support – the full benefit would need to be assessed.

Turning to Add ons and MFN

ToH 4a – 1<sup>st</sup> CENTRAL have asked that for the avoidance of doubt, the ABI includes in its statement that PCW's are not incentivised re add-on sales and will continue not to be incentivised, making them impartial in their presentation. The original wording we saw could be interpreted as suggesting that PCW's could be incentivised and we think this would be the wrong result for the consumer.

4b – We also believe that it would be appropriate to have some guidance wording for the industry that could help allow commonality, rather than expecting each insurer to present what is already a confusing message albeit we also recognise that coming up with something is quite difficult.

ToH 5. MFN's. We agree with the ABI response concerning wide clauses but do think that narrow clauses should remain as it strikes at the heart of the PCW commercial model. If direct providers can show their own rates, rather than just discounting by the PCW CPA, we believe the PCW may want tagging to establish whether the introduction originally came from them – and if so will quite rightly then want a commission payment for the introduction anyway. This could therefore require the direct provider to account for this in their direct rates and have the same effect as narrow clauses in any event.

We unequivocally agree with the Competition Commission's (CC) proposal that current 'wide' MFN's should be banned. However, we believe that, although the CC has proposed a ban and deemed 'wide' MFN's anti-competitive, it would be difficult to implement and enforce such a measure. As identified by the CC a potential circumvention could be that the PCW could choose to delist the

insurer if they were not providing best prices and this has already come up in conversation with at least one PCW. Ultimately the PCW can choose who it wants on its panel and is unlikely to be required by any body to justify its commercial arrangements in this regard.

The nearest thing we could think of as a potentially workable solution would be if PCWs were treated as quasi brokers and were forced to display the insurer net rates and their commission payment separately. This would then allow the net rates to be maintained on a narrow clause basis and the CPA to be added on top thus at least making the commission amounts visible to the consumer. However, the PCW could still presumably look to influence the net rates provided to bring the overall price down.

As before, please advise if there is any more information required.

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