



Inquiry Manager
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

16th January 2014

Dear Sirs

Private Motor Insurance Market Investigation

The MSL Group ("MSL") of companies (including MSL Legal Expenses Limited and MSL Vehicle Rental Limited) has been established for over 25 years. We offer a range of legal expenses insurance products and post accident services as well as credit hire solutions.

MSL would like to respond to the Notice of Possible Remedies issued on 17th December 2013 by the Competition Commission. We initially responded to the CC requesting an extension to 29th January so that our response could take into account the views of the Credit Hire Organisation, of which MSL is a member. However, the CC responded explaining that a delayed response may result in our views not being considered. Consequently, our initial response to the Possible Remedies is set out below. We will be providing a more detailed response by 29th January 2014.

Theory of harm 1: Separation of cost liability and cost control

ToH 1: Remedies that we are minded to consider further

1A: first party insurance for replacement cars;

We do not agree with the proposed remedy for the following reasons:

1. The not at fault party has a long established right in tort to recover the costs of a replacement vehicle from the at fault party. The proposal removes this right and forces the customer to make a choice at the point of sale as to the type of cover required (i.e. no cover, courtesy car or like for like) and not at the point of need when the claim occurs. It is only at the point of need that a customer will fully appreciate their actual requirements. Forcing this decision on a customer at the point of sale is unfair and not in the interests of treating a customer fairly. Inevitably a price based decision will be made at the point of sale potentially to the detriment of the customer who will realise their need only at the point of claim; hence perceived reduced costs (but see 2 below).
2. It will add cost to the standard motor insurance policy because the cover will be provided both to fault and at fault drivers thus pushing up all motor premiums. This conflicts with the intention of reducing motor insurance premiums. We understand that typical premiums for replacement vehicles are £30 whereas the changes suggested will save only £6 per policy. Customer therefore £24 worse off.

3. The proposals will not work because motorists buy on price and will not choose the level of cover which reflects their legal entitlement – customer therefore will suffer a disadvantage through no fault of their own.
4. It will result in a not at fault party losing their no claims bonus with no control over the defence of their not at fault claim. Currently the not at fault party can use their own representative to pursue their rightful access to justice. Will premiums increase as a consequence?
5. Drivers regularly carrying disabled passengers or family will be significantly disadvantaged if replacement vehicle not suitable for disabled persons.

1B: at-fault insurers to be given the first option to handle non-fault claims;

We do not agree with this for the following reasons:

1. There is an established legal principle that a non fault victim deals with their own claim. The proposal turns this principle on its head by allowing the at fault party to be in control of the victims claim. The at fault party will clearly be conflicted as they have a responsibility to shareholders to maximise profits , hence reduce costs by minimising the service provision in this case, which will be to the detriment of victims by allowing the at fault party to control the claim.
2. The proposed process will add frictional costs and delay in that the victim has to allow and wait for negotiation with the at fault insurer and the not at fault insurer before a decision is made.
3. We have no confidence that at fault insurers will treat not at fault customers fairly as evidenced by the Law Society recently revealing that claimants who dealt direct with the at fault party are likely to receive between a third and one half less compensation than if the not at fault party had used their own solicitor.
4. The possible remedy appears to favour solely the motor insurers with no regard to the accident victim who has suffered a loss through no fault of their own!

1C: measures to control the cost of providing replacement cars to non-fault claimants;

The GTA is an established forum between insurers and the credit hire industry and we see no need to change the current arrangements. As such we support formal regulation and adherence to any such code.

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

The current process involves mitigation and we see no reason change as such change will only add to frictional cost.

1G: prohibition of referral fees.

A referral fee is a legitimate marketing cost and any ban would have to allow some form of marketing cost as part of any business activity. Rates are a matter to be resolved between the parties and are driven by market forces. Referral fees are, in any event, only a small portion of total hire costs. There will in any case be inevitable additional costs in policing and enforcing any referral fee ban.

Referral fees act as an incentive to maximise the service provision and unlike in the personal injury claims market, there is no possibility of fraudulent claims since the vehicle damage is and can be physically evidenced.

Theory of harm 4: Add-ons

ToH 4: Remedies that we are minded to consider further

The FCA Motor Thematic review addresses most of these issues and we fully support the necessary changes as a consequence of this review. We have no view on NCB's

Yours sincerely

Nick Garner
Managing Director

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29th January 2014

Dear Sirs

Private Motor Insurance Market Investigation

Further to our letter of the 16 January, in which we provided our initial response to the Notice of Possible Remedies issued on 17th December 2013 by the Competition Commission.

As we indicated we are an active member of the Credit Hire Organisation (CHO) and wished to seek the views of this organisation prior to providing a more detailed response.

MSL have now had sight of the final document which was submitted to you by the CHO on behalf of the credit hire industry. MSL fully endorse the submission which has been made by the CHO and in the interest of brevity have nothing further to add.

We trust that you will give our initial response, together with the CHO's submission the appropriate consideration.

Yours sincerely

Nick Garner
Managing Director