

17 January 2014

Inquiry Manager
Private Motor Insurance Market Investigation
Competition Commission
Victoria House
Southampton Row
LONDON
WC18 4AD

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

Dear Sir

Response to the publication of your provisional findings and notice of possible remedies

The provisional findings and notice of possible remedies in relation to your investigation into the motor insurance market were published on 17 December 2013. Swinton has considered the points and issues raised and, as invited, provide the following observations in time for you stated deadline of 17 January 2014.

In forming our observations, we have focused on the customer impact. Whilst we recognise that price is important, other factors must also be considered such as claimant rights (particularly for non-fault claimants); ease of customer journey; and, not disadvantaging claimants by building in conflict of interests (particularly where claimants suffer from an information disadvantage).

We list our comments in the order as they appear in your notice of possible remedies.

1. Remedy A (a general remedy that addresses ToH 1 and 2 by providing customers more information relating to their legal and policy entitlements)

Swinton support this remedy and recommend that the key principles should be agreed by the respective trade bodies (BIBA and the ABI). These principles should be clear and simple and include obligations to make sure customers are informed of their rights at both the point of sale and at first notification of loss (FNOL).

2. Remedies 1A-1G (to address ToH1)

In this section we respond to each remedy in turn, and summarise our position after.

- **More complexity for customers at point of sale** – we believe that this remedy would create massive customer confusion, because it adds significant complexity to the initial sale of the motor insurance product. We believe further policy options would be confusing for customers who, particularly on websites, will be led purely on price and not service, meaning consumers might inadvertently give away their entitlement to services in the event of a claim.
- **Conflict of interest** – it is likely that the claimant’s level of cover will get eroded, since it will be in the insurance companies’ interest to minimise costs.
- **Potential additional cost** – There could be additional cost in providing first party insurance for replacement vehicles compared to today because, as is general practice today, like for like vehicles are normally only provided to non-fault claimants. Courtesy vehicles provided to at-fault claimants are typically supplied by repairers, are generally very small and are subject to availability.

2.2 Remedy 1B (Giving control of non-fault claims to the at-fault insurer)

We believe that implementation of remedy 1B creates a clear conflict of interest for the at-fault insurer to reduce service quality. Although this remedy will undoubtedly reduce claims costs, we believe it will do so at the expense of the rights and needs of the consumer, who, in many cases, will not be in a position to assess the quality of the repair provided.

Your findings present evidence that there is no control over repair quality and consumers aren’t sufficiently experienced in this area. This remedy exacerbates these issues.

Asking customers to choose their service provider adds unnecessary complexity to the process. It also adds significant time delays because it requires determination of the at-fault insurer (often not known at FNOL); requires the at-fault insurer to investigate the circumstances before determining whether to offer services; and, leaves the consumer waiting in circumstances where liability is unclear or disputed.

There is also the potential for a poorer customer service and increased administrative costs through separation of the whole claim (e.g., the at-fault insurer provides a replacement vehicle, the non-fault insurer provides for the repair, and a lawyer supplies the injury/ULR services). This is more fragmented and confusing than is the case for many claimants today and can only serve to diminish customer service and complicate the customer journey.

We believe that this would also require change in primary legislation which is a significant and time consuming challenge.

2.3 Remedy 1C – 1F (control the costs of providing replacement cars, repairs, non-fault write off costs and improved mitigation around the provision of hire cars)

We agree that measures should be taken to control the cost of claims, and we believe that those described in remedies C – F will go a long way to achieving those aims. It should be noted that individual protocols do exist in the market today and we understand that these are, by and large, successful in removing some of the frictional costs. Replicating these, investing in a portal facility and reviewing the GTA as suggested could potentially remove further frictional costs and allow for a more transparent environment.

2.4 Remedy 1G (ban on referral fees for hire cars and repairs)

We don't believe that a referral fee ban is an effective remedy since it doesn't address the root cause of the issues which are of concern. Other remedies proposed within the CC notice of possible remedies that seek to change behaviours and directly impact operational costs will be significantly more effective.

2.5 Summary position on remedies 1A-1G

It is our view that remedies 1A and 1B do not work, either in isolation or in combination with any of the other remedies. We believe that they create a conflict of interest which could detriment customer service, as proven in the past, and potentially add extra cost.

We believe that in the past, when the at-fault insurer had an opportunity to manage the claims of the non-fault claimants, this conflict of interest did exist. We believe at this time that

- Customers suffered from limited or even no replacement vehicle provision - remedy 1A re-creates this situation
- Second-hand or non-manufacturer parts were being used without the policyholder's knowledge/approval – remedy 1B has the potential to create this
- Lengthy wait for repairs to commence caused by insufficient capacity in approved repairer networks caused by a desire to control costs e.g. differential labour rates meant repairers prioritised the higher value cases (e.g., insurers' own customers) – remedy 1B has the potential to create this

The remedies more likely to reduce costs without causing detriment to customers are those described in 1C – 1F and we support those. We don't believe that remedy 1G would be an effective remedy.

3. Remedy 2 (compulsory audits of vehicle repairs)

We note that the report findings in respect of repair quality, are based on a statistically small sample of claims and hence might not be representative of general customer experience. Furthermore, our experience is that customers are already sufficiently protected and have due

recourse to complain if things don't go right. Repair networks increasingly work to PAS 125 accreditation and repairs are typically guaranteed for 3 years and in some cases longer. Customers have clear guidance if they wish to complain, have assistance readily available (especially where they use a broker) and ultimately can turn to the ombudsman service.

That said, we support all initiatives that deliver a higher level of customer satisfaction and raise consumer confidence in the insurance policy they have purchased. We believe that the remedy as described should be easily achievable and we understand that current technology exists to support this.

4. Remedy 4A (provision of all add-on pricing to PCWs)

We accept the point and aims of this remedy as it relates to add-ons, but we believe that it is unworkable in practice and may stifle innovation.

Customers should compare cover and price at the time of purchase, but in our experience too many customers simply choose on price. This remedy would also require customers to compare the cover and price of a wide range of add-ons, across multiple providers and alongside the core insurance, and these extra comparisons will further complicate the sales process. We recommend for this reason that the sale of add-ons be left to the existing sales process and be offered to customers outside of the PCW environment.

We also believe that if this remedy were adopted it would lead PCWs to require a standardised approach to cover, and because of this it could restrict, or even stop, the innovation and development of add-ons more generally.

5. Remedy 4B (Transparent information concerning NCBs)

We support this remedy and agree that there should be a clear statement provided at the point of sale. However, we do not think the remedy outlined in paragraph 91A is workable as NCB is an extremely complex area where different rules apply to different insurers and these rules interact with a full range of other rating factors. We believe that attempting to provide detailed information to consumers will cause more confusion.

6. Remedy 4C (Clearer descriptions of add-ons)

We fully support this remedy as it is in insurers/brokers interests to make information very clear to consumers. Indeed, the FCA already have very clear guidelines in this respect.

7. Remedy 5 (Prohibition of wide MFNs)

We agree wholeheartedly with the principles described in this remedy as it will allow insurers and brokers to increase innovation. For example, to run promotions and to offer discounts via other PCWs and alternative distribution channels. We also believe it will help to create healthier commercial relationships with PCWs in the future.

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We appreciate the opportunity to comment on the proposed remedies and we hope that our comments above are clear and helpful. We welcome remedies which will benefit consumers, but are wary remedies which add additional complexity and/or confusion to the customer journey or which put the customer in a less advantageous position (particularly at the time of a claim).

Yours faithfully

Gerald McLarnon
Marketing Director