

Private Motor Insurance

Decision to make a market investigation reference

September 2012

OFT1451

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Any enquiries regarding this publication should be sent to us at: Marketing, Office of Fair Trading, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JX, or email: marketing@oft.gsi.gov.uk.

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1 INTRODUCTION

- 1.1 On 31 May 2012, the Office of Fair Trading (OFT) published its market study on private motor insurance in the UK and proposed decision to make a market investigation reference (the report).¹ The OFT provisionally decided to make a market investigation reference (MIR) to the Competition Commission (CC) of the supply or acquisition of private motor insurance and related goods or services in the UK. The OFT concluded that it had reasonable grounds for suspecting the presence of features of this market that may prevent, restrict or distort competition in the UK.
- 1.2 The market study of the UK private motor insurance market, launched on 14 December 2011, focused on the provision of repairs and replacement vehicles to drivers involved in road traffic accidents. The decision to carry out the market study followed the completion of a three month call for evidence on the UK private motor insurance market.²
- 1.3 The OFT invited interested parties to comment on this proposed decision by 6 July 2012 (the consultation). This document sets out the reasons why, having now considered the views expressed by respondents to the consultation, the OFT has decided to refer the market to the CC.
- 1.4 The remainder of the document is structured as follows:
- the rest of this Chapter presents the framework used by the OFT for an MIR decision
 - Chapter 2 sets out the OFT's proposed decision to refer the market to the CC

¹ OFT1422 – Private Motor Insurance – Report on the Market Study and proposed decision to make a market investigation reference May 2012 www.offt.gov.uk/OFTwork/markets-work/motor-insurance/

² OFT1397 – Private Motor Insurance – Summary of responses to the OFT's call for evidence www.offt.gov.uk/OFTwork/markets-work/motor-insurance/

- Chapter 3 discusses the responses to our consultation, and
- Chapter 4 sets out our final decision on an MIR.

The Section 131 reference test

- 1.5 One of the actions that can result from a market study is an MIR to the CC. The OFT will make an MIR only where the reference test set out in section 131 of the Enterprise Act 2002 (EA02) is met, and when it is satisfied that a reference to the CC would be the most appropriate way of proceeding.³
- 1.6 To refer a market to the CC under section 131 of the EA02, the OFT must have reasonable grounds for suspecting that any feature, or combination of features, of a market in the UK for goods or services prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the UK or part of the UK.
- 1.7 Section 131(2) of the EA02 provides that a feature of the market is to be construed as a reference to:
- the structure of the market concerned or any aspect of that structure
 - any conduct (whether or not in the market concerned) of one or more than one person that supplies or acquires goods or services in the market concerned, or
 - any conduct relating to the market concerned of customers of any person that supplies or acquires goods or services.
- 1.8 Under section 131(3), 'conduct' includes any failure to act (whether or not intentional) and any other unintentional conduct

³ OFT511 – Market Investigation References: Guidance about the making of references under Part 4 of the Enterprise Act (MIR Guidance)
www.offt.gov.uk/shared_offt/business_leaflets/enterprise_act/oft511.pdf

1.9 The OFT has the discretion, rather than a duty, to make an MIR where the reference test is met. The OFT's MIR guidance sets out four criteria, all of which must, in its view, be met before the OFT will exercise its discretion to make a reference to the CC:

- **alternative powers:** it would not be more appropriate to deal with the competition issues identified by applying the CA98 or using other powers available to the OFT or, where appropriate, making recommendations to sectoral regulators
- **the scale of the suspected problem:** the adverse effect on competition is significant, such that a reference would be an appropriate response to it
- **availability of remedies:** there is a reasonable chance that appropriate remedies will be available, and
- **undertakings in lieu of a reference:** it would not be more appropriate to address the problem identified by means of undertakings in lieu of a reference.

2 THE PROPOSED DECISION TO REFER

2.1 This Chapter considers the features of the UK market for the supply or acquisition of private motor insurance and related goods or services that the OFT considered may justify referring the market to the CC and the reasons for the OFT's proposed decision in May 2012 to exercise its discretion to refer the market to the CC. While this Chapter summarises the key points, the full details are set out in the report.

Features of the market that prevent, restrict or distort competition

2.2 After completing its call for evidence, the OFT concluded that the section 131 reference test was met: that is, the OFT considered it had reasonable grounds for suspecting that two features, relating to the conduct of firms in the UK market for private motor insurance and related goods or services prevented, restricted or distorted competition. Following its market study, the OFT remained of the view that the section 131 reference test was met.

Market for private motor insurance

2.3 The OFT considered private motor insurance should be understood as insurance cover against damage to property and personal injury that is supplied to or acquired by drivers of privately owned motor cars designed and used for non-business (private) use. It excludes motorcycles.⁴ Private motor insurance makes up a significant proportion of domestic household expenditure, with the UK market estimated to be worth £9.4 billion in 2010.⁵

⁴ We have not reached any firm conclusions on the definition of any relevant economic markets at this stage in accordance with paragraph 4.8 to 4.12 of the MIR Guidance.

⁵ UK Private Motor Insurance 2011, Datamonitor, July 2011. This is an estimate of gross written premium for comprehensive and non-comprehensive motor insurance, excluding motorcycle insurance.

- 2.4 The OFT noted conduct of undertakings providing services relating to private motor insurance may have an impact on competition in the private motor insurance market, including the conduct of:
- credit hire organisations, repairers and other businesses providing services to drivers that have been involved in a road traffic accident
 - businesses that manage the provision of these services to drivers that have been involved in a road traffic accident (such as accident management companies), and
 - businesses that are involved in providing specific goods or services that are used by these providers and those that refer work to these providers.
- 2.5 For the purpose of setting the draft Terms of Reference (ToR), the OFT therefore included 'related goods or services' to ensure that the actions of other market participants (set out above) were included within the scope of the potential MIR.

Features of the market

- 2.6 The two features of the market that the OFT considered it had reasonable grounds for suspecting that prevented, restricted or distorted competition were:
- the insurers of at-fault drivers that are responsible for meeting claims for the provision of repairs or replacement vehicles to not-at-fault drivers often appear unable to exercise choice over how these services are provided. Insurers of at-fault drivers also appear to find it difficult to assess the extent to which the costs claimed are reasonable, and appear to exercise only limited control over the cost of these services
 - the insurers of not-at-fault drivers, brokers, credit vehicle hire providers, credit repairers and others that supply services to motor insurers therefore have the opportunity, and the incentive, to take advantage of the insurer of the at-fault drivers' lack of control over costs. They do this by carrying out practices that allow them to

generate revenues through referral fees or rebates, while simultaneously increasing the costs that the insurer of the at-fault driver has to meet.

2.7 The OFT's analysis of further evidence obtained during the market study supported the characterisation of the market set out in the Summary of responses to the call for evidence. During the market study, the OFT heard that insurers largely agreed with the OFT's characterisation, but that certain credit hire organisations thought the OFT's analysis did not fully take into account the high quality of service received by not-at-fault drivers under the current system. In the report, the OFT recognised that the quality and appropriateness of the services that were being provided to not-at-fault drivers in need of replacement vehicles and repairs after a road traffic accident are an important consideration. However, the OFT remained concerned that the identified features of the market were leading to the cost of suitable replacement vehicles and repairs being higher than they might otherwise be, to the detriment of consumers.

2.8 During the OFT's market study, as examined in Chapter 3 of the report, the OFT found evidence that not-at-fault drivers' replacement vehicle costs appear to have been higher than they might otherwise be because:

- many insurers, brokers and repairers were referring not-at-fault drivers to credit hire organisations when credit hire vehicles tend to be charged at higher daily rates than other options, in exchange for a referral fee
- not-at-fault drivers appeared to receive replacement vehicles for longer periods than necessary, leading to further increased costs for insurers of at-fault drivers.

2.9 In Chapter 4 of the report, the OFT found evidence that not-at-fault drivers' vehicle repair costs appear to have been increased by practices including:

- some insurers of not-at-fault drivers receiving referral fees and/or rebates from referring repair work on not-at-fault drivers' vehicles to specific approved repairers and credit repairers. Some brokers also had similar arrangements with credit repairers. It appeared that the

payment of these referral fees and rebates by approved repairers and credit repairers may have been increasing the costs of the repair bills that were passed to the insurers of at-fault drivers

- certain insurers earning additional referral fees and rebates from agreements with suppliers of paint and parts to their approved repair networks. It appeared that the cost of paying these referral fees and rebates may have been increasing the cost of paint and parts used in not-at-fault vehicle repairs leading to the final bill received by the insurer of the at-fault driver being higher than it might otherwise be
- certain insurers had agreements with approved repairers in their networks to charge higher labour rates for repairs where the cost will be passed on to an at-fault driver's insurer, than were charged for repairs that the insurer must pay because the driver it insures was at fault.

2.10 The OFT considered that the overall impact of these practices was likely to be an increase in costs across the private motor insurance industry. The OFT estimated that the features of the market it identified cost private motor insurers £225 million in 2011, which indicated that consumers could be paying an extra £10 per private motor insurance policy.

2.11 The OFT was also concerned that the features of the market it identified encouraged insurers to compete in a way that may cause further consumer detriment over the long term. Insurers appear to have had a focus on gaining a competitive advantage by becoming more successful at increasing revenues through referral fees and rebates, while raising their rivals' costs. The OFT noted it would like to see insurers focused on the quality and value of the service that they provide to insured drivers.

2.12 It was the OFT's view that the section 131 test for making a reference was met and, therefore, the decision on whether to make an MIR rested on the exercise of the OFT's discretion.

Appropriateness of a reference

2.13 The four criteria, all of which, in the OFT's view, must be met before the OFT will exercise its discretion to make a reference to the CC were set out in Chapter 1. The OFT's assessment of each of these four factors follows.

Alternative powers

2.14 The OFT considered whether some of the possible competition concerns it identified could have been addressed more appropriately through enforcement action by OFT and/or through OFT recommendations to industry, regulators and the Government. However, the OFT considered that neither enforcement nor recommendations would have provided a means to a sufficient, comprehensive solution to the features identified for the reasons outlined below.

2.15 The OFT conducted some analysis, based on the information received in the market study, as to whether some of the activities identified could be addressed through Competition Act 1998 (CA98) enforcement action. In principle, some of these activities may have fallen within the scope of the CA98. However, the OFT did not identify a suitable potential CA98 enforcement case that would have potentially addressed the features sufficiently, and that would have set a clear precedent to guide market participants.

2.16 Further, any such CA98 action would not have addressed the underlying features, especially insurers' lack of control over the costs of repairs and replacement vehicles to not-at-fault drivers, and so would not have provided a comprehensive solution. As such, by taking forward a programme of CA98 action, the OFT may only treat the symptoms of the features of the market identified, rather than the cause. The OFT considered that the need to achieve a comprehensive solution to the features identified, as well as the need for an approach that applied to all market participants, necessitated the OFT referring the market to the CC.

2.17 Further, it appeared that it would not have been possible for the OFT to attempt to resolve the features that it identified by way of a set of

recommendations to the industry or to the Government, given the complexity of the issues raised and the further in-depth analysis required to determine appropriate potential remedies. Such recommendations were not likely to be possible without an in-depth CC investigation.

Scale of the suspected problem

- 2.18 The OFT MIR guidance sets out three factors relevant to determining the significance of adverse effects on competition: the size of the market, the proportion of the market affected by the feature, and the persistence of the feature.
- 2.19 The OFT considered that referring the market to the CC would be an appropriate response given both the scale and the complexity of the suspected problems identified in this market, for the following reasons:
- the size of the market is significant and estimated to be worth £9.4 billion in 2010, with the cost of third party property damage, relating to the provision of repairs and replacement vehicles to not-at-fault drivers, being approximately £1.4 billion
 - a large proportion of the market appears to be affected by the features identified, and
 - although the market is likely to experience a degree of flux due to the Government's focus on reducing personal injury costs, the features the OFT identified relating to replacement vehicles and repairs are likely to persist, absent any regulatory or government intervention. Such recommendations are not likely to be possible without an in-depth CC investigation, given the complexity of the competition issues identified.
- 2.20 The OFT considered that the overall impact of the features discussed was likely to be an increase in costs across the private motor insurance industry. The OFT considered that these costs were likely to be passed through to consumers as higher premiums under their individual motor insurance policies. In particular, as discussed at paragraph 2.10, the OFT estimated that the features of the market it identified cost private motor

insurers £225 million in 2011, which is equivalent to an extra £10 per private motor insurance policy sold.

Availability of remedies

- 2.21 The OFT considered that it was not for it in a market study to determine which remedies would or would not be appropriate for the CC to consider. In the context of a market study, the OFT was required to assess whether there is a reasonable chance that appropriate remedies would be available to the CC, if it finds one or more adverse effects on competition in the market. In the event of a reference, it is for the CC to perform an independent investigation, to decide whether there is an adverse effect on competition and if so, to decide what remedy or remedies are capable of achieving as comprehensive a solution as is reasonable and practicable to any adverse effects on competition and any detrimental effects on customers identified.
- 2.22 However, as a result of the OFT's efforts to find solutions in the context of the market study, it identified a number of potential remedies, ranging from a move to a 'first party' private motor insurance model to modifications of existing mechanisms for controlling costs, such as the General Terms of Agreement (GTA). The OFT considered there was no readily implementable, comprehensive solution that it would have been able to take forward, due to the complexity of the competition issues, the large number of diverse market participants with different business models and incentives, and the need for a remedy that addressed the features identified and applied to all market participants.
- 2.23 The OFT considered that a much more detailed analysis of the market and potential remedies, which can be achieved by a second-phase in-depth investigation by the CC, was required before any solution could be implemented. The OFT considered that there are likely to be a number of potential remedies open to the CC, should it find adverse effects on competition in the market.
- 2.24 The OFT considered that it was also possible that during any second phase in-depth investigation, the CC may uncover evidence that may identify potential competition infringements, and that the CC could remit these to the OFT for consideration.

Undertakings in lieu of a reference

2.25 The OFT considered that undertakings in lieu of a reference could potentially provide a tool for addressing the features identified, although the OFT's efforts during the market study did not lead to consensus on the appropriate course of action within that timescale. The OFT set out its provisional view that the competition issues are complex and require further consideration, although it indicated that it would consider any proposals for undertakings in lieu of a reference that may be made during the course of the consultation.

Conclusion

2.26 For the reasons set out above, the OFT provisionally decided to exercise its discretion to refer the UK market for the supply or acquisition of private motor insurance and related goods or services to the Competition Commission (CC) for a market investigation.

3 CONSULTATION RESPONSES

- 3.1 The OFT received consultation responses from 28 parties including from industry participants, government, consumer representative groups and consumers. This Chapter first provides an overview of the consultation responses, then discusses the points raised in more detail with the OFT's analysis and views.

Overview

- 3.2 The majority of respondents supported an MIR. In particular all the responses received from insurers supported an MIR, although some of these also commented on available remedies and suggested broadening or narrowing the terms of reference (ToR). However, most responses from credit hire organisations did not support a reference. In many cases this was because the respondents did not consider that sufficient evidence of consumer detriment had been provided, that the scope for an industry led solution had not been adequately explored, or that the OFT had not adequately recognised the benefits of credit hire to not-at-fault drivers.
- 3.3 The respondents to the consultation generally expressed agreement with the characterisation of the market and the OFT's analysis of the features of the market that the OFT suspected were preventing, restricting or distorting competition. However, three respondents said that the OFT had failed to identify sufficiently any cost inflation and had not established a connection between the features we identified and premium increases, while others commented on certain aspects of the features, such as the extent to which insurers are able to exercise control over costs.
- 3.4 The majority of the respondents supported the OFT's analysis that the features identified in the market study appear to be causing significant detriment. Those consultation responses that did not support an MIR disagreed with the OFT's consumer detriment methodology and results and the contribution of credit hire to, and significance of, any additional cost to the consumer.

- 3.5 Most of the respondents agreed with the OFT's view that there is no solution that could be readily implemented and that an in-depth analysis of the market is required. However, some respondents suggested that cross industry discussions might yet generate a solution and some further potential remedies were identified.
- 3.6 There was no suggestion from respondents that it would be more appropriate to use alternative powers and no undertakings in lieu were offered.
- 3.7 The majority of responses confirmed expressly or impliedly broad support for the proposed ToR. While supporting an MIR, some responses suggested the ToR should be narrowed (to exclude personal injury or paint manufacture/distribution) or broadened (to include commercial vehicles or household insurance).

Features of the market suspected of preventing, restricting or distorting competition

- 3.8 Most respondents generally expressed agreement with the characterisation of the market and the OFT's analysis of the features of the market that the OFT suspected were preventing, restricting or distorting competition. However, three respondents said that the OFT had failed to identify sufficiently any cost inflation and had not established a connection between the features we identified and premium increases and some commented on certain aspects of the features of the market that the OFT had identified, such as the extent to which insurers are able to exercise control over costs.
- 3.9 In addition to expressing general support for an MIR, insurers made various comments supporting the OFT's characterisation of the market and analysis of the features. Many respondents commented in general terms supporting the view that the market was not currently working well. There was also specific support for the view that that replacement vehicles and repairs are important drivers of increased costs, and the reasons for this stem from the features that the OFT identified, and that that the relationship between insurers and the credit hire and credit repair industries has lead to excessive costs in the system. Some

insurers argued in particular that credit hire operates in such a way as to increase costs disproportionately for the insurer of at-fault drivers.

- 3.10 Three credit hire organisations argued that the OFT had failed to identify sufficiently any cost inflation and to establish a connection between the features that the OFT identified and premium increases. In particular, one credit hire organisation argued that the OFT had not provided historical analysis of cost or premium trends, and noted that the report made no reference to the correlation between the costs of credit hire and repair and increases in insurance premiums.
- 3.11 The OFT did not examine the contribution of the features that it had identified to the rise in premiums over recent years. The increase in premiums was the focus of the earlier call for evidence. This work gathered data from market participants on whether widely reported increases in private motor insurance premiums were accurate, the reasons for these increases, and whether there were any competition or consumer issues that may need to be addressed in order to improve the functioning of the market.⁶ The OFT identified that there had been significant increases in premiums and that the key drivers of these increases were the increase in costs of personal injury claims, increase in costs of non-injury claims and a fall in insurance companies' revenues from investing premiums. The OFT then focused the market study on non-injury claims, in particular repairs and replacement vehicles, noting the Government's ongoing work in relation to personal injury claims.
- 3.12 The OFT's analysis of consumer detriment and increase in costs are discussed in more detail when the scale of the suspected competition problem is considered below. The OFT also notes that reasonable grounds for suspecting is a relatively low threshold, reflecting the OFT's role as first phase investigator.⁷ The OFT does not consider that

⁶ The Summary of responses to the call for evidence also set out the OFT's considerations of a number of specific issues, namely price comparison sites, ancillary products and personal injury claims. It also set out the OFT's consideration of the difference in premiums between Northern Ireland and Great Britain.

⁷ The section 131 reference test only requires only the OFT to establish reasonable grounds for suspecting features that may prevent, restrict or distort competition. In relation to the nature of

reasonable grounds for suspecting requires it to prove a correlation between increased costs and premium increases.

- 3.13 One credit hire organisation also disagreed with the premise that insurers of at-fault drivers have only limited control over replacement vehicle costs. It suggested that insurers are able to exercise an appropriate level of control, arguing that insurers are free to provide services themselves through intervention, that the GTA offers an effective control on costs, and that insurers can challenge the reasonableness of the credit hire charges which in turn acts as an incentive for credit hire organisations to not pursue any unreasonable claims.
- 3.14 The OFT considers that, while there may be various actions that an insurer may take to control the costs associated with replacement vehicle claims, the evidence gathered in the market study indicated that there was significant variation in the success of insurers in doing so.⁸ The fundamental position remains that the insurer of the at-fault driver often appears unable to exercise choice over how these services are provided and appears to find it difficult to assess the extent to which the costs claimed are reasonable. In addition, the actions that insurers can take to mitigate claims themselves appear to add to costs, over and above what may otherwise be the case if competition were working well in this market.
- 3.15 Another credit hire organisation stated that it considered that insurers of at-fault drivers should not necessarily be entitled to exercise choice or control over the not-at-fault claim, since what they choose to provide

this test, the OFT notes previous remarks from Sir Christopher Bellamy, the then president of the Consumer Appeals Tribunal, in the appeal of the Association of Convenience Stores (ACS) v OFT in 2005. He stated '...the OFT stage, is not intended to be a deep and prolonged investigation in which every avenue is exhaustively looked at [...] That is for the CC stage.' ACS v OFT: Case Management Conference (2005).

⁸ In particular, the variation in the abilities of insurers to capture not-at-fault drivers' claims is discussed in paragraph 5.6 of the report, the limits of the impact of the GTA are discussed in paragraphs 5.16 and 5.17, and the extent to which insurers find it economic to challenge bills is discussed in paragraph 5.11.

may fall below the legal entitlement to which the not-at-fault driver is entitled, and noted that the not-at-fault driver may only recover what is reasonable in law. The OFT acknowledges the interests of the not-at-fault driver and the legal limitation on recoverable costs, but it remains of the view that there are reasonable grounds to suspect that the replacement vehicle costs being claimed may, in fact, be higher than they might otherwise be if the features of the market that the OFT has identified did not exist.

Appropriateness of a reference

Alternative powers

- 3.16 The consultation responses did not suggest that it would be more appropriate to deal with the competition issues identified by applying the CA98 or using other powers available to the OFT, or making recommendations to sectoral regulators.

Scale of the suspected problem

- 3.17 As set out in Chapter 2, the OFT concluded that referring the market to the CC would be an appropriate response given both the scale and the complexity of the suspected problems identified in this market.
- 3.18 The OFT set out in Chapter 6 of the report its analysis of the impact on consumers of the features of the UK private motor insurance market and related goods or services that the OFT suspects are preventing, restricting or distorting competition. While noting that the precise impact of these features was difficult to assess, the OFT used data collected during the market study to produce a financial estimate of the potential consumer detriment. The OFT estimated that, overall, the features of the market that it identified were costing private motor insurers £225 million per annum. If these additional costs were being passed on to consumers, this may have raised the price of every private motor insurance policy sold in the UK by £10.
- 3.19 The majority of respondents supported the OFT's analysis that the features identified in the market study appear to be causing significant detriment. One respondent suggested it believed that credit hire

increases its replacement vehicle costs by £12.23 per policy while another stated that the replacement vehicle and repair issues identified by the OFT are of themselves of a scale that makes an MIR appropriate. Some respondents, however, disagreed with the OFT's methodology for calculating consumer detriment⁹ and the results obtained and therefore the contribution of credit hire to, and significance of, any additional cost to the consumer.

- 3.20 In order to establish whether replacement vehicle costs were higher than they might otherwise be in the absence of the features of the market the OFT identified, the OFT compared the cost of replacement vehicles provided to not-at-fault drivers that the insurer of the at-fault driver (that is, the bill payer) controlled, with the cost of these vehicles when the insurer of the at-fault driver does not control the service.
- 3.21 One credit hire organisation stated that the OFT should have focused on the costs of hire under each model (for example, credit hire, direct hire or bilateral agreement). The OFT's focus was whether costs were currently higher than they might otherwise be as a result of the features it had identified, rather than whether the costs of one particular model of vehicle provision were higher than another. As such, it considers that the focus on who had control of the claim, rather than the model used, provides the appropriate comparator.
- 3.22 Some credit hire organisations stated that our comparison of replacement vehicle costs is inaccurate because it does not take account of key differences between credit hire and other replacement vehicle provision.¹⁰ Some of the differences highlighted were noted in the report as potential explanations for the difference in cost, namely that credit

⁹ Some respondents also argued that the OFT did not provide enough information on methodology it used to calculate detriment. The OFT's methodology for calculating consumer detriment were set out in detail in Chapter 6 of the market study report. Details of the data the OFT used to assess the differences in costs were also provided to the extent possible taking into account confidentiality concerns raised by many information providers.

¹⁰ Some credit hire organisations also made criticisms that appear to be based on a misunderstanding of the OFT's approach and these are not detailed here.

hire organisations may have to bear risk if liability is assessed wrongly and that customers for whom the hire is provided by the at-fault insurer are offered vehicles that may not necessarily be a like-for-like replacement. Another difference suggested was that credit hire organisations incur costs in recovering payment from insurers of at-fault drivers that they would not have when the insurer of at-fault driver has referred the hire to them.

- 3.23 The OFT notes that the additional cost of bearing the risk of liability may mean that a comparison of credit hire with other methods of provision (such as direct hire) overstates the impact of the different level of control.¹¹ It is difficult to assess the impact of this factor as the OFT received limited information on the cost of bearing the risk of liability. However, information from one credit hire organisation suggests that liability was only successfully challenged by insurers in a very small proportion (less than two percent) of the cases they handled.
- 3.24 As noted above, the OFT's focus was on whether replacement vehicle costs are currently higher than they might otherwise be as a result of the features it had identified. One of the reasons that credit hire charges might be higher than charges for direct hire is that credit hire providers may face a number of costs that are not faced by direct hire providers.¹² While it is reasonable for credit hire providers to reflect additional costs in their charges, the fact that such costs are incurred forms part of the inefficiency arising from the features of the market that the OFT has identified. The OFT's concern is that insurers and brokers are referring not-at-fault drivers to credit hire organisations in return for a referral fee when credit hire tends to be more expensive than other options for providing replacement vehicles.

¹¹ In a direct hire situation, it is the insurer that has captured the claim that bears the risk that driver will be found to be at fault and therefore not entitled to a replacement vehicle. This risk is therefore not reflected in the rate that the insurer pays to the direct hire provider, whereas it is reflected in the credit hire rate.

¹² The OFT also noted that it had received a limited amount of evidence that certain practices may be carried out by credit hire organisations that could further increase the cost of providing replacement vehicles. These are set out in paragraph 3.12 of the report.

- 3.25 Some credit hire organisations suggested that cases dealt with by credit hire organisations were likely in general to be more complex to cases where at-fault insurers intervene. It was suggested that in cases where accident circumstances were simpler and liability was admitted promptly the insurer of the at-fault driver would be more likely to readily accept its liability to meet costs associated with the accident and to promptly intervene to meet the costs of repair and provide a replacement vehicle. On the other hand, in more complex cases where liability was not admitted promptly, the insurer of the at-fault driver would be less likely to intervene and more likely to ignore or resist the not-at-fault driver's claim and in doing so may delay authorising repairs and seek to challenge the entitlement to a replacement vehicle. This would lead to longer hire periods and increased costs in some credit hire cases. The OFT considers that, if credit hire organisations do on average deal with more complex cases that have longer duration, then this would suggest that our figure may over-estimate the level of detriment. However, the OFT did not receive information that demonstrated the extent to which, if any, there was a systematic difference in the complexity of cases handled by credit hire firms. Instead it appeared that insurers have an incentive to refer all not-at-fault drivers to credit hire organisations in exchange for a referral fee.
- 3.26 As set out in Chapter 6 of the report, to establish the extent to which not-at-fault repair claims were being increased, the OFT compared the cost of repairs when the identified features of the market take effect with their cost when they do not. The OFT did so by comparing the average cost of not-at-fault repair claims paid for by the insurer of the at-fault driver (where the insurer of the at-fault driver ordinarily has little control over costs) with the average cost of repairs to the at-fault driver's vehicle after accidents that involved a third party (where the insurer has control over the cost).
- 3.27 Some respondents suggested that the OFT should not compare the cost of at-fault and not-at-fault repairs as these have different types of damage resulting in different costs to rectify. During the market study the OFT heard conflicting evidence on this point. Some market participants argued that the cost of at-fault repairs tended to be greater as they involve damage to the front of the vehicle which is more

expensive to repair, whereas others said there were no systematic differences in repair costs. The OFT remains of the view that this comparison is appropriate given that it is likely to understate rather than overstate the level of detriment.

- 3.28 In addition to the potential difference in costs for repairs and replacement vehicles, the OFT also took account of mitigation measures (such as capturing the not-at-fault driver's claim and challenging bills¹³) that insurers use in an attempt to control these costs. Some credit hire organisations argued that these mitigation measures bring net benefits to insurers and therefore should not be included in the OFT's estimate of consumer detriment. They also argued that the OFT had overestimated the costs involved, and that many of these activities would take place anyway (for example, insurers would still seek to capture the not-at-fault driver's claim as this also assists them in reducing the costs of potential personal injury claims).
- 3.29 The OFT considers that it has made reasonable estimates of the cost of mitigation measures, based on the information available. The OFT also considers that it is reasonable to include the cost of these mitigation measures in its detriment calculation. While (as set out in footnote 57 of the report) some mitigation activities may still exist in the absence of the features that OFT identified, it is reasonable to expect that insurers may not undertake some of these activities, or may spend less on them. Even if the OFT excluded all or some of the £35m estimated cost of third party capture (on the grounds that this may be undertaken anyway to reduce personal injury costs), the estimate of potential detriment would still be significant.
- 3.30 One credit hire organisation produced its own estimate of consumer detriment, which suggested that additional costs add £1 to each motor policy. However, the OFT identified a number of problems with this approach, which were discussed with the organisation, and the OFT

¹³ The various methods insurers use to mitigate the impact on costs are set out in detail in Chapter 5 of the report.

does not accept that this provides a realistic estimate of consumer detriment.

- 3.31 Overall, the OFT considers its approach to estimating consumer detriment, and the estimate it obtained, remain reasonable. While there are some factors that suggest the figure may be an over-estimate, other factors suggest that it may be an underestimate.¹⁴ The OFT did not receive additional evidence that would enable it to generate alternative estimates.
- 3.32 In their consultation responses, some credit hire organisations argued that the approximate £10 a year per policy the OFT has identified as a potential increase in premiums is not significant. In contrast, a number of other respondents considered that £10 per policy per year was a significant amount sufficient to warrant an MIR. The OFT remains of the view that the potential consumer detriment is significant, taking into account there are approximately 23 million policy holders and that the impact of the features has been, and in the absence of a market investigation could continue to be, felt over a number of years.
- 3.33 Some credit hire organisations stated that they do not believe that insurers would pass on any reduction in costs that might be achieved through addressing the features identified. The OFT considers that such pass through is likely, in the same way that it assumes the increase in costs has led to higher premiums, given that the motor insurance market appears to be reasonably competitive.¹⁵ In any event, the OFT does not

¹⁴ In addition to the factors discussed above, the OFT identified a number of further potential additional costs that could arise due to the features identified but did not include these in its calculation as they were difficult to quantify. The OFT also notes that one insurer's estimate of the detriment due solely to credit hire is greater than the OFT's estimate relating to both replacement vehicle and repair costs.

¹⁵ One insurer stated that the OFT had not expressly acknowledged in the report that, given the overall competitive nature of the market, margins on not-at-fault claims earned by the insurers (such as referral fees, rebates and other similar payments) would be passed on to consumers in the form of lower premiums. The OFT considers this issue was explained in the report. The OFT took into account the impact of generating referral fees, rebates and other similar receipts by not-at-fault insurers (see paragraphs 6.14 to 6.16 and 6.22 to 6.23) and specifically

consider that it needs to positively prove the pass through to exercise its discretion to make an MIR.

3.34 In the consultation responses submitted by credit hire organisations, there appeared to be a general concern that the OFT had unfairly placed the emphasis on problems with the credit hire industry. Some respondents argued that the OFT had failed to acknowledge that the actions of insurers appear to also be driving costs up¹⁶ and some respondents argued that the OFT has not understood the benefits that credit hire organisations offer.¹⁷ These respondents considered that the OFT could not conclude that credit hire costs are too high and they objected to the use of the term 'inflated' when referring to costs.

3.35 The OFT's report did not set out an evaluation of whether the cost of credit hire services is too high. It was concerned instead with the way the insurance market is currently functioning and interacting with the markets for related goods and services. The OFT's assessment is that the private motor insurance market is not working well, leading to higher repair and replacement vehicle costs. In particular, it appears that insurers and brokers are referring not-at-fault drivers to credit hire organisations in return for a referral fee when credit hire tends to be more expensive than other options for providing replacement vehicles. The OFT acknowledges that the higher cost may be offset to some extent by better quality of service, but remains of the view that the features it has identified are causing significant consumer detriment.

acknowledged (paragraphs 6.14 and 6.16) that insurers and brokers were likely to face competitive pressure to use these revenues to reduce premiums.

¹⁶ For example, some credit hire organisations noted that credit hire rates are higher than they need to be as insurers often did not take the opportunity to benefit from prompt payment discounts. This point was mentioned in paragraph 6.9 of the report.

¹⁷ For example, some credit hire organisations told the OFT that they offer outsourced claims handling services which in fact reduce insurers' costs, and that they offer services to consumers such as assisting with the recovery of out-of-pocket expenses.

Availability of remedies

- 3.36 In the market study, the OFT identified a number of potential remedies that could be applied, either individually or in combination. They were a ban or cap on referral fees, various ways to control the costs that are passed to insurers of at-fault drivers (including improvements to the GTA, setting mandatory tariffs for repairs and replacement vehicles, and setting up an independent monitoring and rate-setting scheme), giving insurers of at-fault drivers the first option to control the claim and changing the current liability regime.¹⁸ The OFT concluded that there was no readily implementable, comprehensive solution that the OFT could take forward, because of the complexity of the competition issues, the large number of diverse market participants with different business models and incentives, and the need for a remedy that addresses the features identified and applies to all market participants.
- 3.37 Most respondents agreed with the OFT's view that there is no solution that could be readily implemented and that an in-depth analysis of the market is required. However, some respondents suggested that cross industry discussions might yet generate a solution and some further potential remedies were identified.
- 3.38 While no insurers considered it an adequate solution to the problem, some insurers did support a ban on referral fees on the basis that it would remove unnecessary cost and one credit hire organisation suggested that a cap on referral fees would be an effective solution because it would retain an incentive to inform consumers of the availability of credit hire while allowing credit hire organisations to remove a significant cost element from their business models. Most credit hire organisations, brokers and one insurer suggested that a ban on referral fees would not be appropriate, as this may not alone solve the underlying issues of the inflationary aspects of credit hire charges, would have a disproportionate impact on insurers and limited or no impact on other market participants, or may be damaging to consumers

¹⁸ The remedies considered are discussed in Chapter 7 of the report.

in that it may remove the incentive to inform consumers of the availability of credit hire and their rights.

- 3.39 One credit hire organisation suggested that the OFT should have brokered an industry-wide gathering, at which a solution could have been possible. However, no details were given as to what that industry-wide, OFT-brokered possible solution may have been. Given that the OFT had engaged extensively with market participants during the market study, and these discussions and the responses to the consultation indicated that it was unlikely that the industry could reach a consensus on any appropriate remedy, the OFT did not consider that the option of an industry-wide gathering was worth pursuing at this stage.
- 3.40 Credit hire organisations and brokers made various suggestions that they considered could improve the efficacy of the GTA, which they considered to be the most appropriate solution. They argued that the OFT had not given enough focus to the impact of the GTA on costs and suggested that the GTA could be reformed to provide more effective restrictions on hire rates, duration and others factors thereby reducing credit hire costs. However, the OFT considers that, while there may be potential for reforms to the GTA to form the basis (or part of the basis) of a solution to the issues the OFT identified, there is insufficient evidence or consensus among market participants that this is the most appropriate solution.
- 3.41 The OFT received very few comments on the options for changing the liability regime. One credit hire organisation suggested that encouraging a situation where insurers of at-fault drivers directly control the services provided to the not-at-fault driver would result in an inferior service being provided.
- 3.42 In addition to comments on the potential remedies discussed in the report, some respondents set out alternative approaches to addressing the features that the OFT identified.
- 3.43 One respondent suggested that an industry initiative it had launched aimed at reducing roadside recovery costs could assist in lowering insurers' costs. If adopted, this approach would result in the police contacting recovery companies nominated by insurance companies

(rather than using companies that the police had appointed) in situations where damaged vehicles are required to be removed from the road. This would enable insurers to direct recovery companies to take the vehicle to a particular repairer and to not approach credit hire companies or claims management companies in return for a referral fee.

- 3.44 One respondent set out an accident management model which does not use credit hire or credit repair and does not pay referral fees, and suggested that if adopted across the industry it could address many of the issues raised.
- 3.45 One insurer suggested that detailed guidance to the judiciary that provides clear principles for assessing the reasonableness of the replacement vehicle or repairs cost claimed would be an effective remedy. It argued that under such guidance the reasonable recoverable costs allowed could be lower, which in turn would reduce the ability of credit hire organisations, claims management companies and others to pay referral fees. In relation to replacement vehicles, it suggested that guidance could cover both hire rates, providing a range of acceptable rates for each class of vehicle, and duration, including how the judiciary should deal with practices that are typically employed to unreasonably extend the hire period.
- 3.46 While each of these approaches may be worth considering further, it was not clear to the OFT that there was sufficient support for any of them such that they should be taken forward at this time rather than making an MIR.
- 3.47 Two further potential remedies were also suggested. One respondent argued that better regulation of claims management companies would largely fix the issues, noting that claims management companies appear to be under-regulated especially compared to insurers. Another respondent suggested legislation requiring insurers to provide a courtesy car under the insurance contract if the car is taken off the road because of an accident, regardless of fault.

Undertakings in lieu of a reference

- 3.48 No undertakings in lieu were offered during the consultation.

Terms of Reference (ToR)

- 3.49 In its proposed decision, the OFT set out its intention to refer to the CC the supply or acquisition of private motor insurance and related goods or services in the UK. The OFT defined private motor insurance as insurance cover against damage to property and personal injury that is supplied to or acquired by drivers of privately owned motor cars designed and used for non-business (private) use, and excluded motor cycles.
- 3.50 The consultation responses mainly agreed with the OFT's proposed ToR. However, some responses argued that the ToR should be narrowed to exclude personal injury or paint manufacture/distribution or broadened to include commercial vehicles or household insurance.
- 3.51 Several respondents argued that personal injury should be excluded from the ToR as there are already a number of government and other initiatives aimed at reducing personal injury claims costs. These respondents were concerned that consideration of issues relating to personal injury claims by the CC might result in conflicting approaches or slow down progress on existing initiatives. The OFT considers that the CC could take these issues into account in a market investigation.
- 3.52 One respondent argued that the ToR should specifically exclude paint manufacture and distribution, arguing that the effect of referral fees and rebates paid in relation to paint have a very minimal impact, if any, on the cost of repairs. The OFT considers that the features it identified extends to these costs as well and as such, the CC should be able to consider these.
- 3.53 While the OFT is conscious of the burdens to businesses of an MIR, and that an MIR must be a proportionate response, the OFT has reasonable grounds for suspecting that the features that it has identified apply across the market as described in the ToR, and therefore, the OFT considers that the proposed ToR remain appropriate. The ToR would also allow the CC to look across the UK private motor insurance market as a whole, which may assist the CC in understanding the way the market functions and the impact of any potential remedies. Moreover, the OFT

notes that the CC can, should it wish to, choose to focus on particular issues such as repairs and replacement vehicles, and it could, if it were minded, set out such a focus at an early stage in its statement of competition concerns.

- 3.54 One respondent argued that the ToR should be broadened to include commercial insurance, stating that many of the features the OFT identified are replicated in the commercial motor insurance market. However, during the market study the OFT was told that commercial insurance is very different, with different business models and incentives. The OFT did not consider commercial motor insurance during the market study. As such, the OFT considers that the inclusion of commercial motor insurance would not be appropriate.
- 3.55 Another response suggested the ToR should include household insurance. However no information was provided to support this view and the OFT does not at this time have any evidence of competition issues arising in this market.

4 DECISION ON A REFERENCE

4.1 Having carefully considered the consultation responses, the OFT has now decided to refer the UK market for the supply or acquisition of private motor insurance and related goods or services to the CC for a market investigation, confirming its proposed decision to refer as set out in Chapter 2. This Chapter sets out the reasons for this final decision, taking into account consultation responses.

Features of the market suspected of preventing, restricting or distorting competition

4.2 As discussed in Chapter 2 above, after completing its call for evidence, the OFT considered it had reasonable grounds for suspecting that two features of the UK market for private motor insurance and related goods or services prevented, restricted or distorted competition. Following its market study, the OFT remained of the view that the section 131 reference test was met.

4.3 The two features the OFT identified are:

- the insurers of at-fault drivers that are responsible for meeting claims for the provision of repairs or replacement vehicles to not-at-fault drivers often appear unable to exercise choice over how these services are provided. Insurers of at-fault drivers also appear to find it difficult to assess the extent to which the costs claimed are reasonable, and appear to exercise only limited control over the cost of these services
- the insurers of not-at-fault drivers, brokers, credit vehicle hire providers, credit repairers and others that supply services to motor insurers therefore have the opportunity, and the incentive, to take advantage of the insurer of the at-fault drivers' lack of control over costs. They do this by carrying out practices that allow them to generate revenues through referral fees or rebates, while simultaneously increasing the costs that the insurer of the at-fault driver has to meet.

- 4.4 The OFT has received no new evidence during the consultation that gives us reason to change our view of how the market is currently functioning. As set out in paragraph 3.8 most respondents to the consultation generally expressed agreement with the characterisation of the market and the OFT's analysis of the features of the market that the OFT suspects are preventing, restricting or distorting competition. Three respondents said that the OFT had failed to identify sufficiently any cost inflation and had not established a connection between the features the OFT identified and premium increases, but for the reasons set out in Chapter 3, the OFT does not consider that demonstrating such a connection is necessary in order to meet the section 131 reference test. Other respondents commented on certain aspects of the features, such as the extent to which insurers are able to exercise control over costs, and the reasons why OFT does not consider that these points change its view on whether the section 131 test is met are set out in Chapter 3.
- 4.5 Therefore, having carefully considered the consultation responses, as discussed in paragraphs 3.8 to 3.15, the OFT remains of the view that the section 131 reference test is met. The decision on whether to make an MIR rests on the exercise of the OFT's discretion.

Appropriateness of a reference

- 4.6 As set out in Chapter 1, the OFT's MIR guidance sets out four criteria, all of which must, in its view, be met before the OFT will exercise its discretion to make a reference to the CC. The OFT's assessment, taking into account consultation responses, of each of these four criteria follows.

Alternative powers

- 4.7 As set out in paragraphs 2.14 to 2.17, the OFT considered in the market study whether the competition issues it has identified could be addressed more appropriately through CA98 enforcement action or through recommendations to industry or the Government but concluded that neither would be more appropriate than an MIR.
- 4.8 As set out in paragraph 3.16, consultation responses did not suggest that it would be more appropriate to use alternative powers. Therefore,

the OFT remains of the view that neither enforcement action nor recommendations would provide a means to a sufficient, comprehensive solution. CA98 enforcement action would not address the underlying features, in particular insurers' lack of control over the costs of repairs and replacement vehicles for not-at-fault drivers, and may therefore only treat the symptoms of the features of the market rather than the cause. Recommendations to the industry or to Government to resolve the problems do not appear to be possible without an in-depth CC investigation given the complexity of the issues raised.

Scale of the suspected problem

4.9 As set out in paragraphs 2.18 to 2.20, the OFT considered in the market study whether referring the market to the CC would be an appropriate response given both the scale and the complexity of the suspected problems identified in this market, and concluded that it would, noting:

- the size of the market is significant and estimated to be worth £9.4 billion in 2010, with the cost of third party property damage, relating to the provision of repairs and replacement vehicles to not-at-fault drivers, being approximately £1.4 billion
- a large proportion of the market appears to be affected by the features identified, and
- although the market is likely to experience a degree of flux due to the Government's focus on reducing personal injury costs, the features the OFT identified relating to replacement vehicles and repairs are likely to persist, absent any regulatory or government intervention. Such recommendations are not likely to be possible without an in-depth CC investigation, given the complexity of the competition issues identified.

4.10 The OFT considered that the overall impact of the features identified is likely to be an increase in costs across the private motor insurance industry. As set out in Chapters 3 and 4 of the report, the features that the OFT identified appear to impact on the incentives of the market participants and lead to practices which increase the costs of replacement vehicles and repairs supplied to not-at-fault drivers. While

insurers have developed different ways of trying to mitigate the impact of the features, as set out in Chapter 5 of the report, the success of these measures appears to vary significantly from one insurer to another and the resources invested in these activities also appear to raise costs. In Chapter 6 of the report, the OFT considered the potential impact of these features on consumers. The OFT considers that these costs are likely to be passed through to consumers as higher premiums under their individual motor insurance policies. In particular, as discussed at paragraph 2.10 the OFT estimates that the features of the market it has identified cost private motor insurers £225 million in 2011, which indicated that consumers could be paying an extra £10 per private motor insurance policy.

- 4.11 As set out in paragraph 3.19 the majority of consultation respondents supported the OFT's analysis that the features identified in the market study appeared to be causing significant detriment, but some respondents disagreed with the OFT's methodology for calculating consumer detriment and the results obtained and therefore the contribution of credit hire to, and significance of, any additional cost to the consumer.
- 4.12 Having carefully considered the consultation responses, as discussed in paragraphs 3.20 to 3.35, the OFT remains of the view that the features it has identified give rise to significant consumer detriment such that referring the market to the CC would be an appropriate response given both the scale and the complexity of the suspected problems identified in this market.

Availability of remedies

- 4.13 As set out in paragraphs 2.21 to 2.24, the OFT considered in its market study whether appropriate remedies would be available to the CC, should it find adverse effects on competition. The OFT identified a number of potential remedies that could potentially be applied, either individually or in combination. The OFT concluded that there was no readily implementable, comprehensive solution that the OFT could take forward, because of the complexity of the competition issues, the large number of diverse market participants with different business models

and incentives, and the need for a remedy that addresses the features identified and applies to all market participants.

- 4.14 As set out in paragraph 3.37, most of the consultation respondents agreed with the OFT's provisional view that there is no solution that could be implemented readily and that an in-depth analysis of the market is required. However, some respondents suggested that cross industry discussions might yet generate a solution and some further potential remedies were identified.
- 4.15 Having carefully considered the consultation responses, as discussed in paragraphs 3.38 to 3.47, the OFT remains of the view that a much more detailed analysis of the market and potential remedies, which can be achieved by a second-phase in-depth investigation by the CC, is required before any solution can be implemented. The OFT does, however, consider that there are likely to be a number of potential remedies open to the CC, should it find adverse effects on competition in the market.

Undertakings in lieu

- 4.16 As set out in paragraph 2.25, the OFT indicated in the market study that it would consider any proposals for undertakings in lieu of a reference that may be made during the course of the consultation. As noted in paragraph 3.48, no undertakings in lieu have been offered to date. Therefore, the OFT considers undertakings in lieu are not a suitable alternative to an MIR.

Terms of reference

- 4.17 As set out in paragraphs 2.3 and 2.26, in its proposed decision, the OFT set out its intention to refer to the CC the supply or acquisition of private motor insurance and related goods or services in the UK. The OFT defined private motor insurance as insurance cover against damage to property and personal injury that is supplied to or acquired by drivers of privately owned motor cars designed and used for non-business (private) use, and excluded motor cycles.
- 4.18 As discussed at paragraphs 3.50 to 3.55, the consultation responses mainly agreed with the OFT's proposed ToR. However, some responses

argued that the ToR should be narrowed to exclude personal injury or paint manufacture/distribution or broadened to include commercial vehicles or household insurance.

- 4.19 While the OFT is conscious of the burdens to businesses of an MIR, and that an MIR must be a proportionate response, the OFT has reasonable grounds for suspecting that the features that it has identified apply across the market as described in the ToR, and therefore, the OFT considers that the proposed ToR remain appropriate. The ToR would also allow the CC to look across the UK private motor insurance market as a whole, which may assist the CC in understanding the way the market functions and the impact of any potential remedies. Moreover, the OFT notes that the CC can, should it wish to, choose to focus on particular issues such as repairs and replacement vehicles, and it could, if it were minded, set out such a focus at an early stage in its statement of competition concerns.

Conclusion

- 4.20 The OFT considers that the section 131 reference test is met in relation to the UK market for the supply or acquisition of private motor insurance and related goods or services. The features of the market that the OFT suspects are preventing, restricting or distorting competition are:

- the insurers of at-fault drivers that are responsible for meeting claims for the provision of repairs or replacement vehicles to not-at-fault drivers often appear unable to exercise choice over how these services are provided. Insurers of at-fault drivers also appear to find it difficult to assess the extent to which the costs claimed are reasonable, and appear to exercise only limited control over the cost of these services
- the insurers of not-at-fault drivers, brokers, credit vehicle hire providers, credit repairers and others that supply services to motor insurers therefore have the opportunity, and the incentive, to take advantage of the insurer of the at-fault drivers' lack of control over costs. They do this by carrying out practices that allow them to generate revenues through referral fees or rebates, while

simultaneously increasing the costs that the insurer of the at-fault driver has to meet.

- 4.21 For the reasons set out above, the OFT has decided to exercise its discretion to refer this market to the CC. The OFT considers that features it has identified are likely to be leading to higher costs which are passed on to consumers in higher insurance premiums, and that an MIR is an appropriate response to the scale of the problem. The OFT also considers that reference is the most appropriate way to investigate, and if necessary remedy, these concerns given the complexity of the issues involved, and the need for a comprehensive solution and an approach that applies to all market participants.

A TERMS OF REFERENCE

- A.1 The OFT, in exercise of its powers under Sections 131 and 133 of the EA02, hereby makes a reference to the CC for an investigation into the supply or acquisition of private motor insurance and related goods or services in the UK.
- A.2 The OFT has reasonable grounds for suspecting that a feature or a combination of features of the market or markets for the supply or acquisition of private motor insurance and related goods or services in the UK prevents, restricts or distorts competition in connection with their supply or acquisition.
- A.3 For the purposes of this reference, 'private motor insurance' means insurance cover against damage to property and personal injury that is supplied to or acquired by drivers of privately owned motor cars designed and used for non-business (private) use. It excludes motorcycles.



Clive Maxwell

CEO

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