

PRIVATE MOTOR INSURANCE MARKET INVESTIGATION

Summary of response hearing with enterprise held on 14 March 2014

1. enterprise said that there were no key differences between the service the customer receives under direct hire and credit hire models. The service levels, customer journey and customer satisfaction scores were very similar for both models. One difference was the replacement vehicle selection, which in the direct hire model was undertaken by the insurance company in most situations, whereas in the credit hire model it was undertaken by the credit hire company or, in enterprise's case, the rental company. Also with respect to a rental contract the only difference under direct hire was that there was no need to sign a mitigation statement or a consumer credit form, whereas under the credit hire model they needed to sign those forms, which was required under the General Terms of Agreement.
2. In the current market, enterprise operated three models: a direct hire model, a credit hire model and a subscriber model (which was an alternative to credit hire offering insurers the ability to remove frictional costs). enterprise proposed an alternative to Remedy 1A. This proposal included examples of how to subrogate fairly between insurers with low friction, and also utilise industry-wide fault determination rules. enterprise also believed that its proposed model was flexible enough to involve mitigation.
3. enterprise fundamentally believed that direct hire offered a significantly lower cost to the consumer than credit hire, because of the removal of frictional costs and referral fees. It also said that credit hire was not about subrogation but was about direct claims.
4. enterprise said that the tender processes for both the direct and credit hire models were highly competitive, but were not linked, or cross-subsidised, and there was no leverage for it to provide direct hire at a loss in order to gain credit hire business. enterprise offered to provide evidence to support this statement.
5. For a replacement vehicle, enterprise provided the same choices to consumers whether they applied through credit hire, direct hire, retail, or another means. It was, however, important to make a distinction between the services

that were integral to providing credit hire and the services that were actually provided to the consumer. Essentially, what was being provided to the consumer was a rental vehicle (ie a temporary replacement vehicle for the duration of their need). The additional extras that enterprise had to do to be able to offer credit hire were not necessarily services that were provided to the customer.

6. There was a difference in the insurance provision for its direct hire rates for non-fault customers compared with direct hire rates for fault customers. Typically, when an insurance company provided and paid for a vehicle to its own policyholder, the policyholder's current insurance policy would transfer to the replacement vehicle.
7. Additional sales (eg upgrades, excess protection, GPS, car seats) were not a material part of the business model for vehicle hire companies and were available under all types of rentals, but most commonly retail rentals.
8. enterprise believed that credit hire companies could adapt to new market conditions, and cited evidence from a major credit hire company which suggested that their collaboration model resulted in a cost of £430 plus VAT including what it called a reasonable profit margin, and this was equitable to enterprise's direct hire cost and those direct hire costs the Competition Commission (CC) had suggested were available in the market. enterprise believed that direct hire rates were also sustainable in their own right.
9. With respect to uninsured loss recovery, enterprise said that a consumer would typically have a legal expenses policy on their own insurance, which would respond to cover those types of claims. But this might also be tied up with the provision of legal services to not-at-fault third parties, which would mean that the service would be provided by an independent solicitor, who would then recover the cost from the at-fault claimant under the relevant provisions. One important point that enterprise noted was that the insurers today, under the current system, were not always doing everything that perhaps they should be doing, and if they were then there would be no need for a credit hire organisation to exist.
10. enterprise believed that some things needed to change to make sure that consumers were looked after fairly in all eventualities. enterprise said that its models had tried to provide the best and fairest service it could under the current market conditions and believed that some of the remedies, most notably 1A with amendments, that the CC had proposed would make the market perform better.

11. With respect to the proposed remedies, enterprise suggested that insurers should be duty-bound to tell consumers what they had been contracted for when they bought the policy and at the point that they made a claim, so consumers were well-informed and understood their rights. enterprise also hoped the remedies proposed would incentivise insurers to provide a better level of service, and advocated the need for regulation, such as currently monitored by the Financial Conduct Authority and the Financial Ombudsman Service.