



Public Affairs

RAC Response to the Private Motor Insurance Market Investigation Order 2015 Public Consultation

ABOUT RAC MOTORING SERVICES

This submission is made on behalf of RAC Motoring Services (The RAC) which is the UK's oldest motoring organisation. The RAC has some eight million members and is separate from the RAC Foundation which is a transport policy and research organisation which explores the economic, mobility, safety and environmental issues relating to roads and their users.

With more than eight million members, the RAC is one of the UK's most progressive motoring organisations, providing services for both private and business motorists. As such, it is committed to making driving easier, safer, more affordable and more enjoyable for all road users.

The RAC, which employs more than 1,500 patrols, provides roadside assistance across the entire UK road network and as a result has significant insight into how the country's road networks are managed and maintained. The RAC has a fast growing insurance business with in excess of 500,000 customers and is a top 5 private motor insurance broker.

More information on the RAC is available at www.rac.co.uk

RESPONSE TO THE CONSULTATION

The RAC welcomes the Competition and Markets Authority's investigation into the Private Motor Insurance and the publication of an Order to implement its recommendations. As a significant supplier of private motor insurance to drivers, the RAC believes in the principles of transparency and fairness to motorists and that healthy competition remains the best way to drive up standards within the PMI sector. In particular;

- **The RAC welcomes plans to ban agreements between Price Comparison Websites and PMI providers.** The RAC believes this is a positive step in driving up consumer choice and improving standards and practices in line with better competition, a key remit of the Competition and Markets Authority. RAC would recommend a broadening of the remit of the current ban to encompass both 'narrow' and 'broad' MFN clauses.

The RAC has concerns about the changes proposed on No Claims Bonus (NCB) protection information, relating to Paragraph 1 of Schedule 2:

- The RAC believes that the changes will make **it increasingly confusing for consumers to identify the best deal**. This is in contrast with its intention to improve customer understanding of the product. The RAC also notes that the longer and more prescriptive a summary of a product is, the less likely that a consumer will read and understand what it is they are purchasing. We do not believe the tables provided

as an example will necessarily increase understanding.

- The RAC also **believes that the increasing of such regulation will have a detrimental fact impact on PMI providers**. Some insurers have more complex terms, offerings and rules which would not always be easily explainable in certain situations. This, combined with a tight timescale could mean PMI providers struggling to implement in time and in a worst case scenario, could lead to PMI providers withdrawing NCB discounts to consumers for a temporary period.
- The RAC has some concerns about the remit of this Order, particularly as the area on availability of information to consumers could also fall under the FCA's areas of responsibility. **The RAC has noted that what is set out in the Order seemingly contradicts previous statements from the FCA**. Most notably, in 2013, the FCA acknowledges the dangers of 'information overload': "There is evidence that extra information may lead consumers to make poorer decisions by distracting them or making them under- or overreact to emotionally charged topics like financial advisers' conflict of interest" (<http://www.fca.org.uk/static/documents/occasional-papers/occasional-paper-1.pdf>)

RECOMMENDATIONS:

- The RAC recommends that the Order looks at setting an outcome, rather than prescriptive procedures, which allows PMI providers to meet the outcome in a way that works best for them and the consumer.
- The RAC believes that there should be scope for a longer implementation period for PMI providers to minimise the risk of NCB being withdrawn.