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Mr Roger Witcomb
Chairman
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD
By email ONLY

12 October 2012

Dear Mr Witcomb

Private Motor Insurance: Market Investigation

This letter sets out Aviva's initial response to the Office of Fair Trading (OFT) reference to the Competition Commission for an investigation into the supply and/or acquisition of private motor insurance and related goods or services.

Aviva welcomes the investigation and believes that the OFT has correctly identified a number of the key reasons why the market for private motor insurance is not working as efficiently as it might.

In particular, Aviva believes that the inclusion of personal injury as part of the terms of reference was essential. The OFT market study concentrated on a restricted set of claims costs concerning repair and vehicle replacement. However, these costs should not be seen in isolation and must include the significant increase in bodily injury related costs that have occurred. Any consideration of issues or solutions in this market should take the full range of issues into account.

Further, Aviva is in complete agreement with the OFT's recognition that the insurers of at-fault drivers have little control over the bills they must pay. Our experience is that we cannot exercise control over how and by whom repair and replacement vehicle services are provided to the at-fault drivers we insure and have limited ability to challenge the ultimate costs – particularly in the absence of meaningful guidance as to what is ultimately reasonable. Aviva fully supports the market reference including all of the market participants who provide services. The characteristics of the market mean that such third party providers are unchecked by the insurers of at-fault drivers who pay the costs and have incentives to provide services at a higher cost than necessary to provide a good service to customers.

The market is presently operating inefficiently and there are unnecessary additional costs in the market, which ultimately work to the detriment of consumers.

In our view, the current situation largely results from the way the present law, including case law and regulations, operates as this allows all market participants handling non-fault claims to maximise the cost and so, ultimately, increase direct and indirect claims costs borne by the at-fault insurer. Some insurers have attempted to reduce non-fault costs by way of bilateral agreements. Whilst Aviva is supportive of such agreements, they do not provide a solution where the non-fault insurer is not able or prepared to control costs and where the related goods and services are provided by a non-insurer.



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Aviva will fully engage with and co-operate with the Competition Commission as the investigation progresses and would welcome a meeting with the Panel or the staff team as early as would be helpful. In particular, Aviva would be happy to welcome the Competition Commission on a site visit to our premises.

Please note that any future correspondence or contact should be directed to me in the first instance:

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Yours sincerely

Dominic Clayden
UKGI Claims Director