

**Response by Moneysupermarket.com Limited to the Competition Commission Private
Motor Insurance Market Investigation Statement of Issues**

Introduction

1. Moneysupermarket.com Limited (“MS”) is an independent and impartial price comparison site providing customers with a free online service enabling them to search and compare, in one place, a wide range of products from different providers by various product features and characteristics as determined by the customer. The customer is then able to choose and purchase the product most suited to their needs in a transparent manner. MS’s objective is to help every household make the most of their money and it is a customer focused company constantly striving to save its customer’s money.
2. Moneysupermarket.com Group PLC, the parent of MS, is listed on the London Stock Exchange and its major shareholders include its founder, Simon Nixon, who owns approximately 48% of the company and a number of other institutional shareholders. Unlike a number of its competitors, MS has no ownership links with an insurer.
3. MS has over 100 motor insurers and brokers on its panel, ensuring customers have access to a significant range of policies, covering the wide range of insurable interests posed by customers.
4. Results are displayed showing the quote premium, as well as the features and benefits of each policy, ordered by premium (with the lowest premium shown first). Customers can then use MS’s tools to filter their results based on the products and features and excess levels which are most important to them.
5. MS believes that as customers only have to enter their details and specific motor insurance requirements once on its website and search for motor insurance quotes from a wide range of motor insurance providers, it (and other price comparison websites) offers a number of benefits including:
 - Reduced search costs for customers through the simplified comparison of policies offered by different product providers;
 - Greater transparency of the prices and policy benefits of motor insurance policies to customers thereby empowering customers to purchase the product most suited to their needs in a transparent and informed manner;
 - Intensified price competition between product providers of private motor insurance as a result of the increased transparency of motor insurance (prices and policy benefits) to customers; and
 - An efficient and cost effective marketing service to motor insurance providers who are seeking to acquire customers.
6. Prior to the emergence of price comparison sites, customers would have either contacted a broker for a motor insurance policy or had to contact a number of motor insurance providers separately to obtain quotes and then compare policy features themselves. This would have been less transparent than MS’s service offering and would have potentially provided a limited view of the motor insurance market. It would also not have provided customers with the opportunity to understand the impact of different requirements on the overall policy.

7. In support of the benefits of price comparison websites, we would refer to the OFTs report in December 2011 which stated that “*consensus among insurance companies, brokers and price comparison sites is that the growth in the use of price comparison sites has intensified price competition between private motor insurance providers. Respondents to our call for evidence have told us that the greater price transparency brought about by these sites prevented premiums from increasing as claims costs rose in the period up to 2009.*”
8. It is important to note that MS estimates on average [] of its customers save over [] by switching their motor insurance through MS.
9. MS strives to offer product providers an efficient marketing service and by matching the right customer to the right provider MS offers product providers an efficient and measurable marketing tool.
10. Revenues from private motor insurance are derived from agreed amounts [] paid by a product provider to MS once a customer clicks through to the product provider’s website and successfully purchases an insurance policy. It is a success based marketing fee.
11. We have reviewed the Competition Commissions issues statement and would like to make specific comment in the following areas.

Theory of Harm 3: harm due to horizontal affects – as there are only 4 large PCW, they may use their market position to increase CPAs which may result in providers increasing their premiums

12. The price comparison website industry is extremely competitive with a number of well established companies including MS, Confused.com, CompareTheMarket.com and GoCompare.com operating in that market place. There are also a large number of smaller price comparison websites many of whom are well established brand names (including for example TescoCompare.com, Uswitch and Which?) as well as a large number of niche price comparison websites that focus on one or a limited number of product areas, demonstrating the breadth, depth and diversity of the price comparison website industry.
13. There have not been any significant exits of price comparison websites from the market and the number of price comparison websites entering the market has continued to grow over time.
14. It is important to note the recent entry in 2012 of Google into motor insurance price comparison, creating a further major competitor and well known brand name in the price comparison market place and demonstrating the dynamic and competitive nature of the price comparison industry.
15. It is also important to note that price comparison is an industry where individual players have been able to experience significant market share growth, for example, in the last five years or so CompareTheMarket.com and GoCompare.com have achieved significant market share growth. This demonstrates the highly competitive and dynamic nature of the price comparison industry.

16. MS believes that the barriers to the entry and expansion of price comparison sites are relatively low as evidenced by the numbers of new entrants in this sector over the past five years or so including price comparison sites which have achieved significant market share growth such as GoCompare.com and CompareTheMarket.com. It is interesting to note that Google also believed that barriers to entry to the price comparison market were low in its submission to the OFT in connection with its acquisition of Beatthatquote.com.
17. Whilst a material number of motor insurance policies are sold through price comparison sites, MS estimates that of approximately 27m private cars in the UK, only approximately 6m of these are insured with policies purchased through price comparison sites. As such, price comparison sites represent the sale of only approximately 22% of total UK motor insurance policies. This demonstrates that the price comparison industry represents only one route to market for motor insurers, other routes to market including direct sales by the insurer (both through their website and telephone service) and sales through brokers.
18. It is worth noting that certain successful motor insurance providers including Direct Line do not appear on price comparison sites and utilise solely other routes to market. This demonstrates that whilst price comparison sites are a material route to market for certain motor insurers, motor insurers do not need to feature on price comparison sites to be able to compete effectively.
19. The fact there are other routes to market for insurers to distribute their motor insurance policies acts as a significant constraint on the ability of price comparison sites to increase CPA's. If price comparison sites tried to increase CPA's, insurers could remove themselves from price comparison sites and distribute their motor insurance policies through other routes to market including directly by advertising more themselves and indirectly through brokers.
20. The business model of price comparison sites also acts as a significant constraint on individual price comparison sites increasing CPA's. Price comparison sites seek to offer consumers the cheapest motor insurance policies and compete on the basis of the savings consumers can make by switching their motor insurance. To be able to do this, price comparison sites need to be able to compare the largest number of insurance product providers possible. If individual price comparison sites increased their CPA's, insurers might remove their products from that price comparison site which would act as a competitive disadvantage for that price comparison against its competitors who would still offer the insurers products.
21. Part of the reason that price comparison sites have grown in popularity for insurance product providers is that price comparison sites are for most insurance product providers a more efficient marketing model for insurers than insurers marketing themselves and acquiring customers directly. If there were no price comparison sites, insurers would have to spend money individually marketing their products in the same way that Direct Line currently does. If price comparison sites increased their CPA's and ceased to be an efficient distribution channel for insurers compared to other routes to market such as direct acquisition through marketing by insurers, insurers would switch their marketing spend to these other distribution channels. This also acts as a significant constraint on price comparison sites increasing CPA's.

22. Over the last three years, the average CPA charged by MS has increased by only just over [] from [] to []. This compares to the average Retail Price Index which has grown by 10% over the same period.
23. In addition to intensifying price competition and pricing transparency amongst existing motor insurance providers which have prevented insurance premiums rising, the price comparison industry has provided greater opportunities for smaller and niche insurers and new market entrants to access a large number of potential customers without the upfront marketing costs that an insurer would typically need to incur to gain a market presence. The small and niche insurer or new market entrant only pays a fee to the price comparison site for a policy successfully sold to a consumer. This enables small and niche insurers and new market entrants to be targeted in their marketing spend in a very efficient manner compared to general advertising and to effectively compete with larger and more established insurers.
24. MS disagrees with the assertion in the Competition Commission statement of issues that increasing CPA's may cause motor insurance providers to raise their prices (ie higher private motor insurance premiums). Price comparison sites remain an efficient marketing and distribution tool for motor insurance providers to sell their insurance products and remain for most insurers a cheaper distribution channel than other channels. For example, if an insurer had to rely on sales direct to their website (as Direct Line does), then it would need to spend sums advertising its brand (as Direct Line does). Indeed price comparison sites provide a number of benefits to motor insurance product providers in addition to the opportunity to sell their products to consumers in an efficient manner. For example, being featured on price comparison sites with their logos and brands is actually a form of free advertising for the insurer.
25. In summary, MS believes that price comparison websites are constrained in being able to increase CPA's for a number of reasons including:
- the significant number of price comparison sites in the market including well established brands such as TescoCompare.com;
 - the low barriers to entry and the continuing entry into the market of new competitors such as Google;
 - the other routes to market for motor insurance providers including direct sales and sales through brokers;
 - the size of price comparison in the overall motor insurance market place;
 - the need for price comparison websites to remain an efficient route to market for motor insurance providers; and
 - the business model of price comparison websites which requires them to compare the largest possible number of motor insurance providers to be able to offer the cheapest motor insurance premiums (and greatest savings) to customers and remain competitive with other price comparison websites.

Theory of Harm 4: Increasing the obstacles to customers switching PMI provider – Auto Renew

26. We note the Competition Commissions interest in understanding whether auto renewals make it harder for consumers to switch motor insurance provider and allow them to increase premiums.

27. MS believes that auto renewal acts as an incentive for the incumbent motor insurer to not provide the best price at renewal.
28. The process followed by insurers while meeting certain legal obligations around notification, does not always make the process clear for consumers either at point of sale when they agree (by virtue of a contractually binding term in the insurance policy) to be tacitly renewed, or when inviting renewal.
29. MS is also aware that some insurers take deposits from the insured's bank account prior to the start of the renewed motor insurance policy. These factors, along with insurers telephony retention practices, MS believes, results in greater consumer apathy to switching their motor insurance policy and potentially obtaining a motor insurance policy with the features the consumer requires but at a lower premium.
30. The current process also exposes customers to not being insured or the potential of a rejected claim if they have changed their bank account details or any of their details provided at point of sale (e.g. modifications or driving distances) have changed. It is understood that the forthcoming Consumer Insurance Act may focus some attention in this area.
31. More fundamentally however, an auto renewed motor insurance policy does not necessarily result in the insured acquiring the most competitive motor insurance product in terms of price or the most appropriate product in terms of features and benefits. As highlighted above, MS does believe that auto renewal of a motor insurance policy does result in increased consumer apathy to switching their motor insurance policy with the potential detrimental outcomes highlighted above.

Theory of Harm 5: Price comparison site integrated insurers

32. MS is the only major independent price comparison website without any ownership or loan arrangement with an insurer or broker. We understand that Confused.com is owned by the Admiral insurance group, CompareTheMarket.com is owned by the BGL group and GoCompare is part owned by esure. As an independent price comparison website without any affiliation or ownership relationship with an insurer, MS is focussed on providing the best service to its customers and to saving its customers money in an impartial and transparent manner.
33. In order to generate a quote, certain information provided by the customer is offered to all insurers at the same time, unless they have specified that they do not wish to cover a certain risk. MS is an independent company and does not apply any additional filters in relation to a customer quote request over and above those specifically requested by an insurer.
34. It is important to note that when MS displays motor insurance quote results to its customers, they are always ordered on the basis of the quote premium (with the cheapest premium first). It is not possible for an insurer to exercise any influence over MS in relation to where their quote features on the MS results page for a motor insurance quote.

35. As a price comparison website, MS is provided with and retains a large amount of data about (1) its customers (including information they have provided to MS when requesting a quote and their behaviour whilst on the MS website) and (2) every insurer on the MS panel (including every quote each insurer provides to MS for every customer who requests a quote through the MS website and prior to the inception date of the policy).
36. To put this into context, MS has over 100 insurers and brokers on its panel and MS performs on average approximately 2 million quote searches for its customers each month, displaying on average approximately 77 different motor insurance quotes for each customer. Putting this together, on average each month, MS will be provided with approximately 154 million premium quotes from its panel of insurers and brokers in relation to its customers.
37. It should be noted that unless appropriate ringfencing arrangements were in place, it would be possible, given the amount of data price comparison sites hold, for one of our competitors, which is owned by an insurer, to share specific and detailed historic and/or real time (i.e. prior to policy inception) pricing information about other insurers at an individual customer level with the insurer owner, thereby potentially giving the insurer owner a significant competitive advantage over its insurer competitors and potentially distorting the motor insurance market.
38. Contrary to the views of the Competition Commission, MS believes that if any insurer owned price comparison site engaged in the types of activities that have been highlighted and was therefore able to (1) understand competitors risk and pricing models and (2) price undercut or directly manipulate quote rankings, this could significantly impact competition between insurers. MS provides two examples of this below:

Example 1

- Insurer A (which is an insurer who owns a price comparison site) would have quoted a customer a premium of £500
- Insurer A (as a result of its ownership of a price comparison site) becomes aware that the next cheapest competitor (Insurer B) will quote a premium of £600 for that same customer
- Insurer A uses this competitor information and decides to quote a premium of £590 (an increase of £90 over the premium it would originally have quoted but still cheaper than Insurer B).

In this example, competition in the market place has been distorted and the consumer has achieved a worse deal than if the insurer had not obtained its competitors pricing information from its price comparison site. MS does not believe that this price change would necessarily be due fundamentally to a reassessment of risks. It could simply be profiteering at the expense of consumers.

Example 2

- Insurer C (which is an insurer who owns a price comparison site) would have quoted a customer a premium of £800

- Insurer C (as a result of ownership of a price comparison site) becomes aware that its competitor (Insurer D) will quote a premium of £775 for that same customer
- Insurer C uses this competitor information and decides to quote a premium of £770 (and so is marginally cheaper than Insurer D) to win the business from its competitors

In this example, in the short term whilst the consumer did not suffer from such activities because that consumer obtained a marginally lower premium, Insurer C may be able to grow its market share and become more profitable at the expense of its competitors who over the medium to long term might find it difficult to successfully compete with Insurer C. Having grown its market share in the medium to long term (and thereby weakened the competitive position of its competitors) Insurer C may then be able to use its competitive position to increase its prices to consumers to a level it would not otherwise have been able to.

39. In each of the two examples above, for different reasons, the actions of the insurer who owned a price comparison site could give rise to competition concerns unless appropriate ringfencing arrangements are in place.

Theory of Harm 5: Most Favoured Nation Clauses

40. We understand that some insurers have submitted to the Competition Commission that the average customer gained through a price comparison site is more risky than a customer acquired directly, partly because of an imperfect mapping of risk profiles from the price comparison site to an insurers own system and partly due to a higher propensity of some consumers to enter false information on a price comparison website to obtain a lower quote.
41. MS has relationships with over 100 insurers. MS has no evidence (direct or indirect) that a customer acquired through MS or any other price comparison site is more risky than a customer acquired directly. MS therefore does not agree that premiums of policies sold through price comparison sites should be higher than those of policies sold through other online channels for these reasons. MS makes it clear to its customers that it is important they provide accurate information when requesting a quote together with the consequences of failing to provide accurate information. MS also provides help and prompts to customers throughout the customer journey and MS has a telephone service to help its customers with any questions they have.
42. It is important to note that the questions asked by price comparison websites are agreed with insurers and that insurers and price comparison websites work together to seek to ensure that the mapping of risk profiles from the price comparison website to the insurers own system is accurate.
43. It is also important to note that customers complete the purchase of the motor insurance policy on the insurer's website and therefore have a second opportunity to make sure the information they have provided is accurate (and has been accurately mapped to the insurer's website) and not misleading before actually purchasing the policy. Again, MS makes it clear to its customers that it is important they check the information on the insurer's website before actually purchasing the policy.

44. Insurers also have the opportunity to validate the no claims discount information and claims information provided by consumers through its other systems such as CUE.
45. MS also does not agree that premiums on policies sold on price comparison sites should be higher than a sale from an enquiry to it directly (or through other online channels) because of differing costs of sales between sales channels. Price comparison sites remain an efficient marketing and distribution tool for motor insurance providers to sell their insurance products and remain for most insurers a cheaper distribution channel than other channels. If price comparison websites did not exist, an insurer would have to rely on sales through other channels such as direct through their website or through a broker. In such a scenario, insurers would need to spend sums advertising their brand. Indeed price comparison sites provide a number of benefits to motor insurance product providers in addition to the opportunity to sell their products to consumers in an efficient manner. For example, being featured on price comparison sites with their logos and brands is actually a form of free advertising for the product provider.
46. As mentioned earlier, if price comparison websites became more expensive as a means of marketing and distribution than other distribution channels, motor insurance product providers would switch their sales to other distribution channels.
47. MS understands there are two types of most favoured nation clauses used by price comparison websites, one prevents an insurer offering a cheaper premium to a consumer direct (for example through the insurers website) and the other (often used in combination with the first) prevents an insurer offering a consumer different premiums as between price comparison sites.
48. MS has a most favoured nation clause in its contracts with its panel of insurers which prevents an insurer offering a cheaper premium to a consumer direct. The most favoured nation clause used by MS does not prevent an insurer offering a cheaper premium to a consumer through other distribution channels, for example through brokers or through other price comparison websites, it only applies to premiums offered directly by the insurer.
49. MS believes that such a most favoured nation clause is fundamental to its business model and that if insurers could offer cheaper prices direct, this would fundamentally undermine the price comparison website business model and its service offering to consumers.
50. Without such a clause, consumers would no longer have the confidence that they can search for insurance policies from insurers in one place through a price comparison website and not find a cheaper deal direct which would undermine the trust consumers have in the premiums offered through price comparison websites and the entire service offering of price comparison websites.
51. This type of most favoured nation clause also ensures that consumer search costs are minimised as consumers can with confidence input their details only once on a price comparison website and reliably compare the prices of competing insurers with the reassurance that the deals offered will be as good as the consumer would get direct from the insurer.

52. This type of most favoured nation clause also helps to ensure that price comparison websites can in an efficient way obtain a return on their investment needed for them to make their service attractive to both motor insurance providers and consumers.
53. MS has ensured that its most favoured nation clause is limited in scope and only applies in respect of the premiums offered direct through the insurer and not to premiums offered through other distribution channels (including other price comparison sites). MS therefore agrees with the analysis of the Competition Commission in respect of these types of most favoured nation clauses and agrees with the Competition Commission that they should not be considered further.
54. MS does **not** however have a most favoured nation clause in its contracts with insurers which prevents insurers offering a cheaper premium through another price comparison website than it offers through MS. MS does not believe that such a most favoured nation clause is required to ensure that price comparison websites can in an efficient way obtain a return on their investment or that such a clause is fundamental to the price comparison business model.
55. On the contrary, MS believes that such a most favoured nation clause prevents effective competition between price comparison websites and prevent price comparison websites working with insurers to provide cheaper premiums to consumers than are made available through other price comparison websites, whether that is through the sacrifice of commission or any other means (for example the provision by a price comparison website of greater customer insight data to an insurer to help that insurer give a different premium to that price comparison website based on a different risk profile for that customer from that additional data).