

## RESPONSE BY GOCOMPARE.COM

### TO THE COMPETITION COMMISSION'S PROVISIONAL FINDINGS

### IN THE PRIVATE MOTOR INSURANCE ("PMI") MARKET INQUIRY

7th February 2014

#### Introduction

Gocompare has submitted detailed comments and responses to previous requests from the Competition Commission ("**CC**") and now wishes to respond to the Provisional Findings that were published by the CC on 17<sup>th</sup> December 2013.

Whilst the majority of the Provisional Findings paper reflects a thorough and accurate understanding of the private motor insurance ("**PMI**") market, Gocompare wishes to highlight those areas that it believes do not reflect the market accurately.

#### Comments on the Provisional Findings Paper

Gocompare is conscious that the CC has received a broad range of third party comments, much of which will have been submitted to further the opinion of the party concerned. This has not been the approach of Gocompare. Our aim has been to provide the CC with an accurate and complete picture of the market without obscuring that evidence or tailoring it to support our commercial objectives.

Gocompare wishes to take this opportunity to repeat some of the evidence submitted to ensure that the CC's final report is accurate and robust and that it reflects the market under review.

1. The CC suggests that there may be market power at the price comparison websites ("**PCW**") level of the PMI market; this is not the experience of Gocompare as evidenced in its robust negotiations with insurers and in the competitive environment it faces vis-à-vis the other PCWs. It is suggested that one indicator of this lack of market power is seen in the limited number of wide MFNs.

2. single homing is **not** common as suggested by the CC in the Provisional Findings (para 6). Third party reporting of the PMI market clearly establishes this. In its April 2013 Report, eBenchmarkers suggests that the average consumer visits on average more than two PCWs whilst Mintel (June 2013) states that "single (PCW) usage is very rare" and that around 50% of PCW website users have visited 3-6 comparison sites. A similar comment is

valid in reviewing para 70 and the conclusion in para 71. It is clear that given consumer behaviour it is not essential for an insurer to list on all major PCWs.

3. [✂].

4. In para 64 we are of the opinion that a similar point of sale advantage **will be** present not “may also be generally present” and the CC’s final report should reflect this.

5. In the paper (e.g. at para 69) reference is made to “commissions”; we are strongly of the view that such a term is misleading as it suggests that PCWs are paid as a percentage of the policy premium which as the CC is aware is inaccurate.

6. In the Provisional Findings, the CC appears to have concerns that wide MFNs provide PCWs with little incentive to negotiate better prices from insurers for the benefit of consumers, this is a fundamental misunderstanding of the role of PCWs. PCWs are not engaged in the negotiation of prices or premiums. They are merely the shop window in which insurers can advertise products and a tool for consumers to compare PMI products. Even if PCWs were involved in any way in the setting of premiums such an assessment ignores the many other ways in which PCWs might be rewarded for assisting insurers.

7. Perceived notions that wide MFNs restrict innovation (para 78) are also mis-founded as innovation can be rewarded by increasing income per sale to the PCW through the CPA. To state that wide MFNs restrict rewards for innovation ignores the other options available to insurers.

8. The CC also raises concerns about the existence of wide MFNs and the impact on a PCW’s CPAs; confidential detailed evidence already submitted shows that over a long period of time CPA paid by insurers to PCWs have not increased despite the existence of wide MFNs.

## **Conclusions**

Gocompare believes that for robust conclusions to be reached by the CC (that are not open to challenge) the above points should be re-considered as they reflect the actual operation of the PMI market.

Gocompare, and the other PCWs offer consumers an invaluable tool to assess the wide range of PMI products available. PCWs have been a significant factor in the market as they empower consumers to choose the best products to meet their needs and this has (in many instances) applied a downward pressure on premiums. The status quo works well for the consumer and any untested remedies will endanger that pro-competitive impact of PCWs. To change the status quo on the basis of erroneous evidence or a mis-representation of the facts is clearly not the intention of the CC and we would be happy to discuss with you the above points.

Gocompare have also raised previously concerns that certain market participants have seen this Inquiry as an opportunity to reduce competition at the PCW level. If wide MFNs are removed then the PCWs with the deepest pockets may in the short term reduce their CPAs to insurers with a view to vastly increasing them once PCW market exit has occurred. This will reduce competition in the long term, inhibit innovation and dis-advantage consumers looking to acquire cost-effective suitable PMI.