

## Digital Comparison Tools Market Study:

### Response form

1. Thank you for taking the time to respond to the questions in the Statement of Scope for our Market Study of Digital Comparison Tools (DCTs), published on our [website](#) on 29 September 2016.
2. Please download and save this form before completing it. Please submit your response by **5pm on Monday, 24 October 2016**, either by:
  - Email to: [comparisontools@cma.gsi.gov.uk](mailto:comparisontools@cma.gsi.gov.uk).
  - Or by post to: Digital Comparison Tools Market Study  
Competition and Markets Authority  
7<sup>th</sup> floor  
Victoria House  
37 Southampton Row  
London WC1B 4AD
3. Please note:
  - You can choose which questions to respond to, but we ask all respondents to provide a small amount of background information at the start of this form. The boxes will 'expand' to accommodate long responses if required.
  - We are particularly keen to receive evidence in support of responses. If you are able to supply evidence please attach this with your response.
  - We intend to publish responses to our Statement of Scope in full. If you wish to submit information that you consider to be confidential, this should be indicated to us clearly and an explanation given as to why you consider it to be confidential.
  - The CMA may use the information you provide for the purposes of facilitating the exercise of any of its statutory functions. This may include the publication or disclosure of the information. Prior to publication or disclosure, in accordance with its statutory duties under Part 9 of the Enterprise Act 2002, the CMA will have regard to (among other considerations) the need to exclude, so far as is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if disclosed, would or might, in our opinion, significantly harm the individual's

interests or, as the case may be, the legitimate business interests of that business (confidential information). Further information about how the CMA will use information submitted during the Market Study can be found on our [website](#).

4. If you have any questions about our Market Study or this online form please contact the team at [comparisontools@cma.gsi.gov.uk](mailto:comparisontools@cma.gsi.gov.uk).

## Your details

(Fields marked \* are required)

Title*	Mrs
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Forename	Lindsey
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Surname*	Rix
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Email*	
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What is your role / profession*	Managing Director Personal Lines, Aviva Insurance Ltd
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Are you representing yourself or an organisation?*	An organisation (please delete as appropriate)
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If you are representing yourself rather than an organisation would you be content for us to include your name when we publish your response?*	Yes / No (please delete as appropriate)
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### If you are representing an organisation:

(a) What is the organisation's name?*	Aviva Insurance Ltd
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(b) Please could you briefly explain the role of your organisation, including the sectors in which it operates or has most interest?*
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- Aviva's UK general insurance business (Aviva UK GI) is the leading general insurer in the UK with a market share of 12%<sup>[v]</sup>
- We provide a wide range of products to personal and business customers, including motor, home, travel and pet insurance, commercial property, liability and specialty covers (such as boiler breakdown).
- Our strategy positions Aviva for future profitable growth by meeting our customers' changing needs. To achieve this we use market leading capabilities in the insurance fundamentals: underwriting, pricing, claims management and predictive analytics.
- Our aim is to build long-term relationships with customers with products and services which go beyond insurance to mitigate and prevent – such as delivering risk management advice to a large corporate customer or using leak-prevention

technology in customers' homes.

- The quality of the service we provide to our customers is reflected in the number of awards we have received and feedback from our customers. Most notably, we were the Insurance Times Insurer of the Year in 2014 and 2015, and voted number one for underwriting and claims in both personal and commercial lines in the 2015 Insurance Age Sentiment Survey.
- In 2015 our UK general insurance business achieved its best ever customer satisfaction scores for household claims (Transaction Net Promoter Score® +57).
- Highly competitive market conditions for personal motor and home insurance are expected to continue. We have responded by developing increasingly sophisticated pricing, market-leading products and services, and investing in digital to sharpen our competitive edge.
- The small medium-sized enterprise sector has remained challenging as increased insurance capacity has heightened competition. Aviva is well-placed to be a trusted advisor and offer a complete one-stop-shop for SMEs, and we have continued to succeed in this market because of the quality of our service.
- We will continue to be a customer champion by taking a lead on issues that increase costs for our customers, such as our "Road to Reform" campaign which highlights the issues of fraudulent claims.

You can read more about the progress of Aviva's UK general insurance business in our annual report and accounts here: <http://www.aviva.com/reports/2015ar/more-on-general-insurance.html>

## **Theme 1: Consumers' perceptions, use and experience of DCTs**

We will analyse consumers' awareness, understanding and perceptions of DCTs – for instance, how well consumers understand and/or trust DCTs, and what this means for whether they use them.

We also want to understand consumers' behaviour and experiences with DCTs, including what consumers expect to get from DCTs compared with what they actually receive. We will also look at whether they use DCTs just to compare products and suppliers or also to switch; how many DCTs they use; how successfully they use them; and the benefits they derive from doing so. We will also want to understand what happens when something goes wrong and consumers' expectations are not met (knowingly or otherwise). We also plan to understand whether increased use of DCTs results in excessive focus on price, to the exclusion of other factors and to the detriment of consumers' overall decision-making.

### **1. When and why do consumers use DCTs? To what extent do they trust them?**

Our experience shows that consumers will generally use DCTs (generally referred to as Price Comparison Websites (PCWs) within the insurance market) at the renewal of their product or when needing new cover. They provide customers with an easy and convenient way to compare prices from a range of providers.

The advantage for the customer is that they fill in a generic question form and receive back a number of quotes, ranked by lowest price for what was historically a complex but important product set. They offer customers “convenience” and easy access to a range of “branded” provider’s insurance products.

## **2. How do consumers choose which and how many DCTs to use?**

Essentially all of the DCTs are “branded” distributors, which invest heavily in advertising and marketing to attract customers to their websites. There are four primary DCT’s that dominate the market however it has been noted in several studies that the DCTs suffer from a lack of differentiation which may lead to customers using multiple DCT’s as part of their search process.

## **3. What are consumers’ expectations of DCTs – for instance in terms of market coverage and the relationships between DCTs and the suppliers they list?**

We believe that consumers generally consider DCTs as being independent bodies. This is not necessarily the case, with 3 of the big 4 PCW’s being owned by insurance companies (Confused by Admiral, Gocompare by E-sure and Comparethemarket by The BGL Group).

The Financial Conduct Authority (FCA) carried out a review of PCWs, publishing a report of its findings in 2014. Amongst the findings the FCA considered that firms did not always disclose the potential conflicts of interest where the PCW was part of a larger group of an insurers or broker (although there was no evidence that this was used for commercial advantage). The FCA stated that it expected firms to make clear their role in the distribution of the products and nature of service they are providing.

A key difference between PCW’s and other areas of the intermediated sector is that there is a lack of transparency in relation to how PCWs are remunerated by insurers for the business that they write.

## **4. What are consumers' experiences of using DCTs? Do they benefit from using them and, if so, how? What works well and what could be improved?**

It is important that consumers are encouraged to focus primarily on having the right cover for their needs, particularly where their circumstances have changed. Whilst we recognise that price is an important consideration for consumers this should be secondary to the quality of the product they are purchasing.

DCTs enable consumers to make easy comparisons on price. Whilst this supports consumers to shop around it could lead to poor outcomes as there is less focus on other

features such as product breadth or quality of cover. Consumers need peace of mind that in the event they need to make a claim they are covered as they would expect.

By encouraging consumers to think more about the quality of the cover we believe consumers will engage more in the product they are buying and will help firms to develop products which are valued by consumers.

## **Theme 2: Impact of DCTs on competition between suppliers of the services they compare**

A critical test of DCTs' impact is whether they are improving or hindering competition between suppliers. A major way of improving competition is increasing engagement through reducing search costs. We plan to understand this effect and whether anything may be hindering it.

We also want to explore the relationships between DCTs and suppliers and to know whether DCTs are having effects on supplier behaviour. For example, we want to explore the impact of DCTs on the range, quality and pricing of their services, and the extent to which this leads to better or worse outcomes for consumers. We also want to understand the extent to which DCTs facilitate supplier entry or expansion.

### **5. What factors influence suppliers' use and choice of DCTs and why?**

DCTs give Insurers a route to market. Some have more customers than others and some have a greater access to certain customer markets. Beyond scale and customer markets other factors to consider are but not limited to :

- Customer experience and access to customers of the DCT. Smaller DCTs offer less sophistication on the customer experience and may not be efficient in terms of acquisition
- Cost of acquisition – Paramount for the customer is to continue to receive the best price for their insurance. The cost per acquisition is an important factor in these calculations. Each year these costs rise way beyond inflation

### **6. To what extent do DCTs make it easier for suppliers to enter the market, attract more consumers and engage more effectively with them?**

The DCTs give Insurers access to a wide customer base and allow insurers to attract more customers to their own services

Currently barriers for Insurers to enter a DCT are high. Often lead times for new brands and products to be on boarded are longer than 6 months. In addition to this, up front costs are required for integration between the DCT and the insurer.

### **7. How have DCTs affected competition between suppliers? What impact has this had on the price, quality and range of products offered by suppliers?**

There is a risk that DCTs may create an environment where suppliers are focused on achieving a "price point" to win new business. This would be contrary to the best interests of consumers and have an impact on the quality of insurance, leading to customer dissatisfaction at the point of need (i.e. claim). Price is a relevant factor for customers to compare on, but of equal if not greater importance is ensuring the product will meet their needs.

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**8. What are the barriers, if any, to DCTs increasing competition between suppliers, and how can these be overcome?**

Currently the DCTs compete amongst themselves for customer acquisition which is heavily based on the price offered to the consumer. Customers will benefit from a less price focussed approach moving to a more innovative and informative way of displaying propositions, product breadth and covers available

**9. In what ways, if any, have DCTs changed suppliers' approach to consumers - for instance in terms of whether they treat consumers who use DCTs differently to those who do not?**

Suppliers are aware that consumers coming from the DCT channel appreciate a competitive price but also would like simplicity in the interaction meaning suppliers have to focus on creating a simple and clear customer journey



### Theme 3: Competition between DCTs

We will aim to establish whether DCTs are competing effectively with each other, as well as facilitating competition between suppliers of the services they compare. If not, we will explore what may be holding back competition in any particular market.

We will explore how DCTs compete both for consumers and for suppliers. We will assess what well-functioning DCT competition looks like, and the potential for DCTs or suppliers to engage in practices that limit this.

**10. In what ways do DCTs compete with each other – for instance in terms of coverage, the savings consumers can make, the services they provide, their ease of use, transparency and how they protect consumers' data?**

DCTs compete for customers via marketing coverage, primarily, through price led messaging which also speaks to transparency and convenience as all the products are in one place.

The current display of products may not recognise some of the individual needs of customers in less well populated segments of the market. This is because DCTs are more suited to mass market type products. Often the needs of such customers are complex and require further information / customer interaction which does not lend itself well to the current DCT broad question sets.

**11. What factors influence how effectively DCTs can compete – for example, whether they can secure the necessary consumer data, supplier information or other data?**

DCTs need Insurers that can offer the best deals and prices for customers. Over the past 6 years the DCTs have started to compete with each other in the supply of data and other enhanced services to help with customer pricing and potential fraud risks. Other areas of competition in the DCTs are:

- Fraud capability Brand strengths
- Customer experience
- Pricing from suppliers

**12. If there are barriers to competition between DCTs, how significant are these and how can they be overcome?**

The current market share and reach of the Big 4 DCTs means that business is concentrated in a small group of companies. Competition could be increased either by new entrants or the existing DCTs offering new and innovative ways of displaying insurance and value to the customer.

## Theme 4: The regulatory environment

There is a range of regulation of DCTs in place across our sectors of interest, from full regulation in financial services to voluntary accreditation in the telecoms and energy sectors. We will provide an overview of the different approaches to regulation being adopted and assess whether there are lessons to be learnt from comparing approaches.

### **13. Are there any areas of regulation or self-regulation applying to DCTs that lack clarity, certainty, consistency, or enforcement?**

### **14. Do there appear to be any areas where DCTs may not be meeting competition or consumer protection requirements?**

Whilst it is clear where the regulatory responsibility sits in explaining product features to consumers for insurance products, the nature of the interaction between PCWs and manufacturers is such that it is easy for consumers not to focus on those features. As outlined in question 4 it is important that consumers are encouraged to engage more in the purchase of the product and ensure that it meets their needs. We therefore consider that there could be greater structure in the regulatory environment for PCWs.

### **15. Do any aspects of regulatory approaches to DCTs need to change and, if so, why?**

Currently DCTs account for a significant amount of sales in the (motor) insurance market. Recently their classification with the FCA has been increased and the market could possibly benefit from a closer review of operating practices in the industry to ensure that the customer is getting the best possible outcome from the market.

In relation to all of the themes and issues set out earlier, we will look at both the current situation and the effect of likely future developments in the DCT sector.

**16. Finally and in relation to all of the issues above, what likely developments over the next three years should we take into account and why?**

The question of what next in the DCT market is of great interest to the wider market and the insurance community in general. It is possible that the DCT market will show some limited short term growth and that longer term the market will experience some further consolidation of the current DCTs or the advent of an aggregator of aggregators

**Other comments and further contact**

**Do you have any other comments you would like to add?**

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**Would you be willing for us to contact you to discuss your response?\***

Yes  
*(please delete as appropriate)*

**Thank you for taking the time to complete this form.**

**Please email it to: [comparisontools@cma.gsi.gov.uk](mailto:comparisontools@cma.gsi.gov.uk).**

**Or post it to:**

**Digital Comparison Tools Market Study  
Competition and Markets Authority  
7th floor  
Victoria House  
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London  
WC1B 4AD**