

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.
 - Or by post to: Digital Comparison Tools Market Study
Competition and Markets Authority
7th 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.

Your details

(Fields marked * are required)

Title*	Mr
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Forename	Ian
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Surname*	Gosden
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Email*	[<]
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What is your role / profession*	Managing Director
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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?*	Higos Insurance Services 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?*

Insurance Broker – Personal Lines, Commercial & Niche

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?

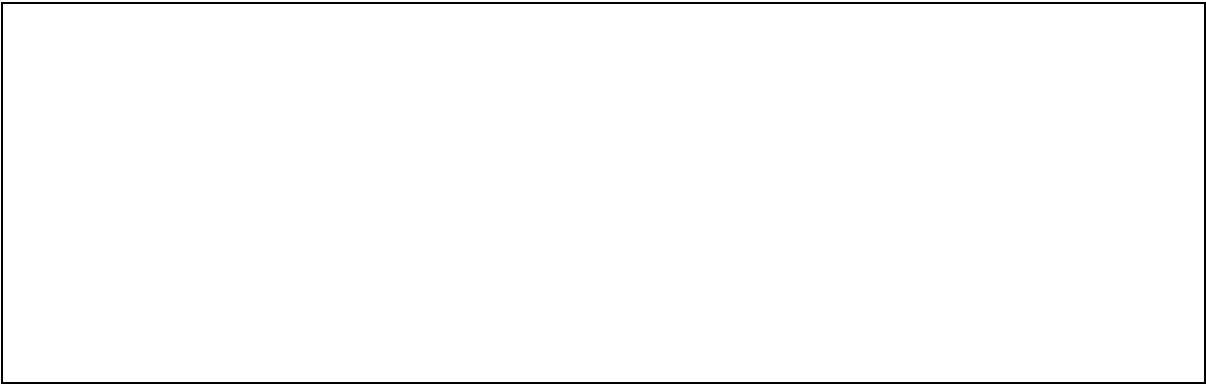
DCT's are very available and use mass advertising (usually silly gimmicks) to get clients to buy insurance on their sites. Their behaviour is usually price driven not cover. The consumer puts faith in the brand because it is on TV but has no real understanding of the quality or level of cover until they make a claim.

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

Their behaviour is driven by the amount of advertising and in some cases new toy and often they use multiple sites if their initial quotation is not as cheap as it should be.

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

The consumer feels as there are numerous insurer and products on each site it will be easy to buy the insurance and therefore less hassle saving them time and money. They do not understand necessarily whether they are dealing directly with Insurers, MGA's or Brokers They are unable to take into account the financial stability or claims capability of the markets, they just buy on price. A survey undertaken by [] in 2015 reinforces this, showed as below: []



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?

Consumers experience, they need to shop around for insurance, however this is for cover which is their own assumption of what they need. It highlights the choice of products offered with the same benefits and different costs, providing more choice to the consumer. It should also provide transparency of the covers and services provided but only if the client reads all the terms, conditions and cover limits.

Consumers need to be made aware of the terms and conditions of a policy which is more important than the price, they need to understand whether the policy meets their needs correctly and therefore won't be under insured or adversely affected if they make a claim. Consumers are not clearly informed of all the costs and fees and the suitability of the product becomes secondary as it is a non advice sale bearing in mind consumers are not insurance experts.

One of my concerns as a professional Broker is the accuracy and transparency of the quotes and comparisons made by DCT's. The use of assumptions by comparison sites can lead to the final quote being significantly different to the initial indicated price, this can have reputational impact for the suppliers who I am sure are concerned.

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?

Unable to comment

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

DCT's are an easy route to market for large providers as the cost per lead can be as high as 50%. They are able to drive large volumes and for suppliers who are only focussed on volume, this route can be very successful.

The high volumes very quickly at prices that are unsustainable often lead to insurers requiring the removal of products when their profitability is seriously damaged. So whilst the consumer will have achieved cheap insurance and the supplier will have achieved volume, it is not sustainable but does distort pricing in the wider market.

The practice of selling "Sub net" which is treated as a marketing spend drives dual pricing behaviour and as most DCT's market to the same clients year after year, there is no opportunity for relationships or trust to be built with the consumer. It is only when the computer says "No" due to underwriting difficulties do clients then look for a professional Broker at which point the damage has been done and the consumer is no longer in a position to command the lowest prices.

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

Unable to comment

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

Unable to comment

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?

A number of suppliers have confirmed that our pricing is more competitive than online alternatives and produces a higher level of profit. However they still continue to use the sites as it drives huge volumes and we are unable to compete with the advertising spend of the DCT's.

The use of data online to select the best risk/consumer is very positive from a pricing perspective for those consumers who tick the box. However more and more consumers do not meet the data requirements and very few of the DCT's have a solution for these consumers.

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?

Unable to comment

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

Unable to comment

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

Unable to comment

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?

The pricing model of DCT's is not transparent and suppliers who provide terms below their net costs can only do so if they are recouping their money in other ways which has led to market distortion such as claims farming, referral fees, high credit charges and generally excessive fees which are not always clearly defined.

As a Broker we must provide professional advice with integrity and working on behalf of the consumer at all times. However our competitors DCT's do not, hiding behind non advice sales. A warning should be given to consumers advising them of their financial exposure should they fail to get the correct cover and that there is no redress or support if they have not understood the full implications of the terms and conditions.

A number of comparisons sites have exclusive deals with suppliers which restricts that suppliers ability to promote their product on other sites. This behaviour would not be acceptable within the broking market.

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

Unable to comment

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

DCT's should do more to ensure that cover and not price is the priority. They should also have to comply with higher standards of data protection and data usage.

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?

- ensure a clear distinction between sponsored or advertised links, and ranked search results based on consumer preferences
- improve clarity around ranking of results
- ensure prices displayed include all fees and additional charges including finance charges
- do not misrepresent their independence or service offered
- do not post fictitious recommendations
- are open about suppliers who have paid for prominence
- have fair complaint handling and redress policies
- have clear privacy policies that give consumers an opportunity to 'opt out' of data sharing.

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

Thank you for taking the time to complete this form.

Please email it to: comparisontools@cma.gsi.gov.uk.

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