

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	Steve
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Surname*	Waller
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Email*	[✂]
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What is your role / profession*	Standards Manager
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Are you representing yourself or an organisation?*	Yourselves / 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?*	No (Not applicable)
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If you are representing an organisation:

(a) What is the organisation's name?*	Polaris UK 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?*

Polaris is an insurer and broker owned body, dedicated to supporting electronic trading (e-trading) standards for the UK general insurance industry. In addition to standards, Polaris offers the ProductWriter software suite - a means of insurance product definition and rating- and imarket - a secure network linking brokers and insurers for the transaction of commercial lines business.

As part of supporting the e-trading standards, Polaris provides secretarial and administrative support to a personal lines Electronic Trading Practices Group (ETPG). The ETPG is a forum with open entry for insurers, software houses, price comparison websites, intermediaries and industry bodies. It considers industry-wide issues impacting electronic commerce and develops voluntary standards to increase efficiencies and facilitate trade in the industry.

A similar group exists for commercial lines e-trading with emphasis on imarket services.

These groups were formed to address the fact that, with large numbers of insurers (c50) trading with large numbers of brokers (c4,000), some standardisation in technical protocols and inter insurer-broker business practices is necessary for trading to take place.

Without the support of these groups, individual agreements for technical and business standards would need to be entered into, which would be time consuming, expensive and operationally inefficient for all parties.

Neither Polaris nor the groups have any involvement in areas of members' competitive interests e.g. members' pricing, terms and conditions or product development.

NOTE: Polaris response is limited to providing feedback on Price Comparison Websites (PCWs) providing comparative insurance quotes.

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?

1. To help consumers budget for the insurance costs of an item when considering a purchase
2. To compare prices and conditions from a range of suppliers before proceeding to purchase, whether online or offline
3. To act as a negotiating tool when in discussions with an incumbent supplier at renewal. It is not unusual for a renewal price quoted by an insurer to be significantly different to the price quoted for new business with the same risk details.
4. To provide a comparison with insurance offers being made from bodies not represented on PCWs (such as direct insurers, cashback sites or building societies)

We believe that consumers trust PCWs, and any doubts they may have regarding impartiality are at least in part compensated for by their ease of use and breadth of coverage. However, consumers may not always trust the results displayed as being reliable and may be concerned about inconsistencies in results between individual PCWs. To a lesser degree, some consumers may also have concerns where the PCW is owned by an insurer.

There are concerns on the use of personal data for direct marketing by the PCWs or suppliers and associated organisations, even if no policy has been or will be purchased. This could take the form of:

- Unwanted contact by insurers or brokers when a consumer has obtained quotes from a PCW
- Insurers or brokers cross-selling – offering other insurance and non-insurance products regardless of whether the consumer has expressed an interest
- Further contact from insurers or brokers at the anniversary of the expected policy commencement date
- Contact being made by claims management companies where the consumer has provided details of claims to the PCW

To avoid this, some consumers may use fictitious data such as name, exact address and contact details to obtain quotes. However, this can lead to unintended consequences such as incorrect quotes being provided or a restricted choice of quotes being available as a supplier may use third party data to enrich the customer provided data and the details provided by the consumer cannot be matched.

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

The reasons we think the consumers choose a DCT, and how many are used, are based on:

1. **Brand advertising** - Consumer traffic to PCWs is strongly correlated to the amount of brand advertising activity conducted – particularly offline, and the availability and attractiveness of offers such as toys or cashback.
2. **Historical usage** - If a consumer has used a PCW in the past, their quote details will generally be retained, making a return to that site more likely as further quotes will be easier to obtain.
3. **Active contact** - Some PCWs will also actively contact previous users via email, either to act as a reminder of the initial quotes obtained, or at anniversary of the initial quote as a “renewal”.

The incentive to use a number of PCW sites is relatively weak, as the process of completing forms through multiple sources with differing data requirements, and then reviewing results obtained, can be time consuming. Differences in the presentation of policy features adds to this confusion – covers may not be benchmarked to a certain set of policy features and there could be considerable differences between PCWs. For example, breakdown cover may be limited to roadside recovery, could include home start cover, or could even extend to continental Europe. This additional effort is generally not compensated for by differences in the suppliers on each PCW's panel, as they are broadly similar, and the effect of removing Most Favoured Nation clauses has not had a significant impact on prices seen by consumers.

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

1. **Wide market coverage** - Many consumers will believe the quotes they are being offered from a PCW provide a large enough selection for them to choose from, and would see no benefit in continuing their search via any additional PCWs or alternative sources.
2. **Lack of clarity on multiple brand – single ownership** - It will not always be apparent to consumers where a supplier is using multiple brands on a PCW (with essentially the same organisation sat behind all of them). This could result in an illusion of greater choice being offered than really exists. Sites such as

MoneySavingExpert (MSE) provide a valuable service by highlighting the proportion of all available quotes that can be seen by visiting individual PCWs, and this is augmented by detailing offers that may not be available on PCWs at all (such as cashback sites). However, even MSE concede that there is a trade-off between the time investment required and the potential benefit to be realised.

3. **DCT ownership** - We believe consumers consider PCWs to be impartial in terms of relationship. However, the fact that some PCWs are owned by companies that have additional insurance interests (as a broker or insurer) may not be obvious to the consumer and is not made apparent within the listings provided.
4. **DCT remuneration and disclosure** - Customer understanding of how PCWs are remunerated is limited, although it is not clear whether this presents any issues with regards to the effectiveness of the market. We believe the ongoing consultation on the Insurance Distribution Directive (IDD) may place additional responsibility on PCWs to be more transparent with how they are remunerated, which may address this point.

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?

Benefits of using DCTs

1. **Ease of quote comparison** - Customers benefit from the use of PCWs in terms of being able to save risk details and compare quotes from a very large range of suppliers. Without them, consumers would need to go to each individual organisation for a quote, which would not be feasible due to the time commitment required.
2. **Transparency for individual suppliers** - Individual suppliers benefit from being present on a PCW's panel as there is transparency of all the quotes returned, giving an insight into the potential impact of pricing and product decisions and therefore likely future sales volumes.

The combination of these two factors means that customers can find competitively priced products in markets where there may be huge differences in price/terms.

Limitation of DCTs and areas for Improvement

1. **Any Driver Cover** - When using a broker channel which uses a non-DCT insurance provider it may be possible to obtain any driver cover (where anyone granted permission by the policyholder is insured to drive the vehicle). This is not available on PCWs, where all drivers must be specified. Also PCWs may provide quotes based on the consumer wanting comprehensive cover, whereas dealing direct with insurers would allow the consumer to choose the cover.
2. **Like for like quote provision** - There may be an issue with suppliers providing quotes which are not on a like for like basis. Insurers that strip cover back to the minimum and then offer covers at additional charge will rank higher on the results page (typically sorted in price ascending mode) to those that offer the same covers as standard.
3. **Detailing all excesses** - Terms such as different excesses applying to certain sections of the policy may not be obvious. For example, it is rare for the amount of excess that applies to a windscreen replacement or repair to be shown prominently, but the amount the customer must pay can vary significantly between suppliers.
4. **FCA Add-Ons Guidance** - Non-handbook guidance introduced by FCA asking PCWs to include common add-ons in their risk capture and provide quotes including requested add-ons mitigates the situation in (2) above to some extent. However,

where a supplier provides a quote on a very restricted – or totally different - basis to that collected and results are displayed by price alone and cannot be filtered based on a match to the consumer’s requirements, consumer detriment may result.

5. **Focus on price** - Having results presented in price ascending order can potentially lead to poor outcomes when excess levels are considered. PCWs will typically ask users of their preferred voluntary excess amount. Not all suppliers will offer policies based on that exact excess amount and may provide quotations on a different basis e.g. customer asks for a £150 excess, but the supplier only accommodates £100 or £200. This means the PCW needs to determine on what basis the quotes should be displayed (if at all). In addition, many suppliers will apply a compulsory excess which will be payable as well as the voluntary excess in the event of a claim. A results table sorted by price alone will not reflect this situation accurately.
6. **“Brand stacking”** - We have already referred to suppliers potentially having multiple brands (our response to question 3). It is not uncommon for suppliers to price the products from these brands on the same or extremely similar basis, with the intention of “brand stacking” – occupying all the top ranks in a results table. Consumers will not typically be aware of this behaviour, and may not therefore consider the offerings from other, lower ranked, suppliers who may be providing a better proposition. Whilst this behaviour is not a failing of the PCWs themselves, the display of results to consumers could include notes of caution.
7. Where consumers wish to obtain quotes from more than one PCW, they are faced with a number of challenges:
 - a. **Data collection.** Based on their prior experience, PCWs will ask questions in the order which maximises the number of consumers completing the form. This will vary by PCW, making it difficult for consumers to ensure that they are providing all of the necessary information (and thereby obtaining like for like quotes) across multiple sites.
 - b. **Variances in data.** Not all PCWs will ask the same questions, nor will they offer consumers all of the same options when answering questions from a pre-defined list of responses. An example would be the number of years of No Claims Discount earned – some PCWs will list individual values; others will say “9+ years”. This could result in inconsistency between the quotes received.
 - c. **Pre-populated answers.** Although consumers will have the option to change these, there is a risk that they will assume consistency in these answers between PCWs and unwittingly provide incorrect information.
 - d. **Assumptions.** PCWs will use a super-set of questions based on the information required by their suppliers. However, they will not include every question requested by every supplier. In such cases, the PCW will need to assume a value in its quote request to the supplier. There is limited visibility of such assumptions, and they will vary by PCW, which could lead to sub optimal quotes being obtained and potential misrepresentation.
 - e. **Mapped values.** Not all answers provided by consumers will be passed to suppliers in an unedited form. Responses to a question such as “Do you own the car?” are binary and require no mapping, but responses to a question asking the expected mileage per year may be mapped to a range or to an exact value e.g. 4500 per year could be mapped to 4000-5000 for supplier A, 4500-5000 for supplier B, and 4000-4500 for supplier C. These mappings may not be consistent across PCWs and could result in discrepancies and customer detriment.
 - f. **Presentation of results.** Variances between PCWs could lead to undesirable outcomes. Consumers may believe that a result seen on a PCW is consistent with others and then discover it is not. For example, a

voluntary excess level may not be asked in the data capture form and defaulted to a value that is not immediately apparent or acceptable to the consumer.

- g. **Data portability.** It is not possible to extract information from one PCW and transfer / import to other PCWs. Such facilities would prompt for greater consistency between PCWs and encourage consumers to consult multiple sources for their insurance quotes.

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?

Contractual terms and market share are the most important factors that influence a supplier's choice of PCW. Priority will be given to those that provide the highest volumes of business compared to the cost of using the PCW. By way of context, for private motor, the four largest PCWs (Confused, GoCompare, Moneysupermarket and CompareTheMarket) account for [x] of all business transacted on PCWs. For home insurance, this figure is in excess of [x] (from data provided by [x])

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

1. A very small broker or insurer with no regional offices or a niche product offering can get nationwide coverage easily.
2. Operating costs are reduced as the customer self-keys information and broker/insurer intervention is minimal or nil.
3. However, the sheer reach of PCWs and the number of consumers they attract can have unforeseen circumstances where the volume of business being written can overwhelm a new supplier, leading to customer service issues or the need to "throttle" new business levels.

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

1. The use of PCWs has resulted in greater price competition due to increased price transparency. However, as suppliers are competing so strongly for new business, there may be a compensatory increase in the prices charged at renewal.
2. However, the emphasis is always on price over cover, which may encourage suppliers to offer basic cover to appear competitive.

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

1. PCWs collect a standard set of data to cover their entire panel. If a supplier wishes to differentiate its offering by collecting additional data items, the PCW may not be able to collect this information immediately (or at all, if this requires changes to practices with other suppliers), leading to prices that are not optimal.
2. Although not directly in the control of the PCWs, some suppliers (typically brokers) will use a software systems provider to provide quotes. Some of these software suppliers will have a single quote request for all of its user base. This means that answers given to any questions asked on the PCW site will not be able to be differentiated between the suppliers. This may also lead to sub-optimal prices.
3. Similarly, the PCW display pages may limit innovation between suppliers (an insurer wishing to differentiate their product so that they are not selling primarily on price would be dis-incentivised from doing so, as they may not be able to make this clear to consumers)
4. It may be difficult for a new supplier to join an existing PCW unless they can differentiate their product sufficiently from other suppliers' offerings, e.g. offering cover for non-standard or specialised risks, as the PCW may feel that their existing panel offers sufficient consumer choice.

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?

The use of PCWs increases the possibility that some suppliers will strip back cover to the bare minimum so that they can quote a price that puts them at or near the top of the results page, and then offer the missing cover as optional chargeable extras. This may not be obvious to the consumer who believes all policies offer the same covers.

In some cases, it would be necessary to read the supplier's literature to determine what covers are being provided, and what are not.

There have been some changes in the way that consumers who use PCWs are treated versus those who transact via other channels. The ease by which consumers can vary the answers to affect the premiums quoted has resulted in some suppliers insisting on speaking to a consumer before the cover is put in force, asking for additional information to support the application (e.g. proof of No Claims Discount) and in the most extreme cases removing their products from sale via PCWs.

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?

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

Consumer data. Much of the data provided by consumers when requesting quotes is subjective and difficult for PCWs to verify. Use of third party data sources where possible would minimise the risks. For example, PCWs cannot access the CUE (Claims and Underwriting Exchange) or Insurance Fraud Bureau databases. If they were able to do so, potential issues could be discovered before insurers are asked to provide quotes. For other data points that are less able to be verified by reference to external databases, the application of consistent conventions across PCWs, the direct insurance market and the broker channel will remove interpretational differences that currently exist. An example here would be how a consumer describes their occupation.

Supplier data. Consistency in the formats and descriptions used would assist PCWs in being able to accurately present results to the consumer, rather than having to make interpretations of the varying forms.

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

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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?

Polaris does not have sufficient knowledge about the areas referred to concerning DCTs to respond to this question.

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

Polaris does not have sufficient knowledge about the areas referred to concerning DCTs to respond to this question.

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

Having greater consistency between the collection and transmission of data from PCWs to suppliers would not act as a brake on competition, but would remove many of the issues we identified in our response to question 4. It would provide suppliers with consistency across their marketing channels and allow for pricing and product decisions to be made without having to compensate for inconsistent inputs. It would give certainty to consumers and reduce instances of innocent misrepresentation. Polaris would advocate strongly for such consistency through the adoption and use of standards to which the whole industry provides input.

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 ease of use of PCWs has made them a target for fraudulent applications, typically through data manipulation (amending answers to reduce the premium charged). A separate problem is with “ghost brokers”, who set up insurance policies for multiple individuals using false information (some of which are then used for claims in staged accidents).

Suppliers recognise these issues and to mitigate their fraud risk will be more selective on how and where their products are displayed. Best premium rates will be provided to PCWs who take active fraud prevention measures, and higher premiums being charged elsewhere. This could result in suppliers only providing quotes to PCWs on a qualified basis (subject to further checks by the supplier that could result in a quote being increased or withdrawn), and in the most extreme scenarios removing their products from certain PCWs, or the market as a whole.

Those suppliers who do not respond to the issues will find they are targeted for fraudulent policies, resulting in increased losses and potentially a cessation of business either through PCWs or across all channels.

At present there is no sharing of best practices and experience between PCWs, and measures being introduced are as much for competitive advantage as to combat fraud. However, without PCWs working together to prevent fraud, a consequence could be a reduction of consumer choice through reduced market size.

Other comments and further contact

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

Polaris are keen to be involved in future discussions related to this market study. We have worked closely with CMA in the past on the implementation of changes resulting from the Private Motor Insurance Market Investigation, and are forging closer relationships with PCWs to implement consistent standards.

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.

Or post it to:

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