

Digital Comparison Tools Market Study:

Update Paper - Response form

1. Thank you for taking the time to respond to the questions in the Update Paper for our Market Study of Digital Comparison Tools (DCTs), published on our [website](#) on 28 March 2017.
2. Please download and save this form before completing it. Please submit your response by **5pm on Monday, 24 April 2017**, 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 Update Paper 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*	Mrs
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Forename	J
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Surname*	Childs
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Email*	
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What is your role / profession*	Senior Business Analyst
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Are you representing yourself or an organisation?*	Yourself / 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?*	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?*
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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 an 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.

Consumers

1. Should we focus our attention on the consumer groups we identify in Chapter 5 (see paragraphs 5.82 to 5.95) and if not, what groups should we focus on?

2. In which sectors do DCTs not currently play a major role but could in principle offer substantial benefits to consumers? Why have they not become established in these sectors?

3. How has the growing use of DCTs affected suppliers' offers to consumers who do not use DCTs in our case study sectors and more broadly? What impact have DCTs had on suppliers' ability to discriminate between active and inactive consumers? What are the implications for vulnerable consumers?

4. What factors, if any, have we missed that may be holding back consumers from using DCTs?

5. What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control?

We assume by this question you are referring to marketing and we believe that consent to this should always be explicit, and the consumers should be required to opt-in (defaults and opt-outs should not be permitted).

When this is addressed (by the introduction of the General Data Protection Regulation that comes into force in 2018) we believe it very important at consumers are made aware of their rights, and know who to complain to if the regulation is not being met.

6. What actions, if any, are needed to improve the way consumers use DCTs – including multi-homing and using DCTs' functionalities such as filtering and ranking?

To improve the way that consumers use DCTs we believe the following would be beneficial:

- For DCTs to make it clear in their advertising where they do not represent the entire market
- For filters to be made more prominent
- For the initial filtering to match the consumers' stated requirements (for example, where an excess was requested, the displayed quotes should be based on a match to that excess) or there should be a clear traffic light system showing what is equal, less, or more than requested.

The ability to filter results varies across different DCTs. Two of the big four insurance PCWs allow filtering with/without add-on products e.g. breakdown and legal expenses, and show a price based on the selections made. This allows consumers to see a price based on the covers they require, and then to select/deselect additional covers and obtain alternative quotes very easily.

The other two display a base price, and alongside this the cost of each add-on (or a tick to indicate that it is included without charge). This makes it more difficult to compare the total cost across different providers, as the consumer needs to calculate the total combined cost. It is possible that these two PCWs do not the same level of data provided by their panel members to allow them to implement a filtering approach (see also our answer to the question on hollowing out at the end of this form).

Additionally, even if results can be filtered there may still be variances and quotes are not on a like-for-like basis, for example:

1. It is now common practice for a windscreen repair excess to be applied, but as this is part of the "standard" policy wording it is not shown
2. Insurance purchasers are asked what "voluntary" excess they require, but it is standard practice for suppliers to apply a compulsory excess (and, for young/inexperienced drivers a further excess). These are usually obvious, but may not be taken into account in the filtering

3. The cover provided for a courtesy car or breakdown may be very different. A further complication is a side effect of many of the DCTs' insurance suppliers being brokers. Broker systems will return the cheapest quote based on the cover offered. If additional covers are changed, this means that the provider may change (as can the terms of cover).

Inputs to DCTs

7. Have we captured the range of issues that might prevent DCTs from operating effectively?

8. Do the issues identified materially affect DCTs' ability to operate effectively and deliver good consumer outcomes?

There is heavy reliance on the information provided to, and received from suppliers, but there are a number of issues in the insurance market which are detailed below:

1. Although there is an agreed set of data standards for motor and household business, this only applies to placement of business (not to quotes), and is intended for broker business - i.e. not by direct insurers.
2. DCTs need to collect data for both brokers and direct insurers and, because there is no standard data capture for quotations, DCTs have been forced to produce their own "super set" of questions, meaning that some degree of mapping to suppliers is inevitable. This happens "behind the scenes" and is not apparent to consumers
3. There is no contractual relationship between DCTs and the insurers that are providing a quote via a broker system. There is therefore no opportunity for them to agree how data will be mapped - i.e. the DCT maps data based on broker instructions, but this has not been agreed by the broker's panel of insurers. Additionally, broker system providers may agree the mapping with DCTs on behalf of their brokers, again without the agreement of the insurers that are underwriting the risk.
4. Quotes may rely heavily on a set of assumptions which are not prominently brought to the consumer's attention, and these may determine whether an insurer will accept the risk.
5. Questions may also be omitted or defaulted, because the DCT is under pressure to make the customer journey as easy as possible, and too many questions lead to higher drop-out rates.

In the appendices which accompany the update the ability for consumers to "click through" to buy, without the need for further data being entered, was suggested as beneficial for consumers. However, the mapping of data makes it important that the data is verified by the supplier prior to purchase, as if this does not happen the quote obtained may be incorrect (due to incorrect or missing data, that changes the price or affects acceptability of a risk).

Finally, suppliers may not be encouraged to innovate, as offering non-standard additional covers which may be attractive to consumers are unlikely to be reflected in comparison tables.

9. Are current or planned initiatives sufficient to address the issues found?

Polaris is currently undertaking a "Good Customer Outcomes" project for small commercial lines insurance (e.g. shop, small property owners). This looks at the data being collected by quote systems, and the data being returned by insurer products and assesses whether they result in a good customer outcome. Where necessary, we are suggesting that the system provider or insurer makes improvements, which may be supported by changes to our data standards

This project has been discussed with FCA who are supportive, and Polaris intends expanding this to cover motor and household risks in future. In the current environment, unless there is any regulatory impetus the challenge would be to get stakeholders to change their processes and systems.

Competition

DCTs' market position and barriers to entry and expansion

10. What explains the strong position of a specific DCT in each of our case study sectors? What do DCTs do to grow their business in sectors where they appear to be relatively small compared to the leading DCT of the sector?

11. What are the barriers, if any, for DCTs to enter or expand into sectors where they currently do not provide comparison services or where they are currently relatively small?

Agreements between DCTs and suppliers

12. What has been the impact of the removal of wide MFNs in the private motor insurance sector?

13. What has been the impact of narrow MFNs in the sectors where we have observed them (home insurance, private motor insurance, credit cards, broadband and flights)?

14. What is the commercial rationale for the non-brand bidding and negative matching agreements we have observed (in all of our case study sectors) and what is their commercial and competitive impact?

15. What is the commercial rationale for the non-resolicitation agreements we have observed (in home insurance and energy) and what is their commercial and competitive impact?

16. In which other sectors, if any, are (i) wide or narrow MFNs; (ii) non-brand bidding or negative matching; or (iii) non-resolicitation agreements in place? What impacts do they have in these sectors?

17. Are there any other agreements in place that may affect the effectiveness of DCTs and/or the effectiveness of competition between DCTs (and competition between DCTs and other sales channels)?

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Unbundling and hollowing out

18. How has the growth of DCTs affected product features and/or the product mix in our case study sectors over time? What specific evidence/examples indicate these changes?

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19. How widespread is the use of product reviews and ratings on DCTs and what has been the impact, if any, of the use of these tools?

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20. What needs to be in place to prevent or mitigate any harmful impact of product unbundling or hollowing out and what can DCTs do about it?

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Regulation

21. What are your views on the issues we list in Table 8.1 and at paragraphs 8.13 to 8.42 of Chapter 8 and how could they be addressed?

22. What is the balance between potential benefits and risks in introducing a cross-sector approach? What would be the most effective approach(es), and why?

23. How could a cross-sector approach interact with existing regulatory frameworks?

The future of DCTs

24. What future developments outlined in Chapter 9 are likely to have the greatest impact in driving engagement? If there are any important developments we have missed, what are they and why are they important?

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25. What future DCT-related technologies might affect or assist vulnerable consumers?

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Other comments and further contact

We welcome submissions on any of the issues we address in our update paper from interested parties. We would particularly like to hear views, supported wherever possible by evidence, on the following themes if not already addressed above:

- a) What DCTs do and the benefits they can offer.
- b) Consumers' views on and use of DCTs.
- c) Inputs to DCTs.
- d) Competition between DCTs and between DCTs and the suppliers whose services they compare.
- e) Regulation of DCTs.
- f) The future of DCTs.
- g) The focus of the second part of the market study.

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

Questions raised in Section 11.1 of Market Study Update Paper

11. What are the barriers, if any, for DCTs to enter or expand into sectors where they currently do not provide comparison services or where they are currently relatively small?

Mention is made in the Appendices to the relatively low number of consumers using DCTs for household insurance, with a conclusion drawn that this may be due to the length of the question set.

However, this is also likely to be influenced by the following

1. Many consumers buy their buildings cover through their mortgage provider, and choose to add contents to this and do not bother to shop around
2. Household insurance, unlike motor insurance, is not compulsory, and is therefore less likely to be a "grudge" purchase to be bought at the lowest possible price.

20. What needs to be in place to prevent or mitigate any harmful impact of product unbundling or hollowing out and what can DCTs do about it?

There is no easy answer to this issue.

The aim, to appear in the top 3-5 quotes on a DCT, has led to a significant increase in hollowing out of insurance policies, in some cases resulting in cover being removed that would typically have been provided as standard (e.g. windscreen cover for motor, frozen food cover for household).

More importantly, the FCA guidance to price comparison websites that quotes should be displayed based on additional covers that have been requested has had the impact of misleading results, an example of which was given in our answer to Q6. Whilst allowing customers to pick and choose

“extra” covers appears to increase choice, there are difficulties in actually implementing this. When quote data is run to produce results it typically takes several seconds for results to appear, and needing to rerun this where covers are added or removed would make for an unacceptable consumer experience.

Therefore, DCTs have asked suppliers to provide the component cost of additional covers to allow them to requote without needing to rerun the quotation. However, some suppliers vary their prices according to the “package” of additional covers requested, and would also need to disclose their charging for instalments, so consider this to be confidential information that they do not wish to share. In some cases, the DCTs have entered into a commercial arrangement with a provider to supply an additional cover (such as vehicle breakdown) to be offered alongside the quotes being supplied, and this makes the situation more confusing for consumers and also makes suppliers reluctant to provide component prices (as this may influence the price being charged by the DCT).

The only answer would appear to be for

1. all quotes to be offered unbundled (from any cover that might be provided optionally by any supplier)
2. for the consumer to choose the package of covers they require and
3. for the DCT to only display quotes that match the covers requested.

However, this would increase the data consumers must provide, and it is likely that consumers would be rerunning quotes to obtain comparisons based on different packages of cover, which would have infrastructure implications and slow down the customer journey.

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

Yes /-No
(please delete as appropriate)

Thank you for taking the time to complete this form.

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

Or post it to:

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