

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)

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| Title* | Mr |
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|-----------------|--------|
| Forename | Darren |
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| Surname* | Boland |
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| Email* | |
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| What is your role / profession* | Chief Risk Officer |
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| Are you representing yourself or an organisation?* | An organisation <i>(please delete as appropriate)</i> |
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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 <i>(please delete as appropriate)</i> |
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If you are representing an organisation:

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| (a) What is the organisation's name?* | esure Insurance |
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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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esure Group plc is a UK-based General Insurance company focused on the UK Personal Lines Market, specifically Motor and Home Insurance. Beyond these two products the business underwrites additional coverage options for Motor. The company also offers related products such as Pet, Travel and Breakdown Insurance, underwritten by other providers.

esure Group plc completed the demerger of Gocompare.com Group plc ("Gocompare.com") from the esure Group on 3rd November 2016.

The shares in Gocompare.com were admitted on the same day to the premium segment of the Official List and to trading on the main market of the London Stock Exchange.

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?

esure is supportive of the CMA focusing their attention on the four groups referenced, namely; non-internet users, internet users who do not shop around, trusted users (those who don't cross-check results) and users with concerns about using DCTs. esure note the CMA recognise consumers do not fall neatly into these group but an additional area maybe those who use DCTs irregularly, i.e. for Motor Insurance but not for Home Insurance, Credit Cards or Energy. This is an interesting subgroup of consumers who are comfortable with the process but for some reason don't use them in other aspects of their lives.

It is important to remember consumers do not need to change supplier at every possible opportunity, as they may already be getting the best deal. Switching supplier every year, sometimes for the sake of pennies, would result in increased acquisition costs for suppliers, in turn increasing the overall cost to all consumers.

An unintended consequence of increased churn may be that suppliers remove themselves from DCTs to drive cheaper acquisition costs on a direct to consumer basis. This would fragment the market, make it harder for consumers to compare and find the most appropriate product, and reduce competition and the benefits of DCTs.

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?

In the Insurance sector DCTs could play a greater role in Home and offer more consumers the substantial benefits already enjoyed in Motor. DCTs have not become as established in Home vs. Motor most likely due to insurance being linked in with Mortgages. It is likely that this causes many consumers to think that it is more difficult to switch Home insurance provider, which it shouldn't be.

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?

Before DCTs became mainstream, much of Insurance distribution used to be based upon speculative marketing activity which could cost tens of million per annum. Now much of our business (irrespective of channel) is sourced on a Cost Per Acquisition (CPA) basis. This is a more efficient method of acquiring customers and that efficiency is passed on to customers in the form of lower premiums.

Inactive customers are few and far between in Motor Insurance with the vast majority of the market shopping around each year. In Home Insurance consumer perception is different, especially when their insurance is linked to their Mortgage, as referenced above. Consumer such as these could be considered vulnerable customers.

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| 4. What factors, if any, have we missed that may be holding back consumers from using DCTs? |
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| No further comment. |
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| 5. What, if anything, should be done about consumers' concerns about data sharing and the extent to which they feel in control? |
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| There are significant regulatory changes occurring within the GDPR regime; with a focus to ensure customers are clear in terms of how their data is used and who it is shared with, they have actively and clearly consented for it to be used and that they are marketed to, only when clear consent is given. Above this, it is our view that no further action should be taken. |
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| 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? |
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| Insurance DCT's rank based on the premium returned by suppliers, both monthly and annually, with the insurer selecting to quote or not. Customers are then able to filter quote results to include add-ons such as, Home Emergency and Legal Assistance, and in some cases displaying certain features such as, new for old with tick and crosses. Additional filtering based on product features and benefits may allow consumers to make more informed decisions. From an Insurance DCT perspective, esure do not believe any material changes are necessary to the way consumers use DCTs. Small tweaks such as, pop up boxes highlighting functionality and DCTs marketing best price offers are easy ways to improve understanding and use, however we would expect these to be part of DCTs day to day operations. |
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Inputs to DCTs

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

Insurance DCT's are relatively mature and as such operate effectively whilst also being regulated. An example of effective operation includes; deep-linking which means customers don't need to re-key information between DCT and supplier and prices match upon click-through.

With regards to consumer usage information and the specific assessment of home and motor insurance referenced in Box 6.2; it is worth mentioning all leading Insurance DCTs store consumer information to prevent them having to complete a new questionnaire each time they use the service. In addition, moving to providing like for-like comparisons will likely lead to more standardised products, in turn reducing consumer choice and innovation in the sector. This will only have a negative impact on the consumer.

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

No, not for Insurance DCTs; they have all the data they need, have easy to complete quote journeys and good integration with supplier's i.e. live pricing and high conversion rate.

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

No further comment.

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?

DCT's would be better placed to provide details.

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?

DCT's would be better placed to provide details.

Agreements between DCTs and suppliers

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

As referenced in our previous response, the removal of wide MFN's has allowed for greater level of competition between DCT's. A good example of this is the use of CPA discount arrangements, details of this can be found in our response to the CMA's follow-up questions to our response to request for information.

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)?

In Insurance specifically, as referenced above, the move from wide to narrow MFNs has encouraged competition between DCTs by allowing DCTs to compete for business between themselves via deals such as, CPA discount agreements.

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?

Reason is twofold; the consumer is searching for a DCTs or suppliers specific brand, product or website, and not wishing to view alternatives. Some consumers already find it hard to distinguish between DCT and supplier brands, bidding on each other's terms would only confuse some further.

The 2nd is that by allowing DCT's to bid on suppliers terms, or vice versa, this would increase the cost of clicks and therefore sales, in turn increasing costs to consumers. However, other suppliers and DCT's not in contract with each other are still able to bid on each other's terms.

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?

esure do not believe non-resolicitation agreements have a competitive impact. As referenced in our response to the CMA's Statement of Scope on DCTs, the CMA's findings with regards to Private Motor Insurance indicate consumers on average use 2.2 DCTs before purchasing a policy.

[REDACTED]

Other initiatives such as the recent introduction of the FCA's Renewal Transparency for personal lines general insurance give the customer an additional understanding and opportunity to compare cover and price.

The customer is free to return to the DCT they purchased from, even if there is a non-resolicitation clause in place.

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?

DCT's would be better placed to provide details.

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)?

No further comment.

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?

Pricing has become more central to consumer mind-set as DCTs have grown in popularity.

There is an increasing trend to offer tiered products within Home insurance. A number of suppliers now offer two to three levels of product that vary the cover limits within the policy. These include contents sum insured, buildings, personal possession and accidental damage. Evidence of these is clear to see by running a sample Home quote on an Insurance DCT.

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?

All DCTs now use product reviews and ratings as follows;

Confused – Offer Defaqto Star Rating for Home Insurance [REDACTED]. This is shown on the 'More Information' page once the customer has been shown all the prices.

CompareTheMarket – Offer Defaqto Star rating for Motor Insurance but not Home. CompareTheMarket also show a customer review Star Rating. These are both shown on the 'More Information' page once the customer has been shown all the prices.

Gocompare - Offer Defaqto Star Rating for Home Insurance and Motor Insurance. This is shown on the 'More Information' page once the customer has been shown all the prices

MoneySupermarket – [REDACTED] for home insurance a quality score is display to the customer. This quality score was developed by MSM and not an independent rating.

esure have had 5 star rated products for many years and we think they play an important part in consumers purchasing decisions. DCTs will be better placed than us to comment on the relative importance based on sales from their panel members with varying numbers of star ratings.

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?

Focus on the product features with independent product scoring, such as Defaqto or additional filtering based on product features and benefits may allow consumers to make more informed decisions.

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?

Much of the regulatory environment has been set up to protect customers and ensure they understand what they are purchasing as well as ensuring providers meets the expected standards.

To ensure that these standards are maintained any DCT operating in the sector should appropriately understand the potential risks and issues with the product sold – it is our view that this protects customers which is the key priority. These differences can drive the barriers to entry and inconsistencies in regulatory environments but help the consumer from a “confidence in the market” perspective.

Noting the issues, there is a view that an overarching cross sector approach could result in unintended consequences for example from a regulatory perspective this could result in potential conflicts with existing regulation or approach.

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?

There are significant risks regarding introducing a cross sector approach, whilst there are some common themes that you would expect across sectors – such as clear communication to customers regarding how their data is used (which is being addressed through the GDPR regime) – different markets have different product mechanics, different risks and different customer behaviours which has then resulted in there being different regulatory regimes to address these. For example Insurance and Credit Cards require risk based assessments and a greater need to understand if the product on offer is appropriate for the customer whilst in sectors such as flights, energy and broadband, this is less of a concern.

All of these mean that the regulators such as the FCA, Ofgem, Ofcom etc have different approaches. Even where the regulator is the same, for example the FCA working across different segments in the financial services space, they have different approaches to different products based on the risk and the customer requirements.

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

As noted within the previous questions, the concern regarding detailed cross segment approach will be to understand how this interacts with the various regulatory environments and customer needs. For example, the onus around ensuring that our products meet our customers’ needs and that terms and exclusions are transparent resides with us as an insurer, as such there needs to be a higher level of interaction with us than could be the case in other sectors, where this is less of a risk. With this in mind, care needs to be taken that an overarching cross sector approach does not result in unintended consequences and conflicts with existing regulation or approach.

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?

No further comment.

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

No further comment.

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.

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| Do you have any other comments you would like to add? |
| No further comment. |

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| Would you be willing for us to contact you to discuss your response?* | Yes <i>(please delete as appropriate)</i> |
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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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