

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*	[REDACTED]
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Forename	[REDACTED]
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Surname*	[REDACTED]
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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 <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?*	Yes / No <i>(please delete as appropriate)</i>
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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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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?

It appears reasonable to focus on these customer groups. We note the comments made in relation to non internet users.

In the financial services sector (specifically the general insurance market), the FCA's renewal transparency regulation may result in some movement to DCTs from customers which have traditionally been comfortable with using the same provider for a number of years. However, some consumers may not wish to utilise DCTs because they do not feel the need to look for other quotes e.g. consumers may value quality of service over price.

The report comments on a number of issues such as policy issues around access to the internet and consumer vulnerability. These are matters which are already be actively considered by the FCA with further policy work expected. We would suggest that the FCA is best placed to continue to work with firms in developing its approach.

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?

No comment.

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?

The existence of narrow MFN clauses where Insurers are contractually made to offer the same price on the DCT as in their direct journey may dis-benefit a consumer who has made a choice to purchase direct. The development of technology will transform insurance organisations, acquisition costs linked to expensive advertisement for direct providers may start to disappear in favour of cheaper was of generating business traffic (i.e. Social Media). It feels unsustainable that customers would be forced to pay inflated prices when purchasing direct driven by DCT contract clauses.

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

No comment

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

Firms could be more transparent and provide greater reassurance in both the DCT and the supplier's customer journeys around how customer data is managed and the controls and governance regarding data regulation. The General Data Protection Regulation is being introduced from May 2018 with enhanced protections for consumers including requirements on transparency.

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?

Changes linked to new add-ons regulation shift the focus from the main cover to the add-ons display and prices. As different suppliers offer different types of cover for the same DCT definition this can create too much complexity for customers in terms of how successful they can be at comparing offers from different suppliers. Simplifying and making it easy for customers to interpret and understand rankings is imperative.

Inputs to DCTs

7. Have we captured the range of issues that might prevent DCTs from operating effectively?
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Increased focus on add-ons prices tends to divert attention from choosing the right primary cover. Additionally, ranking propositions according to add-on ticks can be misleading and doesn't necessarily make it simple or transparent for customers to understand what they have purchased
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Not using a single, consistent rating measure that can show product and service quality makes comparison between different DCTs difficult for consumers. For example some will use Defaqto and other may use internal rating systems which provide different outcomes and cannot be readily compared against ratings measures used by other DCTs.

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

They can divert customer attention from cover to price which might impact the value a customer receives from the product.

9. Are current or planned initiatives sufficient to address the issues found?
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No 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?

Having a higher market share than the rest of competitors means more negotiation power in all areas: CPA agreements, ability to make special offers to customers. There seems to be also different customer behaviour between different DCTs with some customer segments shopping around in more than 2 DCTs and others having a preference for only one.

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 must have a large enough market to make entry valuable and suppliers of service must be able to adapt their models to support the additional costs associated with DCT distribution. Considerable investment has to be made to enter a new market sector in terms of opportunity cost for the DCTs. Resource is limited and so existing profitable lines have to be de-prioritised in order to enter the new market segment.

Agreements between DCTs and suppliers

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

The impact has been positive. The fact that commission agreements are different for each one of the DCTs may mean that these differences should be reflected on the price to provide customers with a clear view of premium structure and this has been the case for Aviva, where we have passed on savings made via commission charges to the customer. This would have not otherwise been possible if the wide MFN clauses had still been in place. The full potential impact has not been realised as the narrow MFN clauses remain and this has a very similar effect to the wide MFN clauses both on the DCTs and through other channels.

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)?

Consumers could be faced with premiums that are higher in order to cover acquisition costs that may not exist or be lower when shopping on supplier websites (i.e. in the case of some of the online companies).

Narrow MFN clauses have the effect of reducing competition in channels outside of DCTs which reinforce the DCTs market position.

It is possible that a situation can arise where narrow MFN clauses mean that the insurer has to cease activity in another channel to comply with them resulting in reduced competition between market channels.

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?

No comment.

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?

One may think that by eliminating re-solicitation clauses consumers will have more freedom to choose but creating a dynamic where consumers may change providers every year may go against their best interests as this could result in an increase in premiums. The commercial impact for DCTs will probably be an increase in new business and on the supplier side will be a reduction in retention rates that could increase new business premiums being paid by consumers.

One thing to consider is customer ownership and how changes in these agreements can change the mechanics of service to customers (who and how the service will be provided).

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?

No comment

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 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?

It has made suppliers think about how to adapt propositions to the specific needs of customers coming from the DCTs channel in terms of the customer journey. DCT propositions may differ from the ones offered directly to consumers because the DCT customer journey and page layout dictates what is more important for consumers on that channel.

Historically with DCTs the focus has been on 3 or 4 main product features or add-ons. The customer often makes a decision based on very low levels of information presented in a very visual and simple manner. Also, it is fairly common that the DCTs have no minimum levels of cover for these add-ons and so a customer is not making an informed decision at the time that they make their choice. Often receiving little or no cover but being under the impression that they are receiving a high level of cover because they saw a tick.

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?

Defaqto ratings are well known by consumers and provide a fair view on product quality. However Defaqto is very focused on cover so having some others that can provide a view on quality of service or claims could help build understanding around the quality of the proposition.

Using other ratings different to ones used by the majority of DCTs may create confusion for consumers. We would also refer to our response to question 7 in which we comment that a consistent approach to ratings tools that are readily understood and capable of comparison by consumers would be beneficial.

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?

Focusing the rankings on cover rather than price could benefit customers significantly.

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?
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We consider that it is entirely reasonable that different sectors have different regulatory requirements specific to products/services sold. For example, financial services is already highly regulated and we consider it is more appropriate that consumers within financial services afforded the same level of protection through whatever means they choose to purchase a product than ensuring consistency of approach to DCTs between financial services and other unrelated markets.

The FCA which regulates financial services is already taking steps to take into account new technologies (Project Innovate, Fintech events etc.)
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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?

We are not in principal opposed to a cross sector approach but this must necessarily be high level to take into account differing requirements of each sector and not conflict with them. This may not add much value to those already operating in a highly regulated environment but could serve to improve sectors with less specific regulation.
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23. How could a cross-sector approach interact with existing regulatory frameworks?
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Please note our comments in relation to questions 21 and 22 above.
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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?

Automated advice/decision making and increasing personalisation could open new ways for customers to engage with suppliers that will shorten current transaction times and could make switching processes significantly faster.
Cognitive underwriting that mix traditional and behavioural analysis in insurance can be one development that could help better assess risks so consumers can benefit from much more tailored propositions.

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

Moving to more Digitised propositions could provide benefits for vulnerable customers in terms of immediacy, convenience, ease of use and could also help to reduce some acquisition costs that will transpire in more competitive premiums.

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?

Would you be willing for us to contact you to discuss your response?*
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Yes / No <i>(please delete as appropriate)</i>

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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WC1B 4AD**