



The ABI's response to the FCA's review of Price Comparison Websites

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The ABI is the voice of insurance, representing the general insurance, protection, investment and long-term savings industry. It was formed in 1985 to represent the whole of the industry and today has almost 350 members, accounting for some 90% of premiums in the UK.

The ABI's role is to:

- Be the voice of the UK insurance industry, leading debate and speaking up for insurers.
- Represent the UK insurance industry to government, regulators and policy makers in the UK, EU and internationally, driving effective public policy and regulation.
- Advocate high standards of customer service within the industry and provide useful information to the public about insurance.
- Promote the benefits of insurance to the government, regulators, policy makers and the public.

The ABI welcomes the opportunity to respond to the FCA's review of Price Comparison Websites.

What is your overall view of Price Comparison Websites?

Price Comparison Websites (PCWs) provide easy access to a range of insurance quotes for customers in one place. They have delivered a positive change in the insurance market by increasing choice and transparency of products, and encouraged customers to shop around for their insurance policy. Furthermore, partly as a result of their significant marketing spend, PCWs are now the dominant distribution channel in some key insurance markets. They allow new insurers to enter the mass market very quickly and with a limited budget.

However, there are also some drawbacks following the emergence of PCWs. The 'big four' PCWs have a strong position within the market, and as such it is important for insurers to maintain a relationship with these PCWs. Nevertheless, PCWs who have a large number of insurers on their panel are not always as keen at maintaining their relations with insurers, as they are sometimes in a powerful negotiating position compared with insurers.

Insurers find PCWs challenging when change is required in the market that directly benefits customers but not PCWs. For example, we are currently in the process of implementing the 'MyLicence programme' – it is a programme that benefits customers, government, insurers, brokers and software houses. However, due to the costs to PCWs it is proving difficult to make the necessary changes and their market power limits the ability to implement the system elsewhere in the supply chain.

One of the consequences of PCWs in the market has been to refocus competition between insurance policies on price. While this can be helpful for consumers, it does limit the attention paid by consumers to the terms and conditions of the product, and carries the risk that it creates an incentive for some policies to be 'slimmed' down to ensure they appear in the top positions on the results page. The focus on price has resulted in the exclusion of product features and benefits that some customers value and need to be informed about before they make their choice. When customers purchase their policies through PCWs there

is no guarantee that the product is the best fit for the customer. Furthermore, there is a possibility that the price offered to the customer at point of sale on the PCW will increase when additional insurer questions are asked. This is not always clearly communicated to the customer by the PCW.

PCWs are not the right channel for customers who wish to buy complex products that require advice.

There could be some confusion of the regulated status of PCWs from the customer's perspective which needs to be addressed. Ideally, we would like PCWs to adhere to the following general principles:

- Information on PCWs should be accurate, comprehensive, up-to-date and not misleading.
- Customers should be able to make an informed choice from a range of products.
- Information provided by PCWs and insurers should be compatible.
- PCWs should be transparent about their coverage of the market.
- PCWs should make clear any major differences in product terms (e.g. large excesses) that may drive price differentials.

What are your views on disclosures of the main product features and exclusions?

We believe that the responsibility of ensuring the customer is well informed of the main product features and exclusions lies with both PCWs and the provider of the policy. The main responsibility of the PCW is to ensure that the customer is sufficiently informed about product options before they have requested a price comparison and before they are too far down the purchasing process.

However, as providers we are also limited by individual PCWs regarding the amount of information we are permitted to include by way of product description on their results page. We believe that PCWs should consider the inclusion of appropriate product descriptions that include key features and exclusions.

A key issue that PCWs still need to address are excess levels. The voluntary excess levels the customer has requested are not always returned to the customer. Furthermore, this is not always made clear to the customer and needs to be addressed.

Ultimately, PCWs should ensure that correct disclosures are made to customers so that the customer is clear about which party is responsible for their policy and who they should contact in the event of a complaint.

How do you think we can encourage customers to focus less on headline price and instead make balanced purchasing decisions i.e. based on quality of cover, service and price?

PCWs were first introduced to customers to help them save money and to help them compare prices; therefore it is not surprising that customers focus on price. Furthermore, the marketing techniques used by the big four PCWs solely focuses on helping consumers find cheaper quotes.

We believe that there is a need to educate customers about what they should expect from PCWs and how they should use them. This could be a potential joint initiative between providers, PCWs, the FCA and consumer groups.

It is important to note that insurers provide different levels of cover as 'standard'. Some insurers provide certain parts of cover as add-ons, whereas other insurers offer those parts as standard. This can result in the customer not always getting quotes that compare like for like products. Customers should be able to get quotes that compare equivalent features, which is something that PCWs currently fail to do.

As the ABI outlined in our recent response to the Competition Commission's investigation into the motor insurance market, customers should be asked by PCWs to choose the level of cover they want (including add-ons) during the initial question stage. They should then be given quotes comparing the total price of different products that include the features they requested. There may still be variations in the cover provided by one insurer over another (e.g. different limits), however, if the customer is given the opportunity to indicate the type of cover important to them, they will receive results that match their needs.

In the short term however, PCWs should warn customers that the cheapest quote does not necessarily mean that the product meets their requested criteria. To help customers focus on the level of cover each policy provides PCWs should help customers to understand the potential 'trade-off' between level of cover (or 'quality') and price, although they also need to make clear that they do not offer advice on which product best matches with the consumer's needs.

What are your views on question sets and mapping to providers' websites?

Mapping question sets are a key part of ensuring the customer is able to make an informed decision on which policy is best suited for their needs. Overall, there is a lack of standard process or service level agreements across different PCWs, which means that the mapping approach can vary significantly. Standardisation of processes would be beneficial for customers as it would help ensure customers are provided with the same level of information when shopping around on multiple PCWs, particularly if changes and updates took place simultaneously. Standardisation would also be beneficial as it may allow industry changes to flow through more quickly to the customer. Once more, the MyLicence programme is a good example to illustrate this. Insurers, brokers and software houses are struggling to get PCWs to change their question sets to allow for MyLicence (requires customers to provide their Driving Licence Number). Their main reason for pushing back on this is because they will only change their question set when the other sites change. So, in order to achieve any success in this area, we believe that PCWs need to prioritise customer benefit and we need to work more collaboratively with insurers and with each other.

The mapping of the question set is signed off by the insurer. However, some of our members have informed us that on a few occasions, the mapping has been changed by the PCW without the insurer's knowledge. This has led to a potential risk of inaccurate pricing and cover being provided for risks which the insurer would normally decline to cover if the mapping was correct.

Some insurers have also raised concerns that some PCWs are not adhering to the ABI Consumer Insurance Act recommendations around assumptions and defaulting. By not providing assumptions and defaulting answers, customers are able to answer questions more accurately, thereby ensuring their policy is suited to their needs. However, even if PCWs adhere to these recommendations, there is always going to be certain restriction issues. Mappings are often inflexible as there is a single question set data feed to all insurer houses. Any changes to question sets/mappings require all partners to sign them off, so a single partner (depending on the size/importance to the PCW) can veto them. This makes the process less efficient.

On question sets, we have found that some PCWs prefill questions with a default answer. This can cause a risk to the customer as they may not notice that part of the question, thereby potentially answering the question incorrectly.

Finally, PCWs currently face few penalties if they provide incorrect mappings as all the risk falls to the broker/insurer instead.

What are your views on the treatment of add-ons?

Add-on products provide customers with additional cover options that are not incorporated within the standard policy. We believe that PCWs have a responsibility to ensure that the customer is aware of all the main product options, including common add-ons so that they are fully informed when purchasing their policy. This is an area that PCWs still need to improve on.

Customers are usually provided with information on PCWs results pages regarding which of the main add-ons are available. However, we do not believe that this approach makes it sufficiently clear to customers that they may not be comparing like for like cover levels.

Instead PCWs should ask customers during the initial question stage to select which add-ons they would like included in their policy. Therefore, on the results page, the customer would be presented with the add-ons they would need/want and is able to compare the total cost of their chosen policies on a like-for-like basis.

Currently, PCWs rank their policies solely on price, with the cheapest policy on top. They then show other elements of the policy that may be included (i.e. add-on products). Due to the ranking by price, it can result in insurers being listed at the top of the table which may not provide the customer with their preferred add-on products. We believe that the ranking should be based on insurers who have the appropriate amount of cover requested by the customer and then ranked by price.

As mentioned above, the Competition Commission (CC) recently published its provisional findings and proposed remedies arising from its review of the private motor market. As part of its review, it has asked the industry to ensure customers have a good understanding of the price, benefits and limitations of the add-on products they may purchase alongside their PMI policies. It has also proposed that the description of add-ons should be clear and easy to understand and that customers should be able to easily compare selected add-ons alongside basic motor policies to help them make a more informed decision about the total cost of their preferred policy.

We agree with the CC's proposition. However, the significant practical and competitive challenges associated with agreeing consistent descriptions of add-ons should be taken into account. Given the differences in both 'basic' motor cover and the availability and shape of add-on products offered by insurers, it will take some time to develop summary descriptions of add-ons which can be displayed in a meaningful and clear manner on PCWs. Furthermore, we believe that the CC has underestimated the role and responsibilities of PCWs in delivering the proposed remedies. The proposed remedies currently place the onus on insurers to deliver the objectives of ensuring customers can meaningfully compare add-ons alongside their PMI policies. It is important to note, however, that around 60% of new motor insurance policies are sold via PCWs. Therefore, they have a vital role to play in implementing the proposed remedies, which is why we have urged the CC to revise their remedies to reflect the shared responsibility between insurers and PCWs.

In our response to the CC, we also suggested that delivery of these remedies should be led by the FCA. As the supervisor of insurers, PCWs and other distributors of PMI policies, it

already regulates many of the product information areas that the CC has raised concerns about. Furthermore, the proposed remedies need to be appropriately aligned with the FCA's current market study on general insurance add-ons and this review of comparison websites. We believe that the FCA and CC should work closely together in this area as there is significant cross-over in work being carried out by both bodies. The remedies proposed by the CC are only for motor policies; however, we believe they can be applied to property add-ons too where there is significant consumer usage of PCWs.

What are your views on the security of customers' data?

Data is crucial to the continued success of PCWs. We hope PCWs recognise the need to follow robust data security measures. These measures are usually heavily featured in contracts for insurers and PCWs to abide by.

What is your view of the customers' understanding of the respective roles and responsibilities of the PCWs and product providers (e.g. where to direct complaints, who pays redress, what happens if data is mapped incorrectly, etc.?).

The line separating PCWs, brokers and insurers may be unclear to some customers. Customers do not always know where to direct their complaints; however, in most cases PCWs are able to redirect the customer if necessary.

We believe that customers might be surprised by the level of fees charged by PCWs (which is ultimately paid for by customers) and so may have higher expectations of the level of support they could expect from PCWs if they had access to this information.

Views on any other issues relating to PCWs.

Overall, the PCW presence in the market is positive as it has given customers more choice and access to products and also acts as a key distribution chain for insurers to the market.

However, there are still some point of sale issues that we believe can have an impact on customer understanding of their policies including the following:

- Insurers can use different excess levels to help them move up the results panel, either through returning a higher excess than the customer requested or by not displaying high excesses on the PCW results page such as young driver excess. This could result in a customer purchasing a product with a much higher excess than they can afford. We believe that the excess levels should be displayed on the initial results page, so that the customer can make a more informed decision.

Furthermore, as mentioned earlier, the CC recently published its provisional findings and proposed remedies arising from its review of the private motor market. As part of its investigation, it has considered the role of PCWs and found concerns with the use of 'wide' Most Favoured Nation clauses (MFNs) believing them to have an adverse effect on competition. MFN clauses maintain price parity across all PCWs and therefore preventing insurers from offering a motor insurance policy more cheaply on other PCWs or through another channel.

To address this issue, the CC proposed prohibiting such clauses in agreements between PCWs and insurers. We broadly support this proposal, but do not believe this issue is limited to the private motor market as MFNs exist across most insurance product types (including property). We also believe that there is a strong case to ban all MFN clauses including 'narrow' MFN clauses, so any permitted MFNs should be tightly drawn. The pricing

restrictions used by incumbent PCWs with market power reduce competition in the PCW market, and in the insurance product market, to the detriment of consumers. The removal of these clauses will enable new entry/innovation in the PCW market, and will increase competition in the insurance product market.

Furthermore, we believe that the retention of narrow MFNs would limit the pricing flexibility of insurers and create a risk of circumvention. The removal of narrow MFNs could increase innovation in insurer non-PCW distribution models. We do not regard the removal of MFNs as a threat to the PCW business model, as the PCW model is well-established and valued by consumers.

In our response to the CC's provisional findings, we suggested that the FCA would be best-placed to take forward the remedies proposed in relation to prohibition of 'wide' MFNs and that the FCA should consider the impact of these clauses across all types of insurance sold via PCWs to determine what action is required. This should be taken into account as part of this review.

Finally, we believe that the FCA should also take into account the recommendations made by EIOPA from its recent report on 'Good Practices on Comparison Websites'.