

## Private motor insurance

A call for evidence on  
the private motor insurance market  
in Great Britain and Northern Ireland

September 2011

### Questions to credit hire providers

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#### Introduction

On 8 September 2011 the Office of Fair Trading (OFT) issued a call for evidence on the UK private motor insurance market. Background information about this work and the OFT's powers is provided in Part 1 of this document (below) for information.

We are very interested in credit hire organisations' and replacement vehicle providers' views and experiences of the private motor insurance market. We have prepared a list of questions (see Part 2 below) which we very much hope you will take the time to complete. The information that you provide will be of great assistance to us in understanding market practices in the UK.

Part 3 sets out how we may use information provided and how we deal with confidential information.

Please could you return your answers to us by **12 October 2011**. You can send your response by email to [motorinsurance@oft.gsi.gov.uk](mailto:motorinsurance@oft.gsi.gov.uk) or by post to:

Motor Insurance Call For Evidence  
Fourth Floor  
Office of Fair Trading  
Fleetbank House  
2-6 Salisbury Square

London EC4Y 8JX

If you choose to respond by post, please could you also include a CD-ROM (or similar) with any tables of data in a format compatible with Microsoft Word or Excel so that we can analyse the data provided.

If you wish to discuss how to answer the questions, require any clarification on them, or would like to discuss the call for evidence further please contact either Louise Bailey (020 7211 5819)/ [louise.bailey@oft.gsi.gov.uk](mailto:louise.bailey@oft.gsi.gov.uk)), Jon Riley, Team Leader of Motor Insurance Team (020 7211 8143) / [jon.riley@oft.gsi.gov.uk](mailto:jon.riley@oft.gsi.gov.uk)) or the Project Director, Claire Hart (020 7211 8782) / [claire.hart@oft.gsi.gov.uk](mailto:claire.hart@oft.gsi.gov.uk)).

## **Part 1: Background**

### **What is the purpose of this call for evidence?**

The OFT issued a call for evidence on the UK private motor insurance sector on 8 September 2011. UK comprehensive car insurance premiums are reported to have risen by 40 per cent in 2010-11 and the OFT is interested in gathering market participants' views on:

- whether the reported increase in motor insurance premiums is accurate
- the factors that are responsible for contributing to an increase in premiums, and
- whether there is work that the OFT or other parties could be doing to improve the way that the market is currently functioning.

We will also focus on why private motor insurance premiums are reportedly higher in Northern Ireland than they are in the rest of the UK.

### **What are the potential outcomes?**

If the call for evidence highlights any concerns, the OFT will work with the Government and the FSA to decide which organisation is best placed to address them.

Options open to the OFT could include launching a market study into specific aspects of the market, undertaking consumer or competition enforcement action, seeking voluntary action from the industry or undertaking further work to consider referring the market to the Competition Commission for in-depth analysis.

### **What is the timetable for the study?**

The next steps for the study involve gathering market participants' views on the private motor insurance market and considering the information provided. We will publish our findings in December 2011.

## **Part 2: Request for evidence**

Please provide the following information by 12 October 2011.

### **The credit hire market**

1. How well is the market for credit hire working? Is there any action that could be taken to improve the functioning of the market? If so, which organisation is best placed to act?
  
2. How has the credit hire market developed over the past five years? What has driven these developments and what impact have they had on your business? Please provide evidence in support of your answer. We are particularly interested in the following:
  - the level of demand for credit hire vehicles
  - the length of the average credit hire period
  - the rates you charge for credit hire vehicles
  - the legal, operating and other costs to your business
  - the number, size and type of organisations you are competing with in the credit hire market
  - whether you have changed how you sell credit hire services, for example do you sell them separately or alongside other services such as repairs?
  
3. Please explain what impact the Association of British Insurers' (ABI) General Terms of Agreement (GTA) has had on the credit hire market since its introduction. We are particularly interested in its impact on credit hire rates and the duration of credit hire agreements. Please provide evidence in support of your answer.

Do you provide replacement vehicle services to at-fault drivers as well as credit hire services to not-at-fault drivers? Please give reasons for your answer and explain how these services differ in terms of:

- who pays for the services
  - the level of demand for vehicles
  - the length of the average hire period
  - the rates you charge for hire vehicles
  - the legal, operating and other costs to your business
  - the number, size and type of organisations you are competing with
  - whether you have changed how you sell these services, for example do you sell them separately or alongside other services such as repairs?
4. Are you involved in any ownership relationships or contractual arrangements with motor insurance providers, vehicle repairers, recovery firms, accident management companies or claims management companies? If so, please provide details of these arrangements and explain the impact they have had or are expected to have on your business.

#### **Private motor insurance in the UK**

5. According to the AA's British Insurance Premium Index, average motor insurance premiums quoted have risen by over 40% in 2010-2011. Are you aware of any factors that might have contributed to this increase? Please provide evidence to support your answer.
6. Is there any action that could be taken to address the factors you have identified as contributing to higher private motor insurance premiums and/or to improve the way the private motor insurance market is currently functioning? Please identify what action is required and which organisation might be best placed to take this action.

### **Part 3: Use of information**

1. Please note that we may choose to refer to comments received in your submission in our published findings. In deciding whether to do so, we will (among other considerations) have regard to the need for excluding from publication, so far as that is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if published, 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').
2. If you consider that your submission contains such information, that information should be marked 'confidential information' and an explanation given as to why you consider it is confidential.
3. The OFT must reserve the right to disclose any information provided by you (including confidential information) for the purposes set out in sections 170 and 240 to 243 of the Enterprise Act 2002, where it considers such disclosure to be appropriate. In particular, the OFT may choose to put information provided by you to third parties, such as other government departments and other parties providing information to the OFT, for the purpose of facilitating this examination of the motor insurance market. Prior to any such disclosure, the OFT would have regard to (among other considerations) the need for excluding, so far as that is practicable, any confidential information.
4. The OFT is also bound by the Freedom of Information Act 2000 (the 'FoIA'). Where a person makes a request in accordance with the FoIA the OFT may have to disclose whether it holds the information sought and the information itself (including confidential information). The FoIA contains exemptions (including one which may exempt confidential information) and the OFT will not have to make those disclosures if an exemption applies. If you consider that any information you provide may be exempt from such disclosures you should say so and explain why. Similarly, to the extent that information you provide constitutes personal data under the Data Protection Act 1998, the OFT will process such data in accordance with that Act.