

Private motor insurance

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

September 2011

Questions to price comparison sites

Introduction

On 8 September 2011 the Office of Fair Trading (OFT) issued a call for evidence on the 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 your 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 return your answers to us by **12 October 2011**. You can send your response by email to 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 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 David Osmon (020 7211 8276 / david.osmon@oft.gsi.gov.uk), Jon Riley, Team Leader of Motor Insurance Team (020 7211 8143 / jon.riley@oft.gsi.gov.uk) or the Project Director, Claire Hart (020 7211 8782 / 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 private 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 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.

Section 1: Price comparison websites

1. How have price comparison websites affected the private motor insurance market? Please provide evidence to support your answer.

We are particularly interested in:

- The effect that price comparison websites have had on the level of private motor insurance premiums
- The effect that price comparison websites have had on the extent of the cover afforded by private motor insurance policies
- The effects that entry and exit of price comparison websites have had on the market
- Whether there are any barriers to the entry and expansion of price comparison websites
- The effect of price comparison websites on the likelihood that consumers will supply misleading information when requesting quotes

2. Is there a level playing field between the different private motor insurance companies that quote on price comparison websites? Please provide evidence to support your answer. We are particularly interested in:

- The effect of relationships between price comparison websites and particular insurance companies - please describe how these relationships originally developed and the advantages they may confer upon the parties involved. (By such 'relationships' we mean anything that extends beyond arrangements reached with all the other insurance companies quoting on those websites, for example ownership or loan arrangements.)
- Whether you have any such relationships with particular insurance companies
- Whether any such relationships that you have with particular insurance companies enable them to access data relating to competitors' historic or real-time quotes to customers. If yes, please describe who the relationship is with, what data is provided and, if known, how it is used

- Whether the way that price comparison websites charge insurance companies commission has any impact on competition between them? If so, please describe how.
3. Please tell us which insurance companies' private motor insurance products are quoted on your site and the names of the featured brands.
 4. What are the factors that determine whether insurance companies are listed on your site, including any reasons why you might not allow a company to quote?

Section 2: 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 private 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.