

Mrs Louise Ellman MP  
Chair  
Transport Select Committee  
7th Floor  
14 Tothill Street  
House of Commons  
London  
SW1H 9NB

28<sup>th</sup> October 2014

Dear Ms Ellman

I write to you in my capacity as CEO of Automotive and Insurance Solutions Group plc, and also as Chairman of The CHO, and refer to the letter to you dated 7 October 2014 from Otto Thorenson of the Association of British Insurers ('ABI') in connection with the Competition and Markets Authority ('CMA') final report on private motor insurance (the 'Report').

In that letter, the ABI (in its capacity as a trade body representing UK insurers) has voiced its dissatisfaction with the CMA's decision not to use its regulatory powers to impose any further restrictions beyond those already well established in law on the manner in which consumers are able to access the provision of a temporary replacement vehicle ('TRV') following a road traffic accident.

As you will be aware, the CMA's investigation was into private motor insurance generally and it reviewed a number of issues in order to establish whether any features of the market were not working well for consumers such that they necessitated regulatory intervention. The CMA ultimately concluded, following a detailed two-year investigation (which itself followed a one year inquiry by the OFT), that in relation to the provision of TRV's, such intervention was not justified.

Having previously championed the CMA's investigation, the ABI is apparently dissatisfied with the conclusions it has reached and now appears to be seeking to persuade you and your committee (and presumably others) that, despite having spent at least three years reviewing the matter, the combined conclusions of the OFT and the CMA necessitate further review.

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In that context, I would make the following high-level observations in the context of the Report:

- The CMA and the OFT before them have spent at least three years and millions of pounds public resources reviewing the issue of TRV provision and have **concluded that regulatory intervention is not warranted**;
- The CMA noted that its preferred method of intervention carried “**substantial risk**”<sup>1</sup> of market distortions to the extent that non-fault motorists might be denied their legal entitlements following an accident; and
- As the ABI have conceded in their letter to you, the scale of the issues are small in the context of the £12bn private motor insurance market as a whole. Indeed, the CMA estimated that the potential benefit of intervention was **only likely to save to consumers c£1.60 per year** in the form of lower insurance premiums<sup>2</sup>.

As you no doubt appreciate, the issues with which the CMA was concerned in the context of credit hire are highly complex and dynamic. I know that The CHO has always maintained that the existing voluntary protocol (the 'GTA') to which most insurers and car hire providers subscribe, is the best and most efficient way of ensuring that costs are controlled whilst ensuring that consumers' rights are protected.

We have repeated that message to the ABI following the CMA's final report. We have also encouraged the ABI to work with The CHO to adopt aspects of the CMA's recommendations, including the provision of clear information to consumers on their rights following an accident and the development of an electronic portal to improve the efficiency of claim settlement. It is therefore disappointing that the ABI continues with its demands for unnecessary intervention in this area, even in the face of the economic reality presented by the CMA.

Given that the CMA and the OFT have already spent significant time and public resources considering the issue of credit hire and ultimately concluding that intervention would deliver minimal consumer benefit with significant risk to consumer rights, The CHO believes that the TSC would be better placed to look at some of the following issues in the context of private motor insurance:

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<sup>1</sup> See para. 10.81 of the Final Report

<sup>2</sup> See para 10.78 *ibid*: £42 million divided by 26 million private motorists = £1.60 per year.

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- The various charges (or “sneaky fees”) made by insurers for cancelling or amending insurance policies as highlighted by *Which?* and reported by The Sunday Times on 19<sup>th</sup> October 2014;
- The impact that APR rates of nearly 30% charged by insurers can have on those who cannot afford to pay for their car insurance in advance;
- The inability of CHO members to report offences involving insurance fraud and vehicle related crime where IFED will only accept the reporting of such crimes from ABI members even if intelligence suggests that the offender may be operating as part of an organised crime ring.

We believe that the ABI should accept the conclusion reached by the CMA; that intervention in this market is not in the interests of consumers and that any potential savings are small.

We also believe that the TSC should similarly not seek to re-investigate this largely peripheral issue which has been studied at considerable public expense for a number of years and instead should focus its attention on more relevant and considerable issues which impact the costs consumers face in insuring their cars.

If I can assist in providing any further information on this issue, please do not hesitate to let me know.

Kind regards

Yours sincerely



Stephen Evans  
Chief Executive

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