

## Financial System Inquiry – Submission from Compare the Market

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Launched in 2006, Compare the Market is now one of the largest and arguably the most popular insurance comparison websites in the UK.

Comparison websites have increasingly become a key source of information to guide consumer's purchasing decisions. Australian consumers are already using them to research, compare and transact online across a wide range of Financial Service Products, however, a very high percentage of Australians will not shop around for their General Insurance needs. Even though more than 80%\* believe there is a better insurance deal available in the market, a high percentage will not shop around due to the time, effort and level of difficulty involved. (\*Source: McCrindle Research conducted on behalf of comparethemarket.com.au January 2013)

Following on from the company's international success, comparethemarket.com.au launched in Australia in January 2013. The website is a comparison service that allows Australian consumers to easily research and compare insurance and other household essentials online. Since opening its doors, comparethemarket.com.au has grown its services to include comparison in Health Insurance, Car Insurance, Life Insurance, Travel Insurance, Home & Contents Insurance, CTP Insurance as well as Fuel and Energy. The service empowers consumers to make informed decisions about the products that best suit their individual needs

The Big Guys in Life Insurance, Income Protection Insurance, Health Insurance and Travel Insurance already display a high level of confidence by openly comparing their products with those of competitors. This is evidenced by their participation, transparency and displayed trust in this distribution channel. The same can be said of the Big Guys in the Banking, Telephone/Internet, and Electricity sectors. Their open participation in comparison reflects their appreciation of the low cost of acquisition of this distribution channel. Unfortunately the same cannot be said for the Big Guys in the Car Insurance and Home and Contents Insurance industries.

General Insurance in Australia is dominated by an insurance duopoly that controls over 70% of the market. The duopoly (Suncorp and IAG) continue to resist invitations to allow consumers to use comparison services to compare their products with other products available in the market. This resistance contributes to a lack of transparency, reduced competition and difficulty of comparison for the Australian consumer.

Why would a General Insurer decline regular invitations to participate on a comparison website? The online customer journey and underwriting questions that they present on their own websites are not dissimilar to that of comparethemarket.com.au. It can't be that we don't offer a holistic comparison service, as in both car and home insurance we compare products by features and benefits as well as by price. The 'pay per sale' through a third party referral source is a well established practice with General Insurers, and the traditional broker channel is one that continues to be well supported by the Big Guys. We can see no good reason for their refusal to participate in a cost effective distribution channel, particularly one that offers extremely competitive commercial arrangements.

It is not uncommon for big insurance companies to offer special introductory discounts to attract new customers, but far too often their loyal existing customers are excluded from these special deals. Without the ability to quickly compare their existing policy to these special discounted policies or to other providers in the market, consumers are denied the right to easily access the competitive environment that ultimately exists for their benefit.

With a proliferation of deals on the market and the complexity of products and services, comparison websites have a wonderful opportunity to empower consumers by helping them compare a large number of offers quickly and easily. Going forward comparison website services will be able to effectively balance competition with efficiency, stability and consumer protection. Suppliers need to be transparent and must be open, making their products and services available for comparison. This will ensure that a competitive environment exists in which the best interests of the consumer are served.