



Compare the Market Pty Ltd  
PO Box 301  
Toowong  
4066

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Committee Secretary  
Senate Standing Committees on Economics  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

By electronic lodgement

**Submission on the inquiry into Australia's general insurance industry**

Compare the Market is pleased to provide a submission to the Senate Economics References Committee on the inquiry into Australia's general insurance industry.

Compare the Market launched in September 2012 and provides an online comparison service by which consumers can compare and purchase a range of general insurance, health insurance, life insurance, energy and personal finance products. We assist over 4 million visitors to our website every year.

Our submission is enclosed.

Yours faithfully,

**Trevor Jeffords**  
General Counsel

**Senate Economics References Committee**  
**Enquiry into Australia's general insurance industry**  
**Submission by Compare the Market Pty Ltd**

**1. Introduction**

- 1.1 Compare the Market operates a website ([www.comparethemarket.com.au](http://www.comparethemarket.com.au)) through which Australian consumers can compare and purchase a range of insurance, personal finance and energy products. Across our general insurance (car, home and contents and travel) categories we display products from a range of insurers side by side with a clear price and a simple description of what is and is not covered. By presenting complex information in one place and in a simple and accessible way, we allow consumers to achieve in a matter of minutes what would otherwise take hours, and we make an otherwise difficult and boring job for consumers relatively painless.
- 1.2 We are aware that one of the reasons for the Committee's inquiry is that the Federal Parliament is considering establishing a government-run general insurance comparison service. Notwithstanding that the existence of such a website would potentially detract from the number of visitors to Compare the Market's website, we would support that initiative. Our reasons are set out in this submission but can be simplified as follows: we are strong believers in the consumer and industry benefits that flow from consumers being able to easily compare the merits of competing products side by side. A government-run general insurance comparison service would:
- a) make it easier for consumers to compare the relative merits of competing insurers and insurance policies; and
  - b) intensify competition – both on features and price – between insurers, which ultimately benefits consumers.
- 1.3 In these submissions we will address the following matters from the Committee's terms of reference:
- a) competition and transparency in Australia's home, strata and car insurance industries; and
  - b) the costs and benefits associated with the establishment of an independent home, strata and car insurance comparison service in Australia.

## **2. Competition and transparency in Australia's home, strata and car insurance industries**

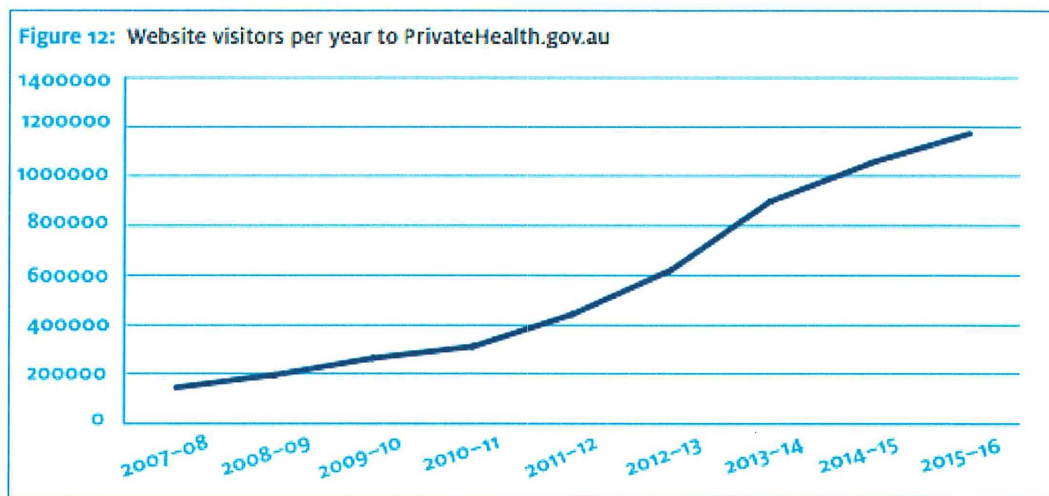
- 2.1 It is difficult for Australian consumers to easily compare insurers or products of general insurance through their own independent research direct with the insurers. There are three main reasons for that. The first is that prices are risk-based and bespoke to individual customers and there is no transparency about how insurers price different policies and risks. The second is that features and options vary significantly across insurers and policies. Finally, the process of obtaining even a single quote requires the consumer to spend a significant amount of time answering a number of personal and risk-based questions. Repeating the process for numerous products or insurers is tedious.
- 2.2 These difficulties are barriers to competition. Some customers may not have the time to determine which insurer provides the best value for the cover they seek. Others that do take the time to thoroughly review the options available to them may become overwhelmed. Others yet may have difficulty interpreting the various ways that different insurers present policy information to them. All scenarios result in competitive failure: the customer may fail to find the best product for them; they may be reluctant to switch from their existing provider even where a better product exists; or they may simply choose what they consider to be a well-known and therefore "safe" option. The complexity results in inertia and indecision that in our view is likely to only benefit large, well-known, incumbent insurers such as Australia's two largest insurance groups, Insurance Australia Group Limited and Suncorp Group Limited, at the expense of competition.

## **3. The costs and benefits associated with the establishment of an independent home, strata and car insurance comparison service in Australia**

- 3.1 In our view a government-run, independent general insurance comparison website could help address the difficulties described in paragraphs 2.1 and 2.2 above. In our view there would be two key aspects to such a service:
- a) participation by insurers must be mandatory. The full benefits of any comparison platform can only be unlocked if all insurers in a particular category participate on it; and
  - b) insurers must be required to document the coverage, features and options of each of their policies in a simple, uniform and publicly accessible way. This will reduce instances of mistaken under- or over-insurance.
- 3.2 In relation to the first of the above requirements, the government is well positioned to effect pro-competitive change beyond that which has been achieved by the commercial online comparators (including Compare the Market) to date. That is because, despite frequent request, several of the large insurers have declined to offer any brands or products for comparison or sale through any commercial comparison website. (An alternative to a

government run comparison website would be to require all general insurers to participate, to some degree, on existing price comparison websites.)

- 3.3 In our view the success of the Private Health Insurance Ombudsman's (**PHIO**) website [www.privatehealth.gov.au](http://www.privatehealth.gov.au) (PHIO Website) demonstrates that there is public demand for government run comparison services. That PHIO Website launched in April 2007 following significant reforms to private health insurance by the Federal Government in 2006 and has become one of Australia's leading sources of independent information about health insurance for consumers. Usage of the PHIO Website has grown annually since the website's launch in 2007, as demonstrated by the following chart extracted from the Commonwealth Ombudsman's 2016 Annual Report:



- 3.4 In our view, one of the important initiatives associated with the launch of the PHIO Website was the requirement for funds to produce "Standard Information Statements" to summarise the features and benefits of each of their health insurance policies. These are uploaded to the PHIO Website, are publicly available, and in our experience are considered by consumers to be helpful when comparing health insurance policies.