

# ANNEXURE 7

## INSURANCE COMPARISON SITES

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# [ 1. Introduction ]

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1. The Inquiry published its Provisional Report on Chapter 7 of the Online Intermediation Platforms Market Inquiry which assesses Short-term Insurance Comparison Sites in South Africa. The Inquiry requested stakeholders and the public to provide comments on whether they are in agreement with (1) the market characterisation, the competitive dynamics, market features and conduct characterisation

described; (2) the findings made; and (3) the Inquiry's recommendation not to take any remedial action at this stage given the low adoption of short-term insurance comparison sites to date and the lack of support from the largest insurers. This Annexure 7 of the Final Report takes into consideration these comments from stakeholders and provides the Inquiry's final findings in that regard.

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# [ 2. Market characterisation and competitive dynamics ]

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2. All the short-term insurance companies ("insurance companies") that provided comments to the Inquiry, consisting of both large and small, agreement with the Inquiry's market characterisation, competitive dynamics, market features and conduct characterisation.<sup>1</sup> Telesure Investment Holdings ("TIH") and Hippo.co.za ("Hippo") concede that Hippo is the leading insurance comparison platform, and that direct insurance sales channels and broker sales are competition to any comparison platform.<sup>2</sup>

3. It is worth noting that MiWay insurance was incorrectly listed among insurers operating on Hippo in the Provisional Report.<sup>3</sup> MiWay submits that while Hippo has on occasions approached by them to participate on the platform, MiWay has not acceded to the request.<sup>4</sup>

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1 OUSurance RPR1 page 1. Legal Wise RPR1 page 1. MiWay RPR1 page 1. [REDACTED]. Standard Insurance Limited RPR1 page 1 para 3.

2 TIH RPR1 page 1 para 1.4.

3 OIPMI Provisional Report page 7 para 15.

4 MiWay RPR1 page 1.

## [ 3. Platform competition and business user findings ]

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4. The Inquiry's findings on competition issues largely relate to TIH and Hippo's conduct and behaviour in the market. Most of the insurance companies agree with these findings.<sup>5</sup> Companies that did not agree or elected not to make a submission either do not utilise comparison sites to generate sales or submits that Hippo forms a very small part of their site's business and are therefore not concerned with the issues identified in the Provisional Report.<sup>6</sup>
  5. The Inquiry did not present any official findings against Hippo; however, four potential competition concerns likely to arise from TIH and Hippo's relationship were identified. The Inquiry's main concern is that the largest platform is owned by an insurer. However, much of these concerns depend on how the market develops in South Africa. If the adoption of comparison sites remains low and large insurance companies continue to not support sites like Hippo, then this may result in platforms remaining less important in the industry. Thus, the Inquiry recommended that no remedial action be taken at this stage but to continue to follow the market and if it develops in an adverse manner then the Competition Commission would need to act in order to address any conflict of interest. One insurer, however, submits that consideration should have been afforded to presenting a finding on Hippo regardless of the size of the insurers who are participating in the comparator sites.<sup>7</sup>
  6. While TIH agrees that remedial action is unwarranted at this stage, it submits that there is no likelihood that any intervention would be necessary in the foreseeable future.<sup>8</sup> TIH submitted comments to the Inquiry's potential competition concerns that informed the decision to consider future intervention where appropriate.<sup>9</sup> These were mainly due to the close relationship between Hippo and the Telesure Group of companies.
- ### 3.1. Exclusivity
7. The Inquiry expressed concern that TIH insurers are likely to list their products only on Hippo at the expense of other competing platforms.<sup>10</sup> The Inquiry is of the view that TIH has made several contradictory statements in its defence.
  8. TIH submits that Hippo supports the development of comparison platforms as a sales channel competing against direct insurance sales channels and broker sales.<sup>11</sup> The Inquiry notes that TIH's concern and motivation to develop comparison sites is the competition it receives from direct sales and broker sales. TIH expresses no concern with competition against insurance companies that do participate on comparison sites. While there may be several reasons for this, one can also assume that this is because it runs the most successful comparison site in South Africa and stands in a position to make use

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5 OUTsurance RPR1 page 1. King Price page 1. Legal Wise RPR1 page 1 para 2. MiWay RPR1 page 1. Standard Insurance Limited page 1 para 3.

6 [REDACTED]. Legal Wise RPR1 page 1 para 3.

7 [REDACTED].

8 TIH RPR1 page 1 para 1.4.

9 TIH RPR1 page 1 para 1.4.

10 OIPMI Provisional Report Chapter 7 page 16 para 42.1.

11 TIH RPR1 page 2 para 2 and page 3 para 2.5.

of this to its favour with very little concern for effective competition within platforms. TIH has stated, by its own admission that, *“it would only make sense for Telesure Insurers to list on only Hippo, to the extent that there is only real value for insurance companies in listing on Hippo.”*<sup>12</sup> TIH insurers would not lose anything by listing on other platforms as commissions are only charged when a sale is made.

9. Contrary to its previous statement, TIH submits that its insurance companies do in fact have presence on several third-party platforms such as Bring Me Biz, GetInsured.co.za, Better Compare.co.za, Car-Insurance-Quotes.co.za, YouInsure.co.za, Insuracar.co.za and InsurancHound.co.za.<sup>13</sup>
10. TIH submits, however, that *“it makes little sense to list on rival platforms to the extent that that would come at the expense of Hippo, an infrastructure pioneered and developed by the Telesure Group.”*<sup>14</sup> TIH has not provided the possible expense to Hippo. Given the business model of comparison sites, the Inquiry perceives no expense to either the TIH insurers or Hippo, except that Hippo may lose business from TIH insurers to other comparison sites. However, to the contrary, TIH then submits that TIH insurers would act in an economically rational way if it made commercial sense for them to advertise through other comparison platforms, irrespective of the fortunes at that time for Hippo.<sup>15</sup> It seems that TIH has an incentive to support Hippo if it assists it in securing a dominant position for Hippo.
11. TIH submits that it is not a dominant insurance group as its insurers collectively make up only a relatively small portion of the total personal

lines and other short-term insurance lines market in South Africa.<sup>16</sup> TIH submits that TIH Insurers may represent a prominent insurance group in South Africa, but by no means the leading one in terms of market share as it is significantly smaller than some of its rivals such as Santam, OUTsurance and Hollard.<sup>17</sup> The Inquiry has not recognised TIH insurance group as a leading player in short-term insurance, but Hippo as a leading comparison sites. The Inquiry’s concern is TIH’s conduct on Hippo given its ownership of Hippo while concurrently actively participating as a business user. The current size of the TIH insurance companies is not a concern for the Inquiry, but rather the possibility of TIH anti-competitively using its support of Hippo to ensure that its platform grows to be the leading platform if and when comparator sites are widely adopted. The response provides no comfort that it would not support its platform at the expense of others in future. However currently the resistance of larger insurers to the conflicts of interest within TIH and Hippo, inhibits Hippo’s growth and provides opportunities for its competitors to attract other insurers at its expense. This could balance the growth and that will depend on how the comparator site market develops.

### 3.2. Self-preferencing

12. The Inquiry is concerned about whether Hippo is likely to self-preference the TIH insurance products at the expense of third-party insurers listed on the Hippo platform.<sup>18</sup>
13. TIH submits that it has strived from day-one to attract the custom of other insurance companies outside of the TIH Group and continues to do so.<sup>19</sup> This is confirmed by

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12 TIH RPR1 page 2 para 2.1.

13 TIH RPR1 page 3 para 2.4.

14 TIH RPR1 page 2 para 2.3.

15 TIH RPR1 page 2 para 2.3.

16 TIH RPR1 page 2 para 2.2.

17 TIH RPR1 page 2 para 2.2. and 2.3.

18 OIPMI Provisional Report Chapter 7 page 16 para 42.2.

19 TIH RPR1 page 3 para 3.2.

MiWay which submits that Hippo has on occasions approached MiWay to solicit their participation on its platform.<sup>20</sup> TIH submits that without third-party insurers, the four TIH insurance companies that offer personal lines insurance in motor and home would not benefit from being on the platform at all because there would be insufficient offerings on that platform to attract sufficient consumers to the platforms.<sup>21</sup> TIH submits that obvious self-preferencing would only serve to alienate third party users.<sup>22</sup>

14. The Inquiry notes TIH's attempt to attract companies to its platform but this does, in no way, show the absence of self-preferencing. It is normal business strategy for any platform to strive to obtain as many business users onto their platform because that is what ultimately attract many users, which could make self-preferencing more beneficial to the platform owner. One could even question whether this is one of the reasons for MiWay, as well as other large insurance companies', reluctance to list on Hippo. TIH speaks of "obvious self-preferencing," which might imply the possibility of less obvious self-preferencing. Moreover, what has been seen in other intermediation platform categories is that once there is high levels of adoption and dependency then there is more scope for self-preferencing. This is likely to be a future concern only if adoption levels are high.

### 3.3. Access to competitively sensitive information

15. The Inquiry highlighted the concern that comes with the presence of common directors across Hippo and the Telesure insurers, that Telesure insurers are likely to get access to

competitively sensitive information of third-party insurers.<sup>23</sup>

16. TIH submits that as far back as 2018, Hippo has taken steps to guard against inadvertent information sharing that could be harmful to competing insurers who are customers of Hippo.<sup>24</sup> These steps include (1) Hippo being housed in a building separate from the one that Telesure insurers operate from, (2) ensuring that Hippo officers and employees are aware that they may not share any commercial information of third-party customers with Telesure insurers and, (3) Hippo has its own board of directors which functions independently of the boards of directors of the Telesure Insurers.<sup>25</sup>
17. TIH further submits that insurance premiums are determined, not based on a standard price list, but by complex pricing formulae and algorithms, each of which is proprietary to the insurer that operates the insurance company.<sup>26</sup> TIH submits that these are closely guarded business tools and secrets, and neither Hippo or any Telesure Insurer has access to the pricing methodology and algorithm used by another insurance company.<sup>27</sup>
18. While TIH and Hippo have measures in place to prevent information sharing, as the Provisional Report indicated, [REDACTED] [REDACTED] [REDACTED] will result in information being shared on the performance of the platform and the different insurer's contribution to that. Whilst there may not be information on the determination of premiums shared, performance on platforms can become commercially important were the levels of adoption to reach levels that this

20 MiWay RPR1 page 1.

21 TIH RPR1 page 3 para 3.2.

22 TIH RPR1 page 3 para 3.2.

23 OIPMI Provisional Report Chapter 7 page 16 para 42.3.

24 TIH RPR1 page 4 para 4.4.

25 TIH RPR1 page 4 para 4.4.

26 TIH RPR1 page 4 para 4.3.

27 TIH RPR1 page 4 para 4.3.

channel is indispensable. However, there are no insurers currently dependent on Hippo, or comparator sites in their entirety, and current users of Hippo can simply opt to not make use of the platform if dissatisfied.

### 3.4. Lack of transparency to customers

19. The Inquiry expressed concern with the lack of transparency with consumers due to the non-disclosure of the ownership structure of the TIH Insurers and Hippo, as this may influence consumer choice.<sup>28</sup>
20. TIH submits that the Inquiry is incorrect in stating that Hippo does not disclose to its customers that it forms part of the Telesure Group.<sup>29</sup> TIH submits that the “about” section of the Hippo website discloses that it is part of TIH and operates as a completely separate business.<sup>30</sup> The Inquiry’s concern is mainly the disclosure of the relationship between TIH insurers and Hippo, and not particularly the disclosure of which insurers TIH represents and hence empowering consumers to determine if there are conflicts for themselves. In addition, few if any consumers are likely to go read the ‘About’ page and hence be informed.
21. TIH submits that Hippo call centre agents who engage with customers in relation to insurance service are required to make the same disclosure of the Hippo and TIH relationship and that when customers are emailed an insurance quote, the document states, “*Hippo is wholly owned by Telesure Investment*

*Holdings (Pty) Ltd.*”<sup>31</sup> The statement declared telephonically and on insurance quotes does not disclose the relationship between the actual insurance companies and Hippo, and consumers must research what insurers are owned by the Telesure group.

22. TIH submits that the various TIH insurers operate under different brands and names because they each have different value propositions for different consumers.<sup>32</sup> TIH submits that consumers receive different offers from different insurers, even if they happen to be under common ownership and is of the view that it is irrelevant to consumers that some of the insurers who appear on Hippo are owned by TIH.<sup>33</sup> The Inquiry is of the view that it is only fair and good business practice for consumers to be provided with a complete background of insurance companies when shopping for insurance, whether TIH assumes it relevant or not. Such information can influence a consumer’s decision when choosing an insurance company amongst quotes.
23. The Inquiry does not consider the TIH and Hippo’s disclosure adequate if the levels of consumer adoption were high and comparator platforms influenced a substantial number of leads and transactions in short-term insurance. Also, the Inquiry understands that the FSCA had previously required disclosure by TIH on Hippo and is in a position to regulate these aspects.

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28 OIPMI Provisional Report Chapter 7 page 16 para 42.4.  
29 TIH RPR1 page 4 para 5.1.  
30 TIH RPR1 page 5 para 5.7.  
31 TIH RPR1 page 6 paras 5.8. and 5.9.  
32 TIH RPR1 page 5 para 5.2.  
33 TIH RPR1 page 5 para 5.2 and 5.3.

## [ 4. No remedial action ]

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24. While the issues identified remain legitimate concerns for the Inquiry were this to be a widely adopted channel, the low level of adoption of insurance comparator sites means that the impact on consumers and competition is currently not material. In addition, the issues identified serve to reduce the incentives of competing insurance companies to list on the Hippo comparator site and counteract those incentives for now. Thus, the Inquiry has made no recommendation in that regard but has signalled that it may act were this to change in future.
25. TIH agrees with the Inquiry that there is no need for any form of intervention into insurance comparison platforms at this stage.<sup>34</sup> This is a view shared by several insurance companies that submit that they are in agreement with the Inquiry not to take any formal action at this point in time taking into account the low adoption of comparison sites and the lack of support to Hippo from the largest insurers in South Africa.<sup>35</sup> However, one insurance company submits that a bolder and more robust approach would have been welcomed from an end consumer point of view.<sup>36</sup> One large insurance company does not agree with the Inquiry's recommendation and submits that this perpetuates the concerning practices of the Hippo where it does not disclose that it forms part of TIH presenting a lack of transparency and limiting consumer choice.<sup>37</sup> The Inquiry shares the same concern with this insurer as the transparency is inadequate. The effects of this conduct are yet to be determined. However, given the measures that TIH and Hippo have already implemented to ensure transparency, showing willingness to be transparent, the Inquiry encourages TIH and Hippo to put additional measures in place as the current measures are proving to be inadequate.
26. The Inquiry thus maintains its stance not to take any remedial action at this stage but will continue to monitor the market. If comparator sites do grow in importance, then there is likely to be the basis for action. In this respect the Inquiry has also considered section 78 regulations and guidelines to proactively ensure that enforcement tools are in place, and to ensure TIH and Hippo comply were these platforms to grow in importance.

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34 TIH RPR1 page 1 para 1.4.

35 OUTsurance RPR1 page 1. Legal Wise RPR1 page 1 para 3. MiWay RPR1 page 1. Standard Insurance Limited page 1 para 3.

36 Legal Wise RPR1 page 1 para 3.

37 [REDACTED]

## APPENDIX

Submission made by	Stakeholder type	Submission full name	Date	Shorthand reference
King Price	Insurance company	Response to Provisional Report	22 Aug2022	King Price RPR1
Legal wise	Insurance company	Response to Provisional Report	17 Aug 2022	Legal wise RPR1
MiWay	Insurance company	Response to Provisional Report	23 Aug 2022	MiWay RPR1
Old Mutual	Insurance company	Response to Provisional Report	22 Aug 2022	Old Mutual RPR1
OUTsurance	Insurance company	Response to Provisional Report	24 Aug 2022	OUTsurance RPR1
██████	Insurance company	Response to Provisional Report	05 Sep 2022	██████
Standard bank	Insurance company	Response to Provisional Report	24 Aug 2022	Standard bank RPR1
Telesure	Platform	Response to Provisional Report	24 Aug 2022	Telesure RPR1