



OIPMI PROVISIONAL REPORT
CHAPTER 7
SHORT-TERM INSURANCE COMPARISON
SITES

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1. Introduction

1. Price comparison sites are digital platforms that introduce consumers to business users and provide comparison services to consumers. They aggregate and display a range of quotes that are available to each consumer's search criteria. This section focuses on short-term insurance comparison platforms. These platforms do not sell or resell short-term insurance products and do not set the prices quoted on their platforms for such products. The products available and the prices quoted are set by the insurers and the contract for the products is made between the insurer and the consumers, after the consumer has accepted a final quote. Platforms generally obtain their revenues from lead generation fees they charge to insurers. The fee is usually paid on every consumer who clicks through the platform to the insurer's website and goes on to purchase short-term insurance from the insurer.
2. There are two types of platforms in South Africa, i.e. Price Comparison and Lead Generator. Price Comparison platforms are "pure" price comparison websites that enable users to compare quotes of multiple insurers online. Lead Generators do not provide quotes online. They allow for consumers to fill in details online and receive calls from an agent to provide quotes and complete the sale.¹ The focus of the Inquiry is on Price Comparison platforms and Lead Generators will not be considered any further. Comparison sites differ to independent brokers which may also source quotes from multiple insurers but offer advice and process claims for a regulated broker fee. As the focus is on platforms, brokers will also not be considered further.
3. Price Comparison platforms in South Africa include Hippo Comparative Services (Hippo), CG Trusted Partner (Compare Guru), Better Compare and Money Panda.² Although these platforms have a diversified range of insurance, short-term insurance (especially motor insurance) is the core product offered. Between [70%-90%] of Hippo's business is in motor

¹ Lead Generators in South Africa include Insurance.co.za, Compare Car Insurance, InsurAcar, YouInsure.co.za, Get-Insured, Like Money, QuoteCruncher, Compare 'n Review, FinCheck Business, iHound, IHS Independent Medical Aid Specialists and Super Compare.

² Hippo has mentioned Money Shop as an alternative platform. Money Shop does not appear to provide quotes but rather matches the consumer's profile with the best insurer and product and informs the consumer of the insurer who best meets their profile. Further, it appears Money Shop has a relationship with Hippo as profile match results on its website are powered by Hippo. None of the insurers contacted by the Inquiry have mentioned that they are aware of Money Shop as a platform. See https://www.moneyshop.co.za/insure/moneybot-insurance-quick-quotes/?intromessage=Let%20me%20find%20the%20best%20Car%20Insurance%20quotes%20for%20you!&insurance_category=Car%20And%20Home%20Insurance [Access date: 20 May 2022]

insurance.³ Similarly, for Compare Guru, between [80%-100%]⁴ of its business is in the motor and household space. Better Compare's entire short term insurance business focuses on motor insurance.⁵

4. The platforms main product offering is insurance, but they typically start to broaden to other financial services. For instance, Compare Guru started off as a price comparison site and now, does not only generate and sell leads to insurance companies, it also fulfils the leads. [REDACTED]

[REDACTED] Telesure Investment Holdings (Telesure), the parent company of Hippo, also owns firms focusing on financial services.⁷ Hippo's product offering includes products in insurance, life, medical, money and car, amongst others.⁸ Money Panda offers credit cards, personal loans and mortgages, in addition to insurance.⁹

5. When seeking quotes for products, consumers select the product category relevant to their requirements and thereafter input certain information for the platform to return quotes relevant to the consumer's search parameters. That information (excluding the consumer's personal information) is shared with the relevant product providers operating on the platform (some of whom are themselves intermediaries or aggregators) and they return price offers for the consumer. The various quotes are collated and compared according to certain identified parameters. Users of the platform are then provided with the comparative quotes obtained. The comparative quotes obtained from each of the product providers are appropriately configured and displayed to the platform user. Having considered the comparative quotes, the consumer may then choose to indicate his or her interest in a particular product. Only after a consumer indicates an interest in a particular product is their information, including their contact details, shared with the preferred product provider. Generally, the product provider will contact the consumer directly via telephone to source additional information in order to refine the quote, provide further information on the quote, and the product, and to conclude an agreement with the consumer. Where a product provider does not have the necessary infrastructure to do so, the platform owner may perform this function on behalf of the product provider.

⁵ Available at <https://www.bettercompare.co.za/>

⁸ [Compare Insurance Quotes & Save On Your Insurance Premiums | Hippo](#) [Access date: 20 May 2022]

⁹ [Homepage - Money Pandas](#) [Access date: 20 May 2022]

2. Platform Market Delineation

2.1. Service and consumer need

6. The platforms provide benefits to both business users (insurers) and consumers. They provide a platform where insurers can access consumers who wish to shop around without having to incur the marketing expenditure. For consumers, platforms are beneficial as they can obtain various quotes on a single platform. They reduce consumers' search costs.

2.1.1. Service need

7. The use of platforms is attractive and beneficial to insurers, especially small insurers, as they provide lead generation through their marketing efforts, often at lower cost than other channels. Platforms enable insurers to reach customers that the insurers may not have otherwise reached through direct channels. Although sales from platforms are small compared to sales from their direct channel, platforms appeal to customers who want to compare quotes. Platforms are able to bring such customers to insurers at a lower cost.¹⁰ The type of consumers that make use of platforms may not be willing to go directly to individual insurers' websites for quotes.¹¹ However, these are sentiments shared by smaller insurers who are not as popular and rely on platforms to gain momentum and a larger cliental. Such insurers do not have the financial muscle to market their products through the conventional avenues of tele-marketing, brand marketing and search marketing relied on by large insurers and platforms for consumer traffic.

8. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Several large insurers in South Africa do not use any platforms at all.¹³

2.1.2. Consumer need

9. Platforms save time and effort for consumers by making it easier to search and compare prices. Realising the benefits for consumers depends on a number of things being in place:

[REDACTED]

¹³ These include OUTsurance, Santam, Hollard, and Discovery.

(1) consumers need sufficient trust and confidence to use the platforms in the first place, and enough understanding to choose and use them effectively; (2) platforms need to be able to offer a relevant and accurate service and a smooth consumer journey, including information both about consumers and their requirements, and about the products being compared; (3) competition between platforms needs to be effective so that people can benefit from the competitive pressure that platforms bring to bear on the insurers whose products they compare, and insurers pay competitive prices for the services platforms offer.¹⁴

2.2. Adoption and use

10. Increasing numbers of people are using these platforms, however, this growth has not been rapid in South Africa. The usage of these platforms constitutes a relatively small share of the insurance market. The existing platforms in South Africa are Hippo, Better Compare, Compare Guru and Money Panda. The Inquiry found that the main platforms used by insurers in South Africa are Hippo and Better Compare.¹⁵ [REDACTED]

11. The Inquiry found that Compare Guru operates a different business model compared to the other platforms. The insurers engaged by the Inquiry do not use Compare Guru.

[REDACTED]

[REDACTED] Money Panda appears to be limited with reference to its insurance quote services and the insurers contacted by the Inquiry have not heard of them. Therefore, the Inquiry will focus on Hippo and Better Compare.

¹⁴ Competition and Markets Authority, Digital Comparison Tools Market Study: Final Report, 26 September 2017, page 6.

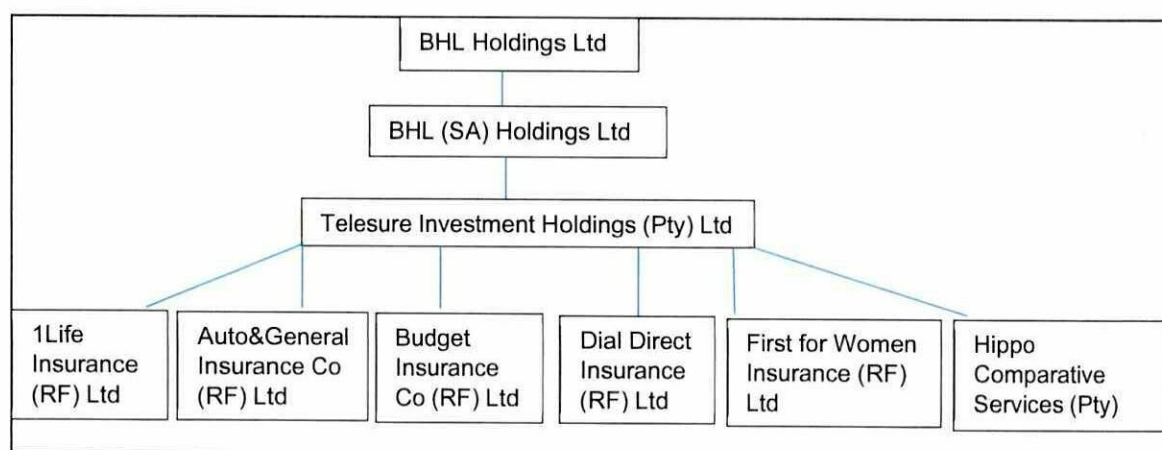
¹⁵ The Inquiry sent requests for information to Money Panda and Money Shop but received no response. Responses were received from Compare Guru, Hippo and Better Compare.

12. The adoption and use of platforms over the years can be viewed and ascertained through an analysis of the growth rate of the platforms in the market, particularly the large platforms. The Inquiry discusses these platforms below.

2.2.1. Hippo

13. Hippo is a wholly owned subsidiary of Telesure. Telesure holds interests in various other insurance firms in South Africa, in addition to Hippo. These include 1Life Insurance Limited, Auto & General Insurance Company Limited, Budget Insurance Company Limited, Dial Direct Insurance Limited and First for Women Insurance Company Limited (collectively "the Telesure Insurers"). 1Life Insurance Limited provides life insurance and funeral cover. The other Telesure Insurers provide non-life/short term insurance cover for personal lines, including motor vehicles, personal goods and property.¹⁸ This is illustrated in Telesure's corporate structure below:

Figure 1: Telesure Organogram South Africa - June 2021



Source: <https://tihsa.co.za/about-us/history-and-innovation/>

Note: Does not include all Telesure subsidiaries.

14. Short term insurance comparison was Hippo's initial product offering with a limited number of business users, however, the platform is now open to all insurers. Hippo now hosts a variety of product verticals such as Life, Health, Money, Travel, Cars, Fibre & Mobile and Business. The table below details product verticals on Hippo:

Table 1: Product Vertical on Hippo

¹⁸ Available at <https://tihsa.co.za/about-us/who-we-are/> [Access date: 13 June 2022].

Insurance	Life	Health	Money	Travel	Cars	Fibre&Mobile	Business
Motor - Car Insurance - Car, Home, Building Combo - Motorcycle Insurance Home - Home Insurance - Building Insurance - Car, Home, Building Combo - Cellphone Insurance Business - Business Insurance* - Car & Commercial* Property Insurance* - Business Legal Cover* - Professional Liability Insurance* Lifestyle - Cellphone Insurance - Travel Insurance - Legal Assist - Pet Medical Aid	Life Insurance Funeral	Medical Aid Medical Insurance Medical Gap Cover Pet Medical Aid	Loans - Personal loans - Home loans - Business loans Financial Assistance Debt Counselling - Credit Reports	Flights Car Rental Packages Accommodation Experiences Cruises Travel Insurance	Finance - Vehicle Finance - Vehicle Refinance Vehicle Care - Motor Warranty - Service Plans - Scratch and Dents - Tyre and Rim Guard Tracking - Vehicle Tracking Sell Your Car	Fibre - Home Fibre - Business Fibre - LTE Mobile Deals Compare Cellphone Deals	Business Insurance Car & Commercial Property Insurance* Business Legal Cover* Professional Liability Insurance*

Source: Commission's own based on <https://www.hippo.co.za>

15. The following insurers and service providers operate on Hippo:

Figure 2: Business Users on Hippo

Insurance	Health	Life	Money	Travel	Cars	Internet
Auto&General	Bestmed	1Life	Direct Axis	Travelstart	AA	Bitco
Budget	Bonitas	ABSA Instant Life	Sanlam	Bookings.com	Auto&General	Clear Access
Dial Direct	Discovery Health	Auto&General	Wesbank	Hepstar	Budget	Cool Ideas
First for Women	Fedhealth	Budget	FundingHub	Pentravel	Cartrack	GigaGo
Verseker	Health Squared	Dial Direct	Kudough		Dial Direct	Home Connect
Dotsure	Keyhealth	Different Life	MortgageMe		First for Women	Mweb
iWyze	Medihelp	First for Women	DebtBusters		Genric Insurance	Packet Sky

Law For All	Medshield	iWyze	FinCheck		iWyze	Real Broadband Sol
LegalWise	Momentum	Old Mutual Insure			Mix Telematics	RocketNet
MiWay	Oneplan	Simply Insurance			Netstar	RSAWEB
Old Mutual	Profmed	Stangen			Tracker	Supersonic
OnePet	TRA Gap	Momentum Shakelton Life			VaVroom	Telkom
Pineapple						Vodacom
						Vox Telecoms

Source: <https://www.hippo.co.za>

16. From the Figure above, 5 of the 13 short-term insurers on Hippo are underwritten by Telesure. Not only does Telesure offer this platform, but it also competes against the other insurers operating on its platform.

17. Hippo's growth has been slow but steady over the past years. Although Hippo's site traffic more than doubled over a period of five years (i.e. 2015 to 2020),¹⁹ the number of transactions on the site only grew by [0-5]% over the same period.²⁰ According to Hippo, motor insurance accounts for [60-80]% of its unique website visits and [70-90]% of revenue while life insurance is the next biggest product contributing to between [0-10]% of revenue.²¹ Since 2014, Hippo has lost a couple of businesses from its platform.²² [REDACTED]

[REDACTED].²³ As the lead fees are related to the premium of the sale, recouping the fee does depend on how long the customer continues to pay the premium and how profitable the premium is. [REDACTED]

[REDACTED].²⁴

2.2.2. Better Compare

18. Better Compare, on the other hand, does not operate multiple businesses and offers short term vehicle insurance price comparisons only.²⁵ [REDACTED]

²⁵ Available at <https://www.bettercompare.co.za/>. The following insurers make use of Better Compare's platform: King Price, Standard Bank Insurance, Iwyze and Dotsure.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].²⁶

19. Although Better Compare's growth has been substantial over the past few years, this is off a low base and its overall size still does not match to Hippo. Better Compare's site traffic has increased by [60-70]%²⁷ and number of transactions by over 400% between 2018 and 2020.²⁸ However, this still does not match up to Hippo that has over 10 times as much in site traffic and more than two times as much in number of transactions on its platform.

20. Better Compare's site traffic can be attributed to paid search, direct visits, organic search, referrals, social media or contact center tele-marketing. In 2020 alone, between [50%-70%] of Better Compare's site visits were accomplished through Google's paid search services.²⁹ This was followed by tele-marketing at approximately [30%-50%].³⁰ Tele-marketing was introduced in 2020 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].³²

2.2.3. Resistance by Large Insurers

21. Platforms experience resistance from the largest direct insurers who do not place their product offerings for price comparison on their platforms. Some of the largest insurers do not support insurance comparison sites and the lack of these brands on these platforms is likely to reduce their traction in the market.

Table 2: Short-Term Insurers on Platforms

	STI insurers	Hippo	Compare Guru	Money Panda	Better Compare
	Santam				

[REDACTED]

[REDACTED]

[REDACTED]

Top 5 players	Hollard				
	Telesure	X	X		
	Old Mutual	X		X	
	OUTsurance				
Rest of the market	Discovery				
	King price	X			x
	iWyze	X			x
	Pineapple				
	DotSure	X			x
	Unity		X	X	
	SAU		X	X	
	Absa			X	
	Standard Bank				x
	MiWay				x

Source: Desktop research and submissions from the relevant insurers³³

22. Three of the largest short-term insurers in South Africa namely, Santam, OUTsurance and Hollard are not on any comparison platform. These insurers all have well developed direct channels with strong brand advertising. [REDACTED]

[REDACTED] Santam does not provide insurance products through online channels but rather through a network of intermediaries and direct channels.³⁵ OUTsurance is not involved in any online intermediation platforms in South Africa. It allows prospective customers to start a quote process online or through its app and completes the process through its call centre.³⁶ OUTsurance generally offers its products through direct channels via call centre operations and submitted that it is not on comparison platforms, as these platforms place an undue emphasis on price which may result in unintended negative consequences.³⁷ [REDACTED].³⁸

23. Other large insurers such as Discovery also do not make use of these platforms. [REDACTED]

[REDACTED].³⁹

[REDACTED] [Homepage - Money Pandas](#) [Accessed 20 May 2022], [CompareGuru | Compare Insurance Quotes Online](#) [Accessed 20 May 2022]. https://www.hippo.co.za/car-insurance-quote/?&vdn=16814&qclid=CjwKCAjw46CVBhB1EiwAgy6M4nvNQ7-7j1GVGv5dSI6ri1_E-o4yX9SFMpsNiiBSk3x164LihKrGnRoCVB8QAvD_BwE&qclsrc=aw.ds [Access date: 14 June 2022]. <https://www.bettercompare.co.za> [Access date: 14 June 2022].

³⁶ OUTsurance, WS1, page 3.

³⁷ OUTsurance, WS1, page 3.

2.3. Interaction with other sales channels

24. There are different structures in the South African short-term insurance industry. There is (1) the short-term insurance company, (2) an intermediary/broker; (3) a leads generator; and (4) price comparison sites, which are the platforms in subject.

25. As explained above, some large short-term insurance companies prefer direct sales channels. [REDACTED]

26. Some insurance companies employ the services of brokers, both independent and tied. A broker earns a commission from the insurance company for placing the business with them while a fee is paid by the client directly to the broker for providing a service. The broker model operates on the legislated commission fee only. Furthermore, there are a lot of regulations that one needs to comply with and the penalties for non-compliance are quite high. Market participants submit that insurance companies are now removing control from brokers and taking it back to the insurance company, thus removing the need for intermediary agreements. The concern is particularly around the move from independent to tied brokers which would favour the larger insurers that have the business and funding to support a large tied distribution network. Direct-to-consumer insurers, on the other hand, do not allow brokers to sell products for them entirely.

27. As explained above, insurance companies choose to make use of multiple different channels to reach their customers. The absence of bigger insurance companies on platforms and the strength of direct marketing channels may be holding back consumer adoption of the short-term insurance price comparison platforms market.

3. Structure and competitive dynamics

3.1. Market structure

[REDACTED]

28. As already established, the market currently constitutes of four pure price comparison websites. Hippo and Better Compare seem to be the most popular amongst the large short-term insurers while Money Panda appears to be the least popular. Hippo appears to be the largest by some distance while Better Compare is growing rapidly but off a low base. This can be seen primarily in Better Compare's revenue and number of active consumers compared to Hippo. Hippo's revenue was 25 times more than Better Compare's revenue in 2021.⁴² Furthermore, in 2020 Hippo was more than 20 times larger than Better Compare when measured by active consumers on its platform.⁴³

29. A look at site traffic on these platforms shows that in 2020 Hippo had four times the amount of organic traffic compared to its closest competitors.⁴⁴ [REDACTED]

[REDACTED].⁴⁵ See table below:

Table 3: Market Share (Organic Traffic) (FY2020)

Platform	Market Share ⁴⁶
Hippo	70%-80%
Compare Guru	15%-20%
Better Compare	0%-5%
Money Panda	0%-5%

Source: [REDACTED]

3.2. Basis for competing

30. Price comparison platforms for short-term insurance compete in order to attract both consumers and insurers to their platform.

31. For consumers, these platforms compete by marketing heavily to raise brand awareness through the media which includes a broad range of advertising through TV, radio, social network and billboards amongst others. In addition, they also advertise through Google Search, promotional campaigns and loyalty programmes. The more consumers are aware of the brand, the more likely they are to use the platform. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED] This includes data for desktop website visits only.

⁴⁵ This includes desktop and mobile website.
[REDACTED]

[REDACTED]

[REDACTED] The platforms spend heavily on google search which is considered intent-based advertising as consumers searching for insurance show intent to purchase insurance. This is what makes it such an important marketing channel.

32. After attracting consumers to a platform through marketing, consumers tend to use platforms based on their reputation and range of products offered. In this regard, it is important for platforms to offer consumers quotes from a wide range of insurers such that consumers can compare widely before selecting a particular insurer. If a platform offers quotes from very few insurers, consumers are less likely to use the platform. [REDACTED]

[REDACTED]^{.50} Platforms compete by offering consumers a simple user interface such that consumers can easily navigate the platform and obtain quotes from multiple insurers quickly. If a platform is too complicated to use or requires too much information from consumers, then consumers would rather leave the platform and use the direct or broker channel.

33. For business users, platforms compete on lead generation. The more leads a platform is able to generate, the more likely it is to attract business users. [REDACTED]

[REDACTED]^{.53} As such, they use comparison sites that would enable them to tap into consumers who use that channel to purchase short-term insurance products and which they have difficulty targeting through other marketing channels.

34. Platforms are also able to attract business users as they offer a lower cost of acquisition for new consumers. Platforms generally engage in extensive marketing strategies as discussed above. Price comparison sites allow insurance companies to generate more

sales at a lower cost.⁵⁴ As such, insurance companies select platforms that have a significant brand awareness as this increases their chances of generating sales from the platform.

3.3. Business model

35. There are mainly two types of business models offered by price comparison platforms in this market. One is a lead generation model and the other is a sales fulfilment model. The sales fulfilment model is offered by Hippo and Compare Guru. However, Hippo only fulfils sales for car and home insurance. Sales fulfilment is where the leads generated are converted to sales by the platform. Better Compare only offers lead generation.
36. Platforms engage in marketing efforts to draw consumers to the platform and generate leads for insurers. They invest in raising brand awareness as discussed earlier. Consumers access platforms at no cost. The platforms generate revenue by charging insurers for the leads generated or sales made. The fee is usually a once off fee of a multiple of the premium charged or a flat fee. If the platform fulfils the sale, the fee is generally higher (e.g. 3xPremium) compared to the lead generation fee (e.g. 1xPremium).
37. In order to ensure that consumers use the platform and successfully purchase insurance products, it is important that the process is easy such that consumers are not burdened with numerous questions and steps. For this, platforms identify a few key questions and provide quotes quickly. The goal is to ensure conversion of leads to actual policies and this is the value that platforms bring to insurers. On the technical side, for the platform and insurer to be able to access information and work seamlessly, the insurer needs to have some Application Programming Interface (API) capabilities. The quote is simply a quote as the insurer will need more information to finalise the premium for the consumer. The key questions chosen are important as they need to be the main parameters which are likely to get an initial quote close to the final quote.

3.4. Network effects

38. Price comparison platforms benefit from network effects as an increase in the number of insurers on the platform is likely to result in more consumers using the platform. The more consumers visit a platform, the more likely it is that insurers will have an interest in joining

the platform and tapping into that market segment. Currently, Hippo and Better Compare are the main platforms used by insurance companies in South Africa. Hippo is the largest price comparison platform for short-term insurance and it has the highest number of insurers on its platform as shown above. Hippo has a market share of [70-80]% based on unique customer visits in 2020. In comparison, Better Compare had only less than [0-5]% of the market share in 2020.⁵⁵ Better Compare and Compare Guru both have a lower number of insurers on their platform compared to Hippo.

3.5. Scope

39. As price comparison platforms for short term insurance grow, the brand becomes valuable and platforms tend to diversify to include other comparators on the platform. In this regard, Hippo started off with short-term insurance but has now partnered with comparators in the travel and accommodation markets.⁵⁶ Expansion into other product markets is used to spread the customer acquisition costs over more products, reducing the acquisition costs per transaction generated. However, they are primarily known for insurance and these other products are not well supported.

4. Platform competition and business user concerns

40. The price comparison platform market for short-term insurance in South Africa is still at an early stage of development. As discussed earlier, customers in South Africa generally tend to use the direct channel or broker channel when purchasing short-term insurance products. [REDACTED].⁵⁷ The Inquiry found that consumers in South Africa are not generally aware of short-term insurance comparison platforms. [REDACTED]
[REDACTED].⁵⁸ This is in contrast to the UK where over 50% of consumers purchase insurance products using price comparison platforms.⁵⁹
[REDACTED]
[REDACTED]
[REDACTED].⁶⁰ This is also observed in the revenue growth of the platforms

⁵⁹ The CMA in the *comparethemarket.com* case found that over 50% of new business for home insurance products in 2016 in the UK was from price comparison platforms (Case Number: 50505).

which has almost doubled between 2019 and 2020 for some platforms.⁶¹ As such, although in South Africa, there are likely to be fewer competition concerns at this early stage, the competition dynamics may likely change in future similar to other jurisdictions. Also the current dynamics may shape the future competitive landscape. It is therefore important to take a forward-looking view when considering this market.

41. Hippo is wholly owned by the Telesure Group which also owns a number of insurance companies as shown in Figure 1.⁶² The Inquiry has identified potential concerns relating to the ownership structure of Hippo. The Telesure insurance companies, particularly for short-term insurance list their products on Hippo in direct competition with third-party short-term insurance providers such as Old Mutual and Dotsure. As such, there are four potential competition concerns likely to arise as discussed below:

- 41.1. The Telesure insurers are likely to list their products only on Hippo at the expense of other competing platforms such as Better Compare. This potentially shapes the future competitive landscape;
- 41.2. Hippo is likely to self-preference the Telesure insurance products at the expense of third-party insurers listed on the Hippo platform. This distorts consumer choice but becomes more of a competition concern as the platforms grow in importance;
- 41.3. Telesure Insurers are likely to get access to competitively sensitive information of third-party insurers due to the presence of common directors across Hippo and the Telesure Insurers; and
- 41.4. Impact on consumer transparency of non-disclosure of the ownership structure of the Telesure insurers and Hippo which may influence consumer choice.

4.1. Exclusivity

42. The Telesure short-term insurers are all present on the Hippo platform. The Inquiry found that the Telesure insurers for short-term insurance are however, not on other platforms such as Better Compare⁶³ and Money Panda. The Telesure insurers are present on Compare Guru although as explained earlier, Compare Guru seems to follow a different model compared to Hippo and the other platforms.

⁶² See Figure 1.

⁶³ The only Telesure insurer on Better Compare is 1Life which offers life insurance.

43. As shown above, Hippo has a larger presence of insurers on its platform compared to the other platforms. However, there are a number of short-term insurance companies not listed on any of these platforms. These include several large players such as Santam, Hollard, Guardrisk, OUTsurance. [REDACTED]
[REDACTED].⁶⁴ Other large players such as Discovery are also not present on platforms.
44. The lack of support from the Telesure insurers to other platforms such as Better Compare may limit the growth and performance of these platforms. A limited number of insurers on a platform is likely to reduce the platform's attractiveness to consumers as the range of price comparison quotes available is lower. However, this may not be a significant concern for competition more broadly in short-term insurance at present as the direct channel remains the main option for the majority of consumers. In addition, the Inquiry has not received any concerns from platforms in this regard given they currently are growing.
45. Further, at this stage it appears unlikely to be a significant concern in the future as long as large independent insurers remain available for alternative platforms. If short-term insurance comparison platforms become a large channel for consumers, there are several large players independent of the Telesure Group who may be approached by alternative platforms. [REDACTED]
[REDACTED].⁶⁵ These insurers are not listed on any platform currently and remain potential business users for platforms. Furthermore, if these insurers have concerns about the conflicts of interest on the Hippo platform, which appears to be the case, then they may not support it in future if they do start using platforms. How these platforms develop requires monitoring.

4.2. Self-preferencing

46. There are two potential ways in which Hippo could self-preference Telesure products on the platform. One is in terms of the ranking and display of products on the platform. The other is through the terms and conditions including the fees charged to insurance companies listed on the platform. Each of these are discussed below.
47. Price comparison platforms for short-term insurance products display the results of consumers' requests for quotations for all relevant insurance providers based on price.

[REDACTED]

However, this may be a product of the few insurers on the platform and lack of traction by these sites. It is certainly evident from other intermediation platforms that sponsored ranking starts to develop once dominance is achieved and the number of listings increases such that the fight for visibility on the platform increases. As such, this issue could arise in future once the platform has more insurers to display results for.

68

[REDACTED]

50. It is also important to note that the ownership structure and cross-directorship within the Group does provide the Telesure Insurers with an advantage which may likely lead to self-preferencing on the platform. Some insurance companies indicated that they do not list their products on Hippo due to its ownership structure which may provide the Telesure Insurers with their business information.⁷¹ This will be discussed in detail below.

51. With regards to the terms and conditions of use of the Hippo platform, insurance companies indicated that there are no price parity clauses in their contracts with Hippo. Insurance companies are free to list their products on any channel (direct or other platforms) and there are no restrictions on the price quoted on Hippo compared to other channels.

52. The Inquiry also sought to determine if there may be differences in the fee charged to the Telesure Insurers compared to third-party insurers. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]⁷³ For motor and home short-term insurance products, the Inquiry found that the fee charged is either a percentage of a flat fee per sale or a multiple of the premium per sale. [REDACTED]

[REDACTED]

[REDACTED].⁷⁴ It is difficult to compare as a result, and to determine if this results in higher fees to third parties. However, it seems unlikely that Telesure will pay higher commission fees than third parties.

53. It does, however, appear that insurance companies have some bargaining power to negotiate fees given that they are not highly dependent on platforms at this stage, and they can, and do, leave the platform should the terms and conditions become unfeasible.

[REDACTED].⁷⁵ Currently, the direct channel remains the main channel for the insurance companies and therefore they are not highly dependent on platforms. However, in the future, should consumers' use of platforms

⁷¹ OUTsurance, WS1, page 7.

[REDACTED]

grow to an extent that insurance companies become highly dependent on platforms, the effect of self-preferencing Telesure products may significantly harm competition in this market and result in higher prices to consumers.

4.3. Access to competitively sensitive information

54. The Telesure Investment Holdings Board consists of Executive Directors and independent non-Executive Directors. [REDACTED]

[REDACTED].⁷⁶

55. As such, cross directors of Hippo are likely to have access to certain information regarding the businesses of independent third-party insurers on the Hippo platform, such as sales and performance. [REDACTED]

[REDACTED]. This seems plausible if the platform were to analyse the range of quotes requested and examine how differences in one factor may impact on the quote.

56. Telesure has sought to reassure insurers that there is no access to information and that the server is in a different location to its main business. However, this really misses the point as the cross directors acting in their capacities to operate the platform might provide the right to access certain data. [REDACTED]

[REDACTED].⁷⁷

4.4. Lack of transparency to customers

57. Hippo does not disclose to customers that it is part of the Telesure Group and that many of the insurers providing quotes on the platform are also part of the Telesure Group. When a customer views quotes on the platform, it appears as though the customer has a choice and is receiving quotes from numerous independent insurers. However, a number of insurers (such as Budget, Dial Direct, First for Women, Auto & General and Verseker) are all part of the same Group. Further, the platform itself is also part of the Group.

[REDACTED]

58. The Inquiry understands that previously it was a requirement of the Financial Sector Conduct Authority (FSCA) to disclose such information to customers when Hippo had no third party insurers on the platform. However, once third parties were present then this fell away as a requirement and therefore such disclosures are not made.

59. If customers are fully aware of this information, they may decide to view a broader range of quotes and may even seek other platforms that do not have interests in the insurers. Customers may feel they are comparing quotes from different players when in fact they are comparing multiple quotes from the same Group. A lack of full disclosure affects the decision-making process of customers. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]⁷⁸ The Inquiry is of the view that this non-disclosure is likely to undermine informed consumer choice.

5. Effect of competition concerns

60. The Inquiry notes that this market has potential concerns given the fact that the largest platform is owned by an insurer with some possible preferential treatment (on fees), access to commercial information of others (through board directorships) and the ability to stifle other platform growth by not supporting them. At this stage much depends on how this comparator service develops in South Africa given that Telesure is not the largest insurer and the largest insurers currently do not make use of platforms. The link with the group may also have assisted historically to get some support from insurers to get comparator platforms some initial traction in the market.

61. If the conflicts of interest prevent the largest insurers from supporting the Hippo platform then this may result in platforms overall remaining less important in the industry, or competing platforms to grow if supported by the larger insurers. This may also limit the impact of any self-preferencing, or prompt Telesure to reduce the conflicts of interest to gain the trust of the larger insurers such as removing their directors from the board.

62. The low level of adoption and uncertainty as to how this category may develop means that the Inquiry will not make any actionable findings at this stage, but this may require

[REDACTED]

interventions in future. The Inquiry recommends that this is a market to follow and if it develops in an adverse manner then the Commission would need to act in order to address the conflicts of interest. Should the competition dynamics change in the future such as consumers' use of comparison platforms increases significantly and Hippo continues to lead this market, these concerns could become significant.

6. Appendix

Submission made by	Stakeholder type	Submission full name	Submission date	Report shorthand reference
Better Compare	Platform	Response to 1st RFI	19-Nov-21	Better Compare, WS1
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Telesure	Platform	Response to 1st RFI	30-Nov-21	Telesure, WS1
Compare Guru	Platform	Meeting with Compare Guru	11-Nov-21	Compare Guru, VM1
Better Compare	Platform	Meeting with Better Compare	03-Mar-22	Better Compare, VM1
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Telesure	Platform	In-camera session with Telesure	02-Mar-22	Telesure, In-cam OS