

A nighttime photograph of a city street with light trails from cars, a bus lane, and a city skyline in the background. The text is overlaid on the left side of the image.

Price Comparison Websites* and Regulation

A changing but
familiar landscape

*PCWs

FUTURE WEBINAR
May 2021

Meet the team



Lee Griffin

CEO Savings

Lee is one of the founding members of GoCompare and has been with the company since its inception. He has vast experience of business development, partner relationships and product innovation.

Lee has spent over 25 years in the insurance industry, and during the last 14 years he has played a pivotal role in the rise of price comparison websites.

Before helping to start GoCompare, he worked for Admiral in various business critical roles, culminating in being part of the team that launched Confused.com.



Ellen Sugden

Risk & Compliance Director

Ellen is the Director of Risk & Compliance responsible for overseeing the Compliance function who ensure that GoCompare comply with regulatory requirements.

Ellen has been with GoCompare for 10 years and has 20 years' experience working both in and alongside General Insurance firms.

Working previously for UKGI Compliance Consultancy, Ellen provided support and training for firms in meeting their regulatory responsibilities and before that, for a Commercial Lines Insurance Broker.



Sally Foote

VP Ecommerce - GoCompare

Sally is the VP of Ecommerce for GoCompare, with responsibility for our product team and digital marketing.

Prior to GoCompare Sally worked at Photobox where she held a number of roles across digital and physical product, with her last role as Chief Innovation Officer.

Before that, she founded a consultancy that helped businesses build successful digital subscriptions off the back of the success of the Times and Sunday Times paywall, where she was Head of Product.



Executive summary

- PCWs have been disruptors in this space over the last 15 years, championing consumers rights and enabling them to secure the services that provide best price, and value
- Regulation is a constant part of the GoCompare business - it's entrenched in the brand's culture and a natural part of how it operates - whilst the regulators see PCWs as an integral part of the distribution network
- GoCompare's success has been enabled by a desire to ensure the customer remains at the heart of everything it does
- This has resulted in offering customers better 'value' rather than focusing solely on price
- Future is well positioned with our added value incentives on GoCompare (e.g. free £250 excess offer) and our innovative proposition with AutoSave that saves customers time and money
- **Future's Media brands present a unique opportunity to work with GoCo to engage with customers at all parts of the funnel and attract an audience earlier in their intent journey**



」 Agenda

- **Overview of PCWs & market dynamics**
- **Proposed changes by FCA**
- **Why Future is well positioned**



Who are GoCo Group

GoCompare

- Strong Price Comparison brand with leading awareness
- Measured growth and positive momentum
- Focus on added value to drive higher customer retention
- Highly cash generative

Key Areas



Car Insurance



Home Insurance



Van Insurance



Energy

LOOK AFTER MY BILLS

- Significant growth opportunity
- Higher margin potential in steady state
- Recurring revenue characteristics
- Network effect for the Group, driving customer lifetime value

Key Area

Price Comparison Websites act as an efficient channel for consumers and insurers

Consumers

Advice & Support

Our brand mission is to help people better protect what's important, through focussing on added value and providing independent, impartial advice

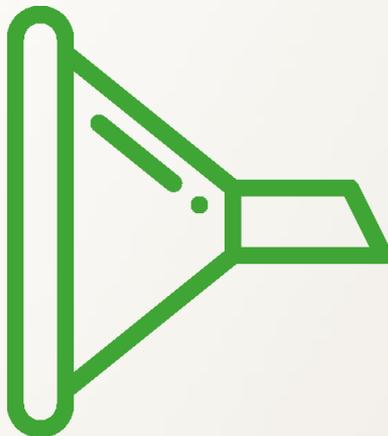
Drive Awareness

We have a leading brand and in Gio Compario one of the most recognisable advertising personalities in the UK leading to incredibly high spontaneous awareness of >95%

Efficient Quote Generation

We enable customers to quickly obtain an insurance quote suited to their needs (e.g. price vs. cover)

Price Comparison Funnel



Consumers click-out to partners' sites and transact

GoCompare receives a fixed fee for confirmed sales

Insurers & Partners

Efficient Acquisition for Insurers

In GoCompare insurers have a highly targeted acquisition channel with a specific, measurable ROI

Personalised Quotes

Direct APIs linking into insurer price engines deliver personalised accurate quotes

Data & Fraud Insight

We provide enhanced detailed Data and Fraud services

┌ We have a number of stakeholders across our industry

Talking to Consumers



Advertising Standards Authority is the UK's independent advertising regulator

Price Comparison



Competition & Markets Authority

Promote competition for the benefit of consumers



Information Commissioner's Office (ICO) regulate data protection in the UK



Insurers & Partners

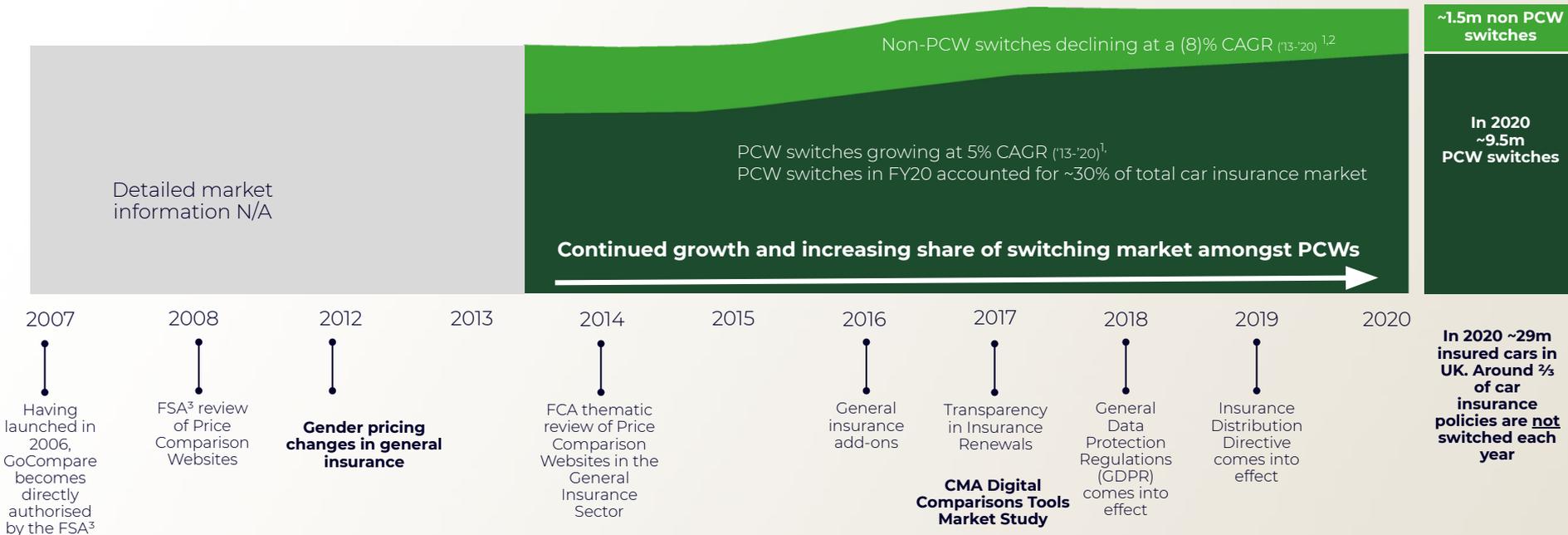


Relationships with over 100 insurers and partners



Whilst Ofgem and Ofcom regulate the suppliers, the FCA as a conduct regulator has influence across the broader landscape

Over the last 15 yrs the market has seen frequent regulatory changes, as the regulators seek to improve customer experience
 During this time **customers have increased switching activity, with a greater proportion using PCWs** as customers find this an efficient channel to get the deal that's right for them



1. Management estimates
 2. Non PCW switches includes other online sales and offline sales, including new sales direct with insurers
 3. In 2013 the FSA became the FCA

Financial Conduct Authority Overview

Who are the FCA?

The Financial Conduct Authority regulates the financial services industry in the UK, which includes GoCompare & insurance providers.

Protect consumers



Protect financial markets



Promote competition



Firms must...

- Conduct business with **integrity, skill, care and diligence**
- **Effective governance**
- **Appropriate systems and controls** for the management of the business
- **Open & honest** relationship with the regulator
- **Proportionate & appropriate** interpretation and application of rules
- **Customer** interests, **customer** led decisions, treating **customers** fairly

“Markets that work well for consumers and for firms benefit everyone and benefit the UK economy...”

Martin Wheatley, ex-Chief Executive of the FCA

┌ What does operating within the regulatory framework look like?

Customer First

- Customers are at the heart of the business
- Products and services are designed to meet the needs of identified consumer groups and are targeted accordingly
- Consumers are provided with clear information and are kept appropriately informed at all times
- Customers should receive fair value from their financial products

Culture

- Embedded healthy cultures and behaviours
- Leadership
- Approach to rewarding and managing people
- Integrity
- Due skill and care

Accountability

- The most Senior Managers are approved by the FCA
- The next level of senior managers are held to a high level of scrutiny under the Certification regime
- Clear accountability and responsibility
 - appropriate channels of escalation

Business systems & processes

- Fit for purpose and flexible
- Appropriate policies
- Efficient

Governance

- Board and relevant board committees
- Strategic focus in decision making
- Framework to identify, monitor and mitigate key risks of harm

Compliance & Monitoring

- Experienced compliance function
- Proportionate and risk based approach
- Monitoring & review

Being customer focused helps GoCo to win in our competitive market

Culture

We are a Customer Champion; a disruptor and a moderniser

- Lee Griffin CEO has over 25 years of insurance experiences and was a founder of PCWs
- Experienced experts throughout the organisation: specialists in their respective fields be that insurance or disciplines like product or engineering
- Customer centric values
- Collaborative approach
- Be curious, speak up, challenge

Conduct

Comparison is not just about price

- Value led proposition
- Policy cover that meets customers' needs
- Evolving in line with consumer expectations
- Constant desire for improvement and evolution - iterative test and learn
- Compliance by design - involved and consulted from the start of every core project

Customer

We are customer centric by design

- Our mission is to help customers better protect themselves: we go beyond saving people money, it's about the right product at the right price
- First to introduce product and customer ratings, as well as more policy information so there can be an informed choice made
- Committed in house customer research team working constantly with both new and existing customers to understand customer issues and evaluate solutions
- On site measurement tools to understand customer experience and find problems with our user journey
- Development teams taking customer feedback and making user journey changes to continuously ensure we are providing the best experience possible

┌ Whilst the FCA and other industry bodies regularly call out PCWs as a force for good in the industry

“

“Price Comparison Websites have changed the way consumers shop for insurance and the way firms design, price and distribute their products. They can save people time and provide them with more choice”

FCA

“

“Digital comparison tools are mostly a force for good: they make it easier for people to shop around, and improve competition – which is a spur to lower prices, higher quality, innovation and efficiency. People’s experience of them is largely positive”

CMA

“

“PCWs allow new insurers to enter the mass market very quickly and with a limited budget”

ABI

“

“PCWs can stimulate stronger competition between firms, by helping to remove barriers to growth and encourage new entrants. And that is ultimately good for consumers too”

ukrn

“

“Switching, and the ease of switching when better alternatives are available, is important to the function of competitive markets”

FCA

“

“PCWs have gained popularity among consumers and becoming the online tool of choice for those who want to secure a good value deal easily. They can help shoppers to feel more empowered by allowing them to compare prices and services from different providers in a matter of clicks.”

ukrn

“

“PCWs provide easy access to a range of insurance quotes for customers in one place. They have delivered a positive change in the insurance market by increasing choice and transparency of products, and encouraged customers to shop around for their insurance policy”

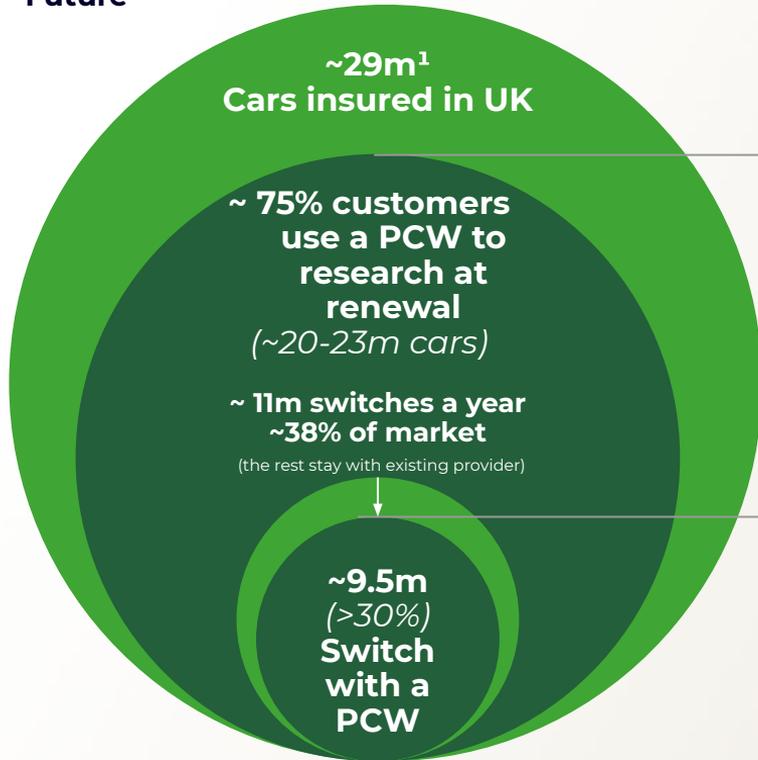
ABI

“

“With a proliferation of deals on the market and the complexity of products and services, price comparison websites (PCWs) can be very useful to consumers in helping them compare a large number of offers quickly and easily, or facilitate switching”

Citizens Advice

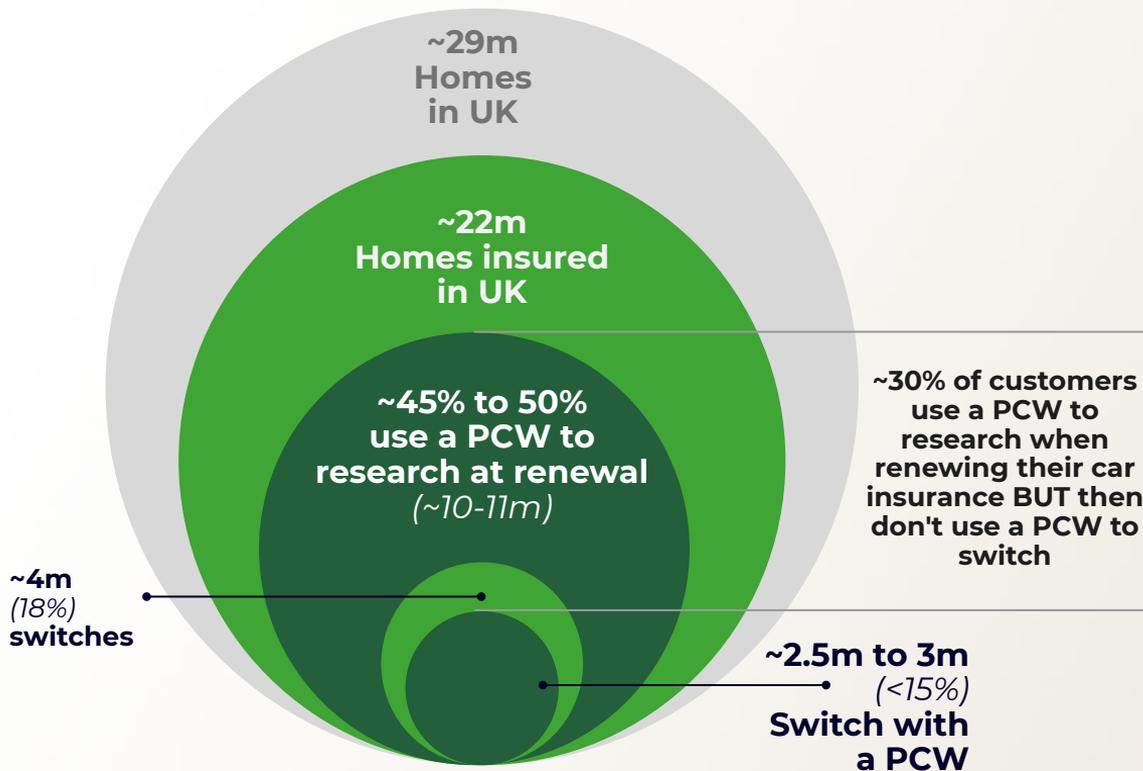
Around 30% of the car insurance market switch through a PCW today, this represents a significant growth opportunity for GoCompare and Future



~40% to 50% of
customers use a
PCW to research
when renewing their
car insurance BUT
then don't use a
PCW to switch

Car Insurance is a legal requirement in UK

But not all insurance markets are the same...



- As fewer people switch home insurance every year, the savings opportunity can often be much larger (as a proportion of the policy)



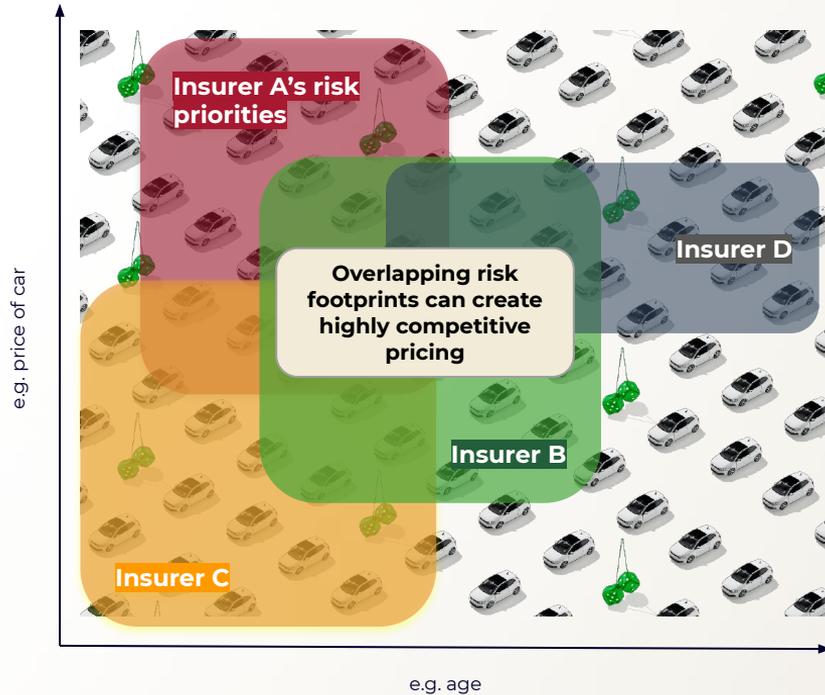
- This was reflected in the FCA modelling whereby the proposed remedies expected a greater reduction in pricing for Home Insurance policies compared to Car Insurance



- There is therefore the chance of greater volatility post implementation of the FCA remedies, and hence potentially more opportunities for customers researching via a PCW to switch

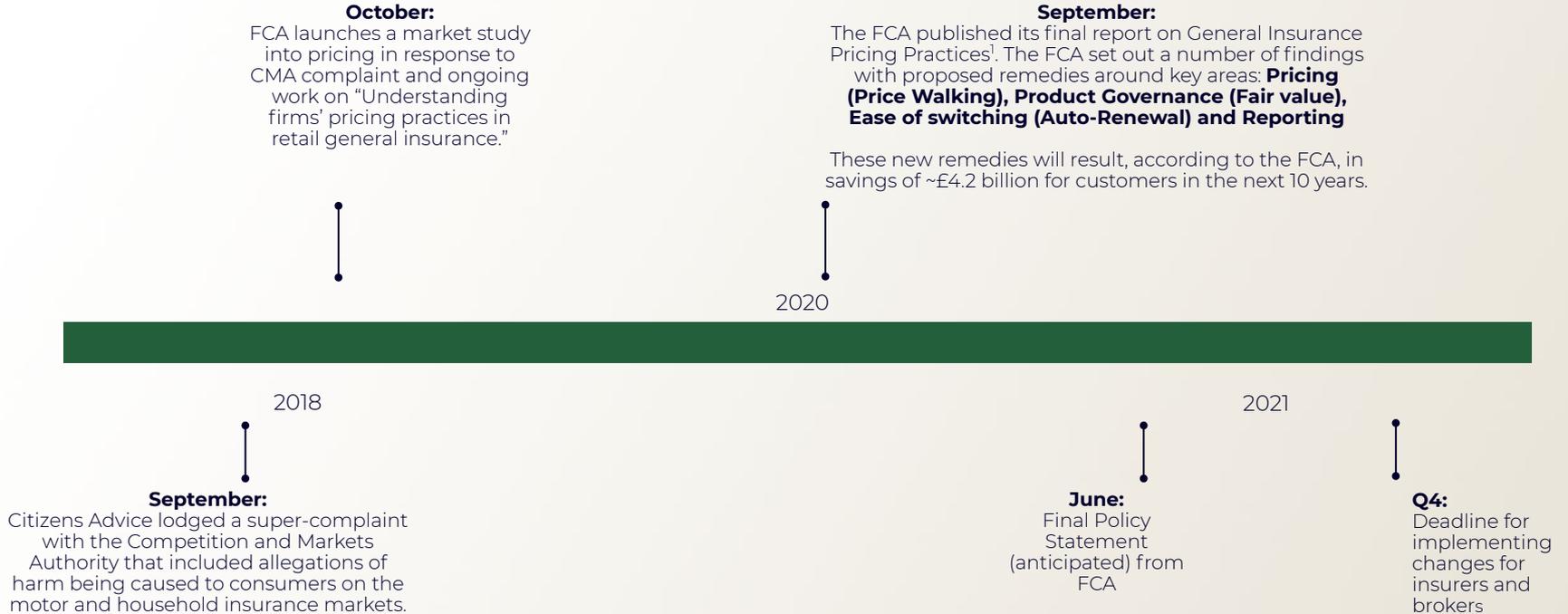


- └ Not all insurers price the same - they have different risk requirements, with multiple dynamic variables. We believe the changes proposed may lead to increased disparity in how insurers price the risk of the same customer, leading to the opportunity for customers to save more



- The UK insurance industry is highly competitive with over 135 brands on our panel
- Insurers all operate with somewhat different strategies and risk appetites, and hence take very different approaches to pricing
- Different risk priorities for different insurers which means variable and competitive pricing
- This leads to highly competitive acquisition pricing
- Insurers may also offer highly competitive headline pricing and leverage other avenues to drive improved monetisation - e.g. through selling added value features
- Majority of switching with PCWs is across customers changing provider as they experience the differentiated approach to pricing risk that insurers have
- **As the FCA regulation takes effect this will likely mean insurers will reconsider their pricing models, which we expect could lead to increased pricing differentiation for the same customer by different insurers, creating greater opportunities to save money**

┌ The latest FCA proposals are a continued evolution for the insurance industry regulatory framework



└ FCA Proposed Findings and Remedies

1. Pricing and fair value

Findings	Remedies
<p>~£1.2 billion overpaid by customers</p> <p>6 million customers paid higher renewal prices for renewals</p> <p>96% of motor insurer profits come from non-core services</p>	<p>Insurers must offer a renewal price no higher than the equivalent new business price for that customer through the same sales channel</p> <p>Accompanied by greater product governance, particularly in price setting of additional products.</p>

Channel:

The distribution method through which a customer purchases a policy. eg, a specific price comparison website would be considered to be an individual channel.

2. Improving competition and reporting

Findings	Remedies
<p>6 million customers paid higher renewal prices for renewals</p> <p>£565 million overpaid by customer on motor insurance auto-renewals</p> <p>29% of premiums spent by Home insurers on new customer acquisition</p>	<p>Measures to increase transparency, competition, and reduce barriers to switching, notably restrictions on auto-renewals.</p> <p>This is accompanied by new reporting requirements "to help ongoing supervision of the home and motor insurance markets"</p>

Auto-renewal:

Process whereby insurers automatically renew an insurance policy at renewal, regardless of premium without any need for action by the customer.

┌ The FCA summarised their expectations on market changes, however, as with any regulatory change the exact impact on the market will likely be more nuanced

FCA Expected Impact

Our View

Consumers

- Lower and consistent prices for customers
- Time saving from (i) auto-renewal remedy making switching easier (ii) fewer customers needing to switch
- Improved competition (more effective & innovative), leading to lower costs to serve and ultimately lower average prices for customers

- The proposed changes should benefit consumers who have never, or do not regularly, switch
- The removal of auto-renewal should make switching easier and more frictionless, saving customers time from calling their current insurer to cancel their auto-renewal

Insurers

- Lower revenue from lower prices
- Lower switching costs (marketing and operational) due to expected reduction in switching
- Increased compliance costs to implement FCA proposals

- The impact on insurers is not straightforward and will vary on the current insurer's strategy and their structural characteristics today
- For example, some insurers claim they do not operate 'price-walking' strategies and others have said they are considering launching new brands to operate across different channels
- Data-led insurers who can rapidly adapt pricing or potentially niche and specialist insurers may be more immune to these changes
- Conversely insurers who rely on customers auto-renewing or who increase prices disproportionately and then compete on price when customers call to cancel may be adversely impacted by the changes

Strong reasons to believe PCWs will continue to thrive

FCA Expected Impact on PCWs

The FCA has noted there is the potential for a spike in switching post implementation as price rises for new customers prompts increased switching >> *note this was seen in Energy switching when the price cap was introduced*

The consumer behaviours and market economics that drive switching do not change

'Learned behaviour' in car switching	<ul style="list-style-type: none">• PCWs are a ubiquitous part of the insurance renewal cycle and their utility as a customer "channel" is unlikely to disappear• PCWs usefulness to consumers has been evidenced historically when other regulation has been imposed
Opens market to previous 'shoppers'	<ul style="list-style-type: none">• >70% of the market shop around but only ~30% switch. Customers use PCWs to research, then negotiate with their current insurer• FCA changes mean insurers may have less margin available to price match at renewal, so more likely to transact on PCWs
Competitive insurer market	<ul style="list-style-type: none">• The insurance market is very competitive, and pricing models will evolve to reflect changes to profitability. We anticipate there will likely continue to be insurers looking to gain share from competitors, and hence price keenly
Removing Auto-Renewals	<ul style="list-style-type: none">• Auto-renewals act as a considerable barrier to switching. Removing the need to cancel removes a whole, sometimes time consuming, step from the switching process. The auto-renewal remedy may make switching more attractive at a lower level of savings.

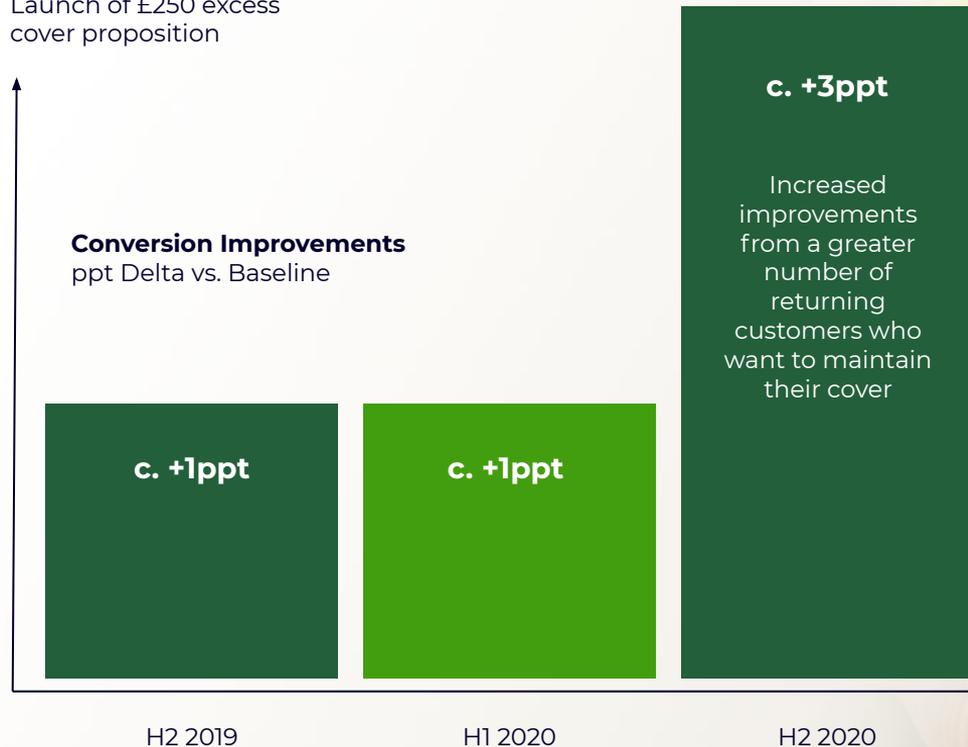
└ Whilst GoCompare already look at 'value' rather than just comparing the cheapest price

- GoCompare has always recognised the importance of offering customers better value rather than being focused solely on price
- Since the brand's creation it has looked to differentiate its offering by enabling customers to also compare on features and ratings, ensuring they are getting the right cover for their needs
- In 2019 GoCompare launched a £250 free excess protection offer to give even more value back to customers and help give them better protection. The brand has seen strong loyalty attributable to this product; consumers care about more than price
- It has also extended this approach, with a compelling life insurance offer at the end of 2020 supporting good mental health and wellbeing through Covid
- In April 2021, the brand launched a discounted MOT that both supports customers and local independent garages



Conversion increases following the launch of the brand's free £250 excess proposition shows the importance of value to our customers

Launch of £250 excess cover proposition



Baseline = average conversion, 2018 to 2019 H1

└ Conclusions and summary

- PCWs have been disruptors in this space over the last 15 years, championing consumers rights and enabling them to secure the services that provide best price, and value
- Regulation is a constant part of the GoCompare business - it's entrenched in the brand's culture and a natural part of how it operates - whilst the regulators see PCWs as an integral part of the distribution network
- GoCompare's success has been enabled by a desire to ensure the customer remains at the heart of everything it does
- This has resulted in offering customers better 'value' rather than focusing solely on price
- Future is well positioned with our added value incentives on GoCompare (e.g. free £250 excess offer) and our innovative proposition with AutoSave that saves customers time and money
- Future's media brands present a unique opportunity to engage with customers at all parts of the funnel and attract an audience earlier in their intent journey
- We anticipate increased switching and the combination of Future media brands, providing advice and help, SEO centres of excellence and GoCompare customer focus, put us in a prime position to be beneficiaries





Q&A



Appendix

Glossary

FCA	FCA is the UK conduct regulator for financial firms that provide services to consumers
CMA	The Competition and Markets Authority work to promote competition for the benefit of consumers, both within and outside the UK.
ICO	The Information Commissioner's Office (ICO) regulates data protection in the UK.
OFGEM	Ofgem is the regulator for gas and electricity in the UK.
ASA	The Advertising Standards Authority is the UK's independent advertising regulator. The ASA makes sure ads across UK media stick to the advertising rules.
Ofcom	Ofcom is the UK regulator for the communications services ie broadband, home phone and mobile services, as well as a watching brief on TV and radio.
ABI	The Association of British Insurers
UKRN	The UK Regulators Network is a member organisation which brings together regulators from the UK's utility, financial, transport and housing sectors, for the benefit of consumers and the economy
BIBA	The British Insurance Brokers' Association is a UK general insurance organisation representing the interests of insurance brokers, intermediaries and their customers.
Channel	The distribution method through which a customer purchases a policy. For example, a specific price comparison website would be considered to be an individual channel.
Auto-renewal	Process whereby insurers automatically renew an insurance policy at renewal, regardless of premium without any need for action by the customer.

Financial Conduct Authority Review

Who are the FCA?

The Financial Conduct Authority is the conduct regulator for nearly 60,000 financial services firms and financial markets in the UK and the prudential supervisor for 49,000 firms.

Taking over responsibility for conduct and relevant prudential regulation in April 2013, the FCA's strategic objectives are:

Protect consumers – secure an appropriate degree of protection for consumers

Protect financial markets – protect and enhance the integrity of the UK financial system

Promote competition – promote effective competition in the interests of consumers

An independent public body funded entirely by the regulated firms by charging of fees. Accountable to the Treasury, which is responsible for the UK's financial system, and to Parliament.

The FCA's regulatory framework is enshrined in UK statute in the form of the Financial Services and Markets Act 2000 (FSMA) and detailed rules and guidance are contained in the FCA Handbook.

With an extensive remit, the FCA use a proportionate approach to regulation, prioritising the areas and firms that pose a higher risk to their objectives.

FCA's approach to supervision

- **Forward looking** supervision to pre-empt poor conduct
- Focus on **strategy and business models** to identify conflicts of interest
- Focus on **culture and governance** to address the behaviours that cause harm
- Focus on **individual and firm accountability** through the Senior Managers and Competency Regime (SMCR)
- **Proportionate and risk based** targeting firms where risks from misconduct are greatest
- **Two-way communication** with firms, consumers, market participants and their representatives
- **Coordinate** efforts sharing information with overseas and other regulators
- **Put right and prevent systematic harm** by working with firms

“Markets that work well for consumers and for firms benefit everyone and benefit the UK economy...”

Martin Wheatley, ex-Chief Executive of the FCA

└ The FCA Principles for business

- FCA is **Principles based** rather than explicit rules
- This enables a true customer-focused approach - **“is this the right thing by the customer?”**

1 Integrity

A firm must conduct its business with integrity.

2 Skill, care & diligence

A firm must conduct its business with due skill, care and diligence.

3 Management & control

A firm must take reasonable care to organise and control its affairs responsibly, with adequate risk management systems.

4 Financial prudence

A firm must take reasonable care to organise and control its affairs responsibly, with adequate risk management systems.

5 Market conduct

A firm must observe proper standards of market conduct.

6 Customers' interests

A firm must pay due regard to the interests of its customers and treat them fairly.

7 Communications with clients

A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair, and not misleading.

8 Conflicts of interest

A firm must manage conflicts of interests fairly, both between itself and its customers and between a customer and another client.

9 Customers: relationships of trust

A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.

10 Clients' assets

A firm must arrange adequate protection for clients' assets when it is responsible for them.

11 Relations with regulators

A firm must deal with its regulators in an open and cooperative way, and must disclose to the FCA appropriately anything relating to the firm of which that regulator would reasonably expect notice.

“The Principles are the foundations of good conduct and should be an integral part of the operational process of planning or decision-making at all levels...”

Mark Steward, Director of Enforcement and Market Oversight FCA

Regulatory landscape in Australia

There are four main regulators in Australia that are relevant to our business:

1 Australian Securities & Investments Commission

ASIC is responsible for corporate regulations and financial services licensing

2 Australian Competition & Consumer Commission

ACCC's remit covers competition regulation and consumer laws including advertising standards

3 Australian Prudential Regulation Authority

APRA oversees the banking and insurance industry

4 Office of the Australian Information Commissioner

OAIC sets and monitors consumer privacy protections

Upcoming or past regulatory changes

Product Design and Distribution Obligations

This new ASIC regulation (in force from October 2021) is intended to make sure that products are not marketed to consumers for whom they are not useful or appropriate. Product issuers must write a Target Market Determination for each product and take steps to make it unlikely that people outside the Target Market are not marketed to and do not regularly seek the product. This is unlikely to have a material impact on our business as the products marketed are general mass market products.

Insurance 'sub-limits'¹

Action is being taken by ASIC to prosecute an insurer for not sufficiently disclosing that 'sub-limits' apply to some insurance covers

¹ A sub-limit is an additional limit on the amount of cover insured that is applied to certain types of losses

┌ Ofgem's recent regulatory changes have had limited impact on Comparison

Recent Regulatory Change

Tougher entry tests for energy suppliers

New applicants to the market need to demonstrate sufficient funding, provide a customer service plan and pass a "fit and proper" test.

Energy Price Cap

Designed to offer a safety net against poor pricing practices and to prevent consumers from overpaying, the energy price cap value was most recently changed with effect from 1st April 21. Big increases in wholesale energy pushed the cap price up by £96 to £1,138 for a customer using an OFGEM defined Average Consumption amount.

Impact on the Group

- Highly competitive market with 50+ energy suppliers
- Supplier of Last Resort in place by the regulator if energy suppliers go out of business
- Robust framework internally to protect customers

- Price Cap acts as a 'safety net' but switching remains the best way to get the most competitive price
- When introduced the Price Cap generated considerable switching activity as it highlighted the discrepancy in prices