

# INSURANCE DAY

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## Industry prepares to reply to the EC's subs investigation

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INSURERS are working on a response to the European Commission's (EC) Competition Directorate's concerns about the way in which the subscription market operates.

It is understood from market experts that submissions are being prepared by insurance industry leaders. These submissions will show the EC that existing market practices are efficient, justified and highly competitive.

Their move comes as members of the Competition Directorate said it should take the sector no more than two or three months to assess whether businesses are in breach of competition rules.

Sean Greenaway, one of architects of the commission's business insurance sector inquiry report, has warned that it will be the individual responsibility of

each company to ensure that it is not in breach of competition rules.

Speaking at a conference hosted by law firm Steptoe & Johnson, Greenaway added that if in breach, firms are then liable to face action from the competition authorities and possibly from other businesses, which may have suffered as a result of the breach.

He admitted that rapid changes in market practice could create problems but said: "I certainly would not imagine that it would take more than two to three months to come to a definitive view of whether business practices are compliant or not."

The EC's concerns centre on pricing in a subscription market and the sector inquiry report questions whether it is competitive for followers to price risks at the same level as the leader.

Greenaway has said that the EC is not categorically saying that the practice is

anti-competitive but it has concerns. He said the industry might well be able to provide an "efficiency defence" which will ensure companies are not in breach.

"We are clearly very sceptical that the element of premium harmonisation implied by the procedure normally used does not appear to be indispensable and therefore we question whether that element is compatible with the rules on competition and whether business practices need to change in order to comply with business rules," he said.

Greenaway added that the EC was concerned "in the vast majority of cases" about the pricing element of the subscription market rather than about terms and conditions.

**European Commission: industry is preparing its response to the EC investigation**



This article first appeared in *Insurance Day* and can also be found at [www.IDnewscentre.com](http://www.IDnewscentre.com)