

The Bundling of Insurance and Credit Products in the Banking Sector

Statement of Issues

17th December 2010



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I. Introduction

- 1.1 The Competition Commission of Mauritius (CCM) launched an investigation in the banking sector, more specifically, the tying/bundling of insurance and credit products, on the 31st August 2010.
- 1.2 Life insurance is sold together with housing loans, to provide cover to repay the loan in the event of the customer's death or permanent disability. After a series of 'mystery shopping' exercises in this industry, it appeared that banks do not always offer customers taking out housing loans a free choice of insurance policies.
- 1.3 If the way in which banks offer such insurance results in there being little or no competitive pressure on the cost of the insurance to the consumer, this may be a breach of the monopoly provisions of the Competition Act 2007("the Act").
- 1.4 The Statement of Issues (Sol) is intended to set out our concerns and give interested parties an opportunity to comment on the issues identified by the CCM as potentially anti-competitive.
- 1.5 Several banks have suggested that their housing loan sales are below the 30% market share threshold specified in the Act for existence of a monopoly situation, and therefore that the CCM cannot investigate them. Market shares depend upon market definition and it should not be assumed that market share of a broadly-defined banking market is appropriate in this case. As set out in this document, the CCM has not yet reached a conclusion on market definition. However, it is considering a narrow market definition limited only to the alternative insurance products available at the point of sale. This market definition follows the conclusion of the UK Competition Commission, following analysis in its two-year market investigation of insurance offered with credit products, including housing loans, in the UK.
- 1.6 If this market definition is the correct one, then almost all banks and others offering housing loans will be in a monopoly situation within the meaning of the Act, with a 100% market share (but this does not imply they are abusing that situation). The CCM remains open to specific arguments as to why it should not adopt this market definition. However, unless and until the CCM concludes that the market should be defined more widely, it is not open to banks to decide that their market shares are below the threshold in the Act. The Executive Director therefore continues to believe that reasonable grounds exist to investigate all housing loan providers and will consider legal sanctions against those refusing to co-operate with the investigation.
- 1.7 This Sol, should in no way be construed as being a conclusion on any of the issues it identifies. We welcome comment, responses to the questions we raise and submissions on any issue relevant to the investigation.

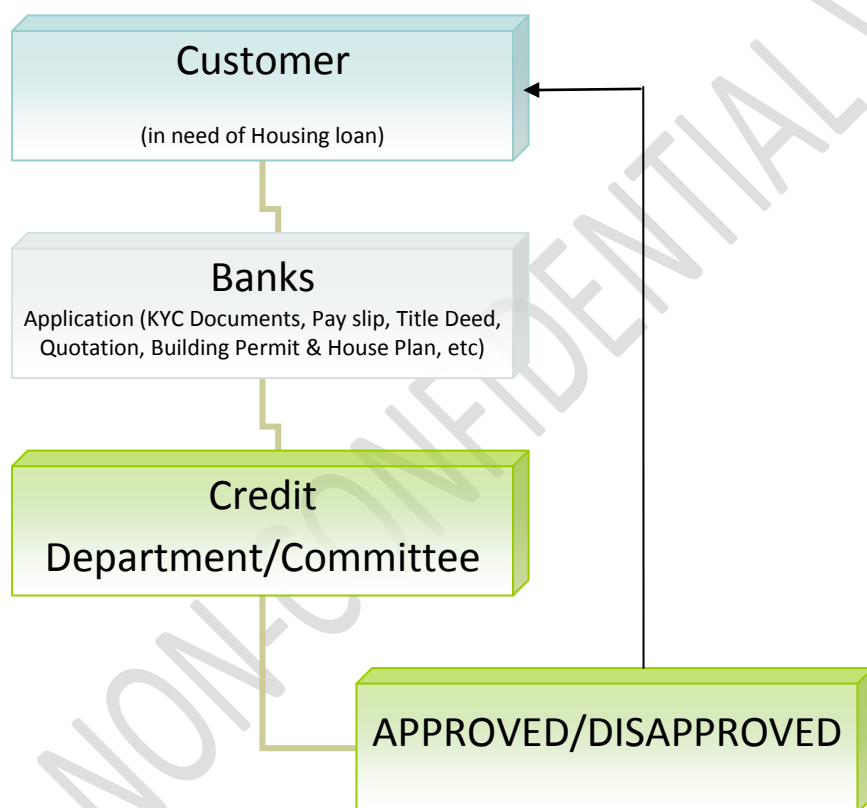
2. Background

The Background

2.1 Credit products such as personal loan, car loan, housing loan *etc.* are offered by different financial institutions: non-banking and banking. The focus of this investigation is on the banking sector – more specifically commercial banks offering housing loans.

Process for a loan application

2.2 The following figure sketches out the different stages that a customer applying for a housing loan has to go through before a decision is taken by the bank as to whether to approve or disapprove the housing loan application.



2.3 It has become common practice since the advent of the Borrower Protection Act 2007 (“BPA”) that institutions offering credit facilities require the borrower to take out an insurance policy. Section 13 of the BPA provides that:

- (1) Where an immovable property is given as a security for the grant of a credit facility, the lender may require the borrower to take out an insurance policy to guarantee the repayment of any amount due to the lender in case the borrower is unable to honour his obligations because of death or permanent disability.
- (2) Where an insurer grants a credit facility to a borrower and the latter is required to take out a policy of insurance pursuant to subsection (1), it shall not be lawful for the insurer to require the borrower to take out another life insurance policy in respect of that credit facility.

2.4 In light of the above, the lender “may” require the borrower to take out an insurance policy; this means that although the Act does not require it of lenders, it allows the lender to make an insurance policy a prerequisite before approving a loan.

2.5 A housing loan can be referred to as home loan or mortgage loan. It is a secured loan offered by a bank or any other financial institution against the security of a house/property which is funded by the bank/institution. The home loan is used to finance the house/property, on which the bank has conditional ownership and in case of default, the banker can retrieve the sum owed by the borrower by selling the property. This is the first security required by banks in case of default in payment. Banks also usually require a second type of security – a life insurance policy for borrowers taking a housing loan, this time in case of death or permanent disability.

Life Insurance Policies

2.6 There are different types of life insurance products as follows:

- (i) Term Insurance (whole life insurance, endowment, educational plan, annuities *etc.*)
- (ii) Decreasing Term Assurance (DTA)

2.7 The insurance product that is commonly used when a borrower takes a housing loan is the DTA whose premium is lower than a term insurance. In principle, a DTA is linked to a loan. As the term ‘DTA’ demonstrates, the premium decreases over time and as the loan is being repaid, the sum assured decreases every year accordingly.

3. Market Definition and Market Share Analysis

3.1 The monopoly provisions of the Competition Act only apply to enterprises with market shares in excess of limits defined in that Act. Calculating market shares requires the definition of a market. More generally, competition concerns can only arise when enterprises have market power – “the ability to operate in that market, and to adjust prices or output, without effective constraint from competitors or potential competitors.” The CCM may also take into account factors listed in S46(3) (a) to (c) when assessing a firm’s market power. The higher the market share of the enterprises concerned, the more likely the enterprise is to have market power.

3.2 For these reasons, and to identify the conditions of competition more generally, it is important to define the relevant market within which the products under investigation are sold. The CCM’s approach to this analysis is set out in the Guidelines – CCM 2: Market Definition and the calculation of market shares¹ (“The Guidelines”).

3.3 As the Guidelines note at para 2.1:

“The ‘relevant market’ (the terms ‘market’ or ‘economic market’ are also used) has a precise meaning in competition policy. It is a defined set of products, and a defined geographic area, within which competition occurs. Relevant markets could be defined narrowly or widely, in either of these dimensions. The narrower the market definition, the higher is likely to be any given enterprise’s product’s share of that market.”

3.4 The Guidelines then set out in detail how the CCM will approach this task. The main definition is provided at paragraph 2.16:

Following standard international practice, the CCM will take as its relevant market the narrowest candidate market for which a monopolist of all the products in the candidate market would be able profitably to increase the price of the product being investigated by a small but significant amount (typically 5-10%) over a sustained period.

3.5 This paragraph, and the Guidelines as a whole, makes clear that market definition is an analytical process involving consideration of competition. The market definition that results from this analysis may be very different from what participants think of as ‘the market’ within which they operate. The market as defined for competition policy purposes is only the set of products that compete in the manner described above. Often, people will speak of products which are physically similar as being in the same market. However, if two products do not compete in the sense set out above, in that a rise in the price of one does not result in substitution to the other, they are not in the same market for competition law purposes, no matter how similar they are.

3.6 The Guidelines also state at paragraph 2.37 that:

¹ http://www.gov.mu/portal/sites/ccm/pdf/CCM2%20-%20Guidelines%20-%20Market%20definition_Nov09.pdf

The CCM may also take into account reasoned decisions of other authorities on market definition. Where competition authorities overseas have defined markets using similar principles to those defined here, the CCM may have regard to those conclusions and the analysis supporting them. However, such analysis will not always be directly relevant to the matter being examined by the CCM. Product markets will differ in different countries, for example reflecting different customer tastes and opportunities. Furthermore, the purpose for which markets were examined may affect the market definition arrived at and even the same authority might reach different market definitions when assessing different issues. The CCM will also consider whether any previous decisions and analysis by sector regulators or other authorities in Mauritius may be informative about market definition. Any market definition exercise by other authorities would only provide information to the CCM's own analysis, however, and should not be regarded as setting a binding precedent.

The Relevant Market

3.7 In this investigation, the CCM is considering whether the prices and other conditions of insurance offered together with housing loans are subject to effective competition, or whether in contrast competition is in some way prevented, restricted or distorted. Consequently, the question for market definition is “what constrains the price at which such insurance is offered?” The CCM has considered both the product and the geographic markets in its assessment of the relevant market for this investigation as per Paragraph 2.7 in the Guidelines.

The Product Market - Overview

3.8 The Product Market contains all the products which can constrain through substitution, the price of insurance that is offered together with a housing loan.

3.9 The CCM has not been able at this stage to determine finally the appropriate market definition, and has identified two possible market definitions, on which it seeks comments.

Possible market definition 1: the ‘housing loan’ market

3.10 One possible market definition is “housing loans” in which banks and other credit providers’ market shares are based upon their total housing loans. The precise boundaries of this market remain to be established, as apart from the banks there are other providers of housing loans, and potentially other forms of credit could also be included, but the basic definition is reasonably clear.

3.11 The market will be as wide as ‘housing loans’ if different loan providers’ insurance offerings compete with one another effectively. For example, suppose customers can readily assess the cost of insurance offered by different providers of housing loans, and take that into account in their decision as to which credit provider to use. Then there will be competition between insurance offered by different credit providers, as customers can compare the combined price of the ‘package’ of insurance and credit. If customers do readily compare prices in this way, and credit providers therefore compete to offer the lowest possible price (or best terms) for this bundled credit-

insurance package, then competition in offering insurance is essentially part of the competition in offering credit. Consequently, the relevant market is the market for housing loans, as a supplier would only have market power over the sale of insurance to the same degree that it has market power in the supply of housing loans.

Other forms of credit within the 'housing loan market'?

- 3.12 We considered whether the market could be wider than 'housing loans', if other forms of credit (such as personal loans) could also act as substitutes for housing loans.
- 3.13 Several industry participants, in interviews, stated that housing loans customers can easily shift to other types of funding. For example, instead of taking a housing loan, a bank customer can take a personal loan.
- 3.14 The CCM's view at this stage is that it seems unlikely that many customers would take a loan other than a housing loan to provide for purchase of property. Housing loans are the products tailored to support such purchases, and it seems highly likely to us that any customer seeking a personal loan to support purchase of real property would be steered by the provider towards a housing loan instead. Consequently, it does not seem plausible that the market should be as wide as 'all credit' although we remain open to receiving submissions on this question, particularly if backed by evidence of customers substituting to other forms of credit when those are cheaper.

Participants in the 'housing loan market'

- 3.15 As well as banks, housing loans are offered by some insurance companies and by the Mauritius Housing Corporation (MHC). Several industry participants, in interviews, indicated that they consider these institutions to be their competitors.
- 3.16 We understand that the MHC is established to target customers who might not otherwise be able to obtain a loan, from the normal commercial providers. As such, it seems unlikely to be directly in competition with those commercial providers, rather its customer base will be drawn precisely from those who are *not* potential customers of the commercial providers. We therefore believe at this stage that the MHC should not be included within the market.
- 3.17 We have yet to reach a firm conclusion on insurance companies and invite submissions on this. If the CCM does include insurance companies within the relevant market, this does not imply that they will necessarily become parties under investigation in this case. It seems reasonable to assume that a customer choosing to take a housing loan from an insurance company would not expect to be offered a choice of insurance products from that company's competitors, unlike a customer approaching a bank for a loan.
- 3.18 In the market share figures below, we exclude housing loans provided by the MHC and insurance companies from the market, although we remain open to submissions on this point.

Measuring market shares in the 'housing loan market'

3.19 Market shares could be measured by the stock of total housing loans outstanding from each institution, or by the 'flow' of new loans in each year. Competition is more likely to occur for new loans than for existing loans (as substitution in the latter case would involve the customer switching mortgages to a new provider). Consequently, we regard market shares for new housing loans advanced, annually, as being the most appropriate measure of market shares.

3.20 Based on data obtained during the course of its investigation, the CCM has determined market share and assessed the market concentration using the Herfindahl-Hirschman Index² (HHI). The respective market share of the twelve banks under investigation in the housing loan market for 2010 is shown in table 1 below.

Table 1 shows [X-Commercially Sensitive Information]

Table 1: Market Share (New housing loans advanced)³

Banks	Market Share in Ranges
HSBC	10%-20%
MPCB	0%-10%
SBI	0%-10%
SBM	20%-30%
Bank One	0%-10%
Banque des Mascareignes	0%-10%
Barclays	0%-10%
Baroda	0%-10%
MCB	30%-40%
AfrAsia Bank	0%-10%
Habib	0%-10%
Bramer	0%-10%

Source: Data from respective banks

² The Herfindahl-Hirschman Index is calculated as follows: It is the sum of the squares of the market shares of all suppliers to a market, where their shares are expressed as percentages. See CCM 5 Guidelines.

³ The CCM has decided to present the market shares of banks in ranges of 10% and not to disclose specific market shares of each bank so as to preserve the commercial confidentiality of the banks.

- 3.21 The HHI is above 1900 implying that the market is highly concentrated.
- 3.22 On the basis of this market definition and the market shares collected at this early stage of its investigation, it appears that MCB, SBM and HSBC together exceed the 70% market share threshold specified by Section 46(1)(b) of the Competition Act.

Possible market definition 2: the ‘point of sale’ market

- 3.23 In the process of securing a housing loan, the customer might not consider insurance and the cost of that insurance until late in the process. At that time, at ‘the point of sale’, the customer might be quite insensitive to the price of the insurance offered. Many customers faced with a high price for insurance may choose only to substitute to alternative possibilities available there, at the point of sale, rather than abandoning the process and considering alternative credit providers. If this is the case, the relevant market will be an extremely narrow one, including only those insurance options available at the point of sale (alternatives offered by the credit provider, plus the option if available of assigning an existing insurance policy to the bank).
- 3.24 Under this market definition, even relatively small providers of housing loans may have market power. They are monopolists with a 100% market share of the market at the point of sale.
- 3.25 The UK Competition Commission (UKCC) conducted a two-year investigation into “Payment Protection Insurance” – insurance offered bundled with various sorts of credit, including housing loans - between 2007 and 2009⁴. After extensive analysis (set out in detail in its Final Report), the UKCC concluded⁵ that:
- 3.26 *We conclude that, for all types of PPI policies, the relevant product market is the sale of PPI to an individual distributor’s, or intermediary’s, credit customers by that distributor or intermediary.*
- 3.27 This is equivalent to the ‘point of sale’ market definition set out here (the UKCC uses the term ‘distributor’ to mean a credit provider such as a bank). The reasons are set out throughout Section 3 of the UKCC’s detailed report and are not rehearsed here, but are summarized in paragraph 3.139 of the UKCC Final Report:

The reason for this is that we found that the competitive constraints being imposed on distributors and intermediaries by other providers of PPI, by providers of short-term IP, by providers of other types of insurance products and by consumers choosing not to purchase PPI were not sufficiently strong to warrant a wider product market. Further, we found that the constraint on PPI prices as a result of the complementary demand relationship with credit was not sufficiently strong to warrant a wider systems market including credit and PPI.

⁴ <http://www.competition-commission.org.uk/inquiries/ref2007/ppi/index.htm>

⁵ Final Report, para 3.139

3.28 These findings reflect a significant body of work carried out by the UKCC to discover and analyse UK customers' behaviour. As a result of this analysis, the UKCC found that customers do not compare prices of the 'package' of credit and insurance in a way that would result in the market being wide (like 'the housing loan market'). Instead each credit provider has a monopoly over its point of sale.

3.29 After publication of the UKCC's final report in 2009, Barclays Bank PLC challenged the findings, in a judicial review by the UK Competition Appeal Tribunal, a specialist UK court hearing competition matters⁶. Among other grounds, Ground 4 of Barclays' appeal challenged "the findings in relation to the relevant market"⁷. The Court upheld the UKCC's findings in this area (and overturned them in others, unrelated to market definition), noting after extensive discussion of the issues⁸ that

Our item-by-item consideration of each element of the multifaceted challenge to the Commission's conduct of its first task constituted by Ground 4 leads to the conclusion that this ground has not been made good.

And

[W]e were impressed by the breadth of analysis and verification underlying the Commission's market definition, and by the number of separate conclusions which all pointed to the same outcome.

3.30 Following paragraph 2.37 of the CCM's market definition Guidelines, the CCM regards the UKCC's analysis and findings as being highly relevant to its own investigation of insurance bundled with credit products.

Identifying the correct product market definition

3.31 At this stage in our investigation, the CCM has not reached a conclusion on which of these two possible market definitions - a 'housing loans market' or a 'point of sale' market - is correct. The market definition is very closely bound up with the assessment of market power.

3.32 If customers 'shop around' for insurance, comparing the bundled credit and insurance offers of different credit providers, so that the right market definition is 'the housing loans market' then few credit providers are in a monopoly situation within the meaning of the Act. If on the other hand insurance is effectively merely an 'add-on' that customers do not consider, and there is no competition at the point of sale, then most if not all credit providers are in such a monopoly situation.

⁶ Case 1109/6/8/09 Barclays Bank PLC v Competition Commission, available at <http://www.catribunal.org.uk/237-3732/1109-6-8-09-Barclays-Bank-PLC.html>

⁷ Transcripts of the Hearings are available on the CAT web site, linked above. Barclays sets out its case on market definition on Day 2.

⁸ http://www.catribunal.org.uk/files/Judg_1109_Barclays_16.10.09.pdf

3.33 At this stage, we find the UKCC's analysis highly convincing. We do not expect to replicate this analysis in Mauritius, but we will consider carefully whether competitive conditions in Mauritius differ significantly from the UK in a way that invalidates the UKCC's findings for Mauritius. We therefore particularly welcome submissions providing evidence that, for example:

3.33.1 Customers for housing loans in Mauritius compare the combined credit and insurance cost of housing loans in a way that customers in the UK do not; or

3.33.2 Credit providers in Mauritius take more account of one another's combined credit and insurance offerings than do credit providers in the UK; or

3.33.3 Circumstances in these markets have materially changed since the UKCC conducted its analysis; or

3.33.4 Mauritian competition law, and the meaning of 'market' within that law is materially different from the concepts the UKCC was applying under British competition law; or

3.33.5 In any other way the UKCC's analysis of payment protection insurance, particularly that offered with housing loans, is not relevant to the CCM's assessment of insurance offered with housing loans in Mauritius.

3.34 Unless it receives convincing arguments for not following the approach set by the UKCC in its PPI investigation, the CCM at this stage expects to adopt a 'point of sale' market definition, under which most banks or other providers of housing loans are likely to have a 100% market share and are therefore likely to be in a monopoly situation within the meaning of the Act.

Geographic Market

3.35 The appropriate geographical market seems self-evidently to be 'Mauritius' as we would not expect significant numbers of customers to seek housing loans from banks without a presence here. Nor should the geographic market be narrower, as a housing loan is a significant decision for which customers might be expected to travel within Mauritius, were the best deal not available locally.

3.36 Our view at this stage is that the geographic market is 'Mauritius' (including Rodrigues).

4. The Competition Act and the CCM Guidelines

The Monopoly Situation

- 4.1 As per Section 46 of the Act, for a monopoly situation to exist, the Act sets a threshold of 30% of market share or provides that a monopoly situation exists where 3 or fewer firms together hold more than 70% market share. However, being in a monopoly situation is not in itself a breach of the Act. The CCM will review such a monopoly situation where it has reasonable grounds to believe that the monopolist is “engaging in conduct that has the object or effect of preventing, restricting or distorting competition or constitutes exploitation of the monopoly situation”.
- 4.2 The CCM will also take into account the factors listed in S46(3)(a)-(d) when reviewing a monopoly situation.
- 4.3 CCM 4: Monopoly Situations and Non-Collusive Agreement is the relevant Guideline document for this issue.
- 4.4 Paragraph 2.1 (b) of CCM 4 provides that: “To take action, the CCM must find that the conduct of an enterprise in a monopoly situation restricts, prevents or distorts competition or otherwise exploits the monopoly situation.” Moreover, the CCM will take into account whether the conduct has or is likely to have “an adverse effect on the efficiency, adaptability and competitiveness of the economy of Mauritius, or are likely to be detrimental to the interests of consumers”⁹

Tying and Bundling

- 4.5 Tying and Bundling is described as a potential exclusive abuse in CCM 4. There is a tying “where a supplier makes the supply of one product (the ‘tying product’) conditional upon the buyer also buying a separate product (the ‘tied product’)”¹⁰
- 4.6 As CCM 4 notes:

Tying and bundling are normal business practices that are not by any means necessarily anticompetitive. Many products are sold jointly, or in varying combinations. Indeed, in a sense all products are ‘bundles’. It would be inefficient and unworkable to try to prohibit cars being sold as ‘bundles’ of engine, body, wheels and tires.

However, in some cases bundling might be used anti-competitively. If an enterprise has market power in the sale of one product (for example a 100% market share), but sells another in more competitive markets, then it might ‘leverage’ market power to reduce competition in the second market. To the extent customers have to buy the monopolized (tying) product, they are forced in effect to buy the other (tied) product, reducing the sales of competitors for that second product. This is not in itself anti-

⁹ See CCM Guideline 4 Para 2.1

¹⁰ See Competition Law, Richard Whish, 6th Edition, Oxford, 2008

competitive. However, if this irreparably damages those competitors or forces them out of the market, this might damage competition itself and therefore be regarded as anti-competitive foreclosure.

4.7 If competition in offering insurance is in some way excluded because of credit providers' market power in offering credit, then this could constitute a breach of the Act.

Assessing effect on competition

4.8 The CCM will therefore assess whether as a result of exclusion, competition is prevented, restricted or distorted in the sale of insurance with housing loans. In short, it will assess what, if any, competitive pressures there are on the cost of insurance offered by credit providers. This could include, among other things:

4.8.1 Competition from other credit providers for the 'package' of insurance and credit (which will be heavily influenced by the CCM's conclusions on market definition);

4.8.2 The ability of consumers to choose between alternative insurance products at the point of sale (i.e. after having chosen a credit provider);

4.8.3 The ability of consumers independently to source insurance, for example by assigning an existing insurance policy to the credit provider; and

4.8.4 The effectiveness of the credit providers themselves in using competition to secure insurance on the best possible terms for their customers.

4.9 In assessing the options available to customers under paragraphs 4.8.2 and 4.8.3, the CCM will consider whether customers can easily take these options, and whether they actually do. Consumers of financial services often face difficulties in understanding and acting on the options available to them. It would not be sufficient for customers to have a legal right, or a technical ability to turn to alternative products if in practice it is difficult for them to do so. Effective competition requires that customers have a real choice, and that their threat to use that choice is credible. The CCM will therefore be particularly interested in examining what customers *actually* do as well as understanding what they *can* do. The way in which credit providers present and explain options to customers will be highly relevant to this assessment.

4.10 Paragraph 4.8.4, above is worth exploring in more detail. It is not necessary for the end-consumers themselves to be given choice of insurance products, for competition to work effectively. If credit providers select a 'partner' insurance company by assessing which offers the best deal to consumers, for example by charging the lowest premiums, then competition may be effective in this market.

4.11 The CCM is concerned that, on the contrary, the nature of the commercial arrangements between banks and insurance companies might not act to secure the best deal for customers. In some cases, banks might be favouring insurance companies with which they have institutional links.

In others, the bank might receive a commission on the sale of insurance. The CCM would be very concerned if such commissions increase with the cost of insurance, so that banks have an interest in maximizing the price paid by the consumer for insurance, instead of minimizing it.

4.12 We will investigate all of these issues in our ongoing investigation.

Summary of the CCM's concerns

4.13 It is important not to become confused by the technical complexities of the products on offer in the financial sector, or indeed the complexities of competition analysis.

4.14 Whatever the details and the mechanisms, the CCM's over-riding concern is that there may be very little competitive pressure on the cost and other conditions at which insurance is sold, when offered together with a housing loan. If there is no competition, it is unlikely that consumers will be getting a good deal. As paragraph 2.26 of CCM 4 states¹¹:

The CCM takes the view that, in most markets, free competition is an effective guarantor of the interests of consumers and is likely best to promote the efficiency, adaptability and competitiveness of the economy of Mauritius. Significant weakening of competition will therefore have adverse effects. Consequently, if the CCM finds evidence of behaviour that is preventing, restricting or distorting competition, on the part of an enterprise with market power, in a monopoly situation, it will normally expect that such behaviour will have one, or all, of the adverse effects referred to above.

4.15 Parties to this investigation who believe that no action by the CCM is warranted should make submissions that address the following question: "What – if anything – provides a competitive constraint on the price and terms at which insurance is offered with housing loans?"

4.16 At this stage the CCM has not formed a view as to the answer to that question. It has no preference for one competitive mechanism over another. However, if there is no convincing evidence that there is effective competition, then credit providers have market power, are offering insurance under conditions of monopoly and may be excluding potential competitors. The CCM would then consider whether this conduct leads to adverse effects under S46(3)(d) of the Act, and if so what the appropriate remedies might be.

¹¹ See CCM Guideline 4 Para 2.26,

5. Preliminary Findings

5.1 The CCM is considering two possible market definitions¹², the 'housing loan market' and the 'point of sale advantage'

The Housing Loan Market

5.2 If this market definition is adopted, the MCB, SBM and HSBC together appear to exceed the 70% market share threshold specified by Section 46(1)(b) of the Competition Act.

The Point of Sale Advantage

5.3 If this market definition is adopted, than all banks are in a monopoly situation, as at the point of sale they have a 100% market share.

5.4 Preliminary findings for each of the 12 banks involved in the investigation for the year 2010 are as follows:

[~~S~~ - Commercially Sensitive Information]

5.5 On a general basis, the CCM finds that for some banks, there is a wide spread of life insurance policy/DTA across the different insurance companies in the sector. But, for certain banks such as [~~S~~ - Commercially Sensitive Information], the life insurance policy/DTA taken by customers seem to favour one or two particular insurance companies.

¹² See para 3.9 above

Chart 1: Number of housing loan customers taking a Life Insurance Policy/DTA from the different insurance companies

[X-Commercially Sensitive Information]

NON-CONFIDENTIAL VERSION

6. Summary of questions for respondents

6.1 The CCM welcomes submissions to its investigation, by interested parties, whether those parties are credit providers, insurance providers, consumers or others. Submissions will have more weight if they provide evidence, for example on actual outcomes or consumer decisions, rather than opinions. The CCM will take account of submissions on any topic, but particularly welcomes evidence relevant to the issues discussed in this report. We summarise the key questions below for convenience:

6.1.1 Should the CCM, in assessing the relevant market, follow the analysis carried out by the UK Competition Commission of insurance offered with credit products (including housing loans)? If not, what specific circumstances make it inappropriate to apply the same conclusions in Mauritius?

6.1.2 Should insurance companies offering housing loans be included in this investigation?

6.1.3 Should the Mauritius Housing Corporation be included in this investigation?

6.1.4 Do customers take account of the cost of insurance when considering competing options for taking a housing loan?

6.1.5 Do customers have an effective choice of insurance products when they have selected a housing loan provider?

6.1.6 Do customers always have the ability to assign an existing insurance product to a credit provider, to satisfy the requirement for a housing loan to be made?

6.1.7 Are customers ever unduly influenced by the way in which credit providers explain their options for insurance?

6.1.8 What incentives do credit providers have to secure the best deal for their customers when selecting which insurance products to offer?

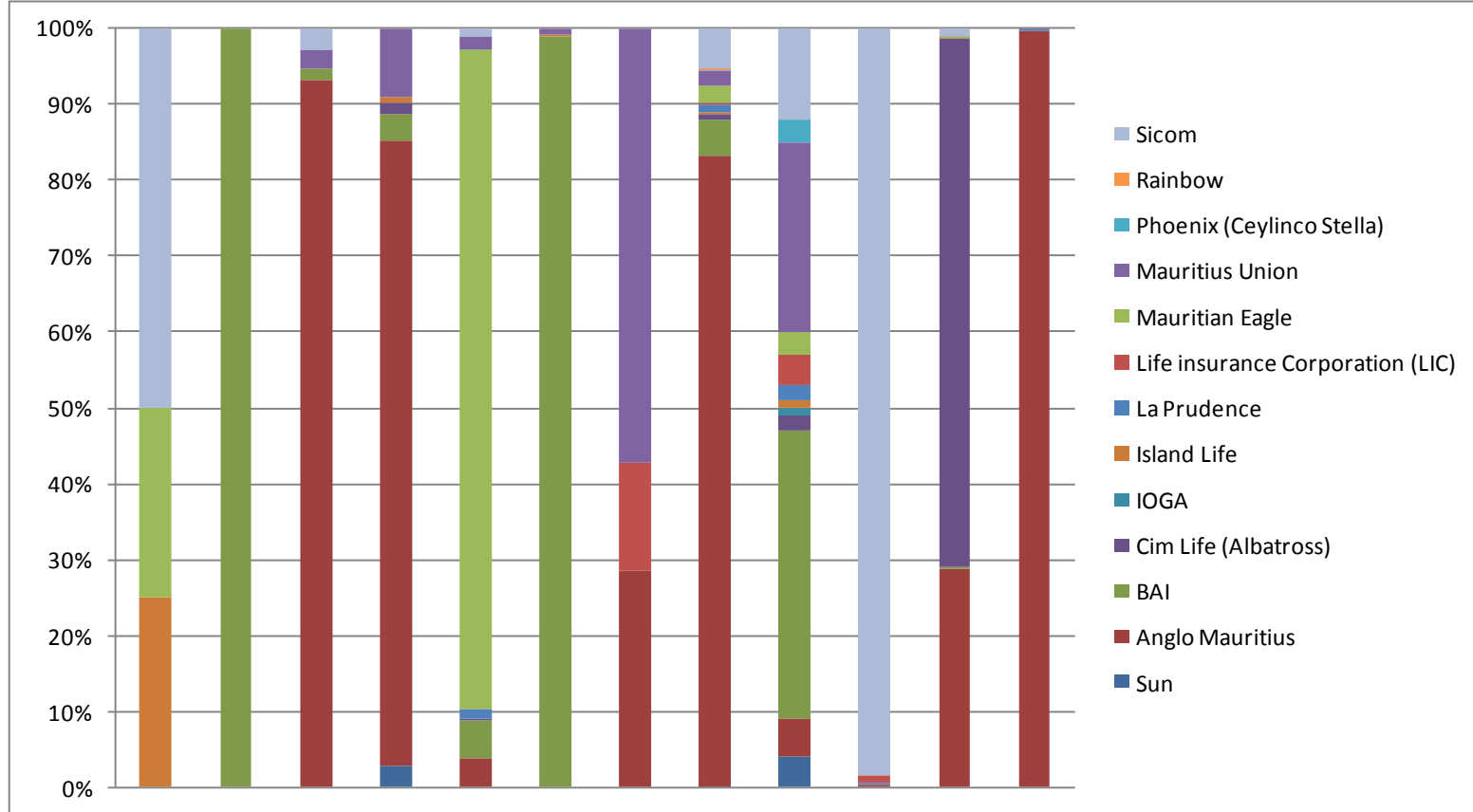
6.1.9 Do commissions or other commercial terms induce credit providers to steer customers towards more expensive insurance options?

6.1.10 Overall, what – if anything – provides a competitive constraint on the price and terms at which insurance is offered with housing loans?

6.2 Although this is a very early stage of the CCMs' investigation, we also welcome suggestions as to what remedies, if any, the CCM could adopt were it to find a breach of the Act.

ANNEX

Chart A: Percentage of housing loan customers taking a Life Insurance Policy/DTA from the different insurance companies¹³



Source: Data from respective banks

¹³ The bars represent the percentage of housing loan customers taking life insurance policy/DTA from the different insurance companies for each bank. The total volume of housing loans varies significantly among the banks. To preserve the commercial confidentiality of the banks, only the percentage has been disclosed and identities of the banks have been removed.

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