



1st Floor, GM Tower
7 Maupin Street
Port Louis
Tel. No. 211-2005
Fax No. 211-3107
E-mail: info@ccm.mu

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MEDIA RELEASE

Competition Commission publishes concerns about insurance sold together with housing loans

The Competition Commission has today published a Statement of Issues as part of its ongoing investigation of insurance offered by banks together with housing loans. The investigation, which began last August, is still in its early stages. No conclusions have been reached and the Competition Commission is still gathering evidence. The “Statement of Issues” is a way of summarizing the investigation at this early stage, giving some early views on the basis of initial evidence gathering and raising questions and possible concerns.

John Davies, Executive Director of the CCM, said:

“We are publishing this statement of issues so that members of the public and any other interested parties can comment on the issues we have raised. It is not by any means the conclusion of our investigation. We will continue to gather evidence, to listen to the views of banks, consumers and other interested parties, and will only then put together a final report for the Commissioners. We want to promote a debate on these issues, to gain further evidence to improve our understanding of the market.”

The Statement of Issues, which was previously released to the banks under investigation, sets out some preliminary evidence about the operation of this market. Banks and other credit providers often require that customers taking out a housing loan also possess life insurance. Customers are given an opportunity to take out life insurance at the same time as they take out a loan, the bank providing one or more options from insurance companies.

The CCM obtained information on which insurance company provided the insurance for housing loan customers of each bank. For some banks, the customers are spread across a number of insurance companies. For other banks, the customers are heavily concentrated on one or two insurance companies. The CCM is investigating whether this reflects a lack of choice and competition.

The Statement of Issues also raises concerns about the commercial relationship between banks and insurance companies for these products, raising the questions:

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

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

John Davies said:

"Today's published statement raises a number of questions that we are continuing to investigate. The overall question is to ask 'What – if anything – provides a competitive constraint on the price and terms at which insurance is offered with housing loans?' We have not yet reached any conclusions. We look forward to discussing these issues with the banks and other interested parties, and I particularly encourage customers to get in touch with the CCM to tell us about their experiences in taking out housing loans. Our investigation continues."

The report is available at www.ccm.mu

Notes for editors:

1. The Competition Commission of Mauritius was established in 2009, to enforce the Competition Act 2007. After the Act came into force in November 2009, the CCM launched its first investigations. Two have so far been completed, with six more currently ongoing. The CCM has a target of completing 8-10 investigations per year over the next three years. In addition, the CCM conducts 'enquiries', under which it examines markets without launching a formal investigation.
2. This investigation concerns a possible breach of the 'monopoly situations' section of the Competition Act 2007. There would be a breach if the Commission finds that one or more credit providers are in a monopoly situation and that their behaviour has the object or effect of preventing, restricting or distorting competition.
3. In this case, the concern might be that competition is restricted or distorted by insurance being offered as a 'bundle' to customers, together with a housing loan.
4. If banks or other credit providers are in breach of the monopoly situations provisions of the Act, the Commission has strong powers to remedy the situation, for example by directing that they change their practices. There are no financial penalties possible for breaches of this provision of the Act. Under Mauritian competition law, only cartels and other collusive agreements between companies are liable to financial penalties.
5. Under the Competition Act, it is for the Executive Director and his staff to investigate and report to the Commission for a decision. It is expected that the Executive Director will submit his report on this case in September 2011. That report will also be made public, as will the Commission's final decision, due by January 2012.

6. Certain confidential material gathered from the parties to the investigation has been removed, or anonymised to preserve commercial confidentiality in this public version of the report. In particular, the CCM does not identify specific market shares of any bank, presenting this information in ranges only to the nearest 10%, and does not identify which banks' customers use which insurance company.