

## **Ford Motor Company Position:**

### **Private Motor Insurance**

### **Market Investigation**

#### **Executive Summary**

Ford Motor Company broadly agrees with the findings of the OFT. Ford has previously submitted evidence to the House of Commons Transport Committee, published in the Cost of Motor Insurance: Follow-up Report (HC1451).

For some time Ford has been campaigning against the steep rises in the cost of private motor insurance, driven by credit hire costs and personal injury (PI) referral fees.

Ford Motor Company set up Ford Accident Management (FAM) in 2011, a best practice model to test whether claims management could function efficiently without PI or credit hire referral fees. Ford's goals were to get customers back on the road with the minimum of fuss & inconvenience and to eliminate unnecessary costs. Ford believes that the results from this model have clearly demonstrated that the model works and could be used as a blueprint for the industry.

Please find below findings detailed in relation to OFT report's chapters/ point numbers.

*3.8 credit hire referral fees of £250-£400.* These fees are unnecessary. The FAM model works without credit hire referral fees. Where fees are paid in the industry Ford believes that this encourages the credit hirer to extend the hire period to recoup the additional costs.

*3.11 "Credit hire agreements also tend to run for longer periods than direct hire arrangements."* FAM non-fault customers have driven their direct rental vehicle for half the industry average period. This supports Ford's assertions and the OFT's findings that repairs are delayed to boost credit hire periods (see table in relation to 6.8 below).

*3.12 as 3.11,* Ford Accident Repair Centres and the repairer community in general routinely report that their customers are inconvenienced by unnecessary delays preventing the driver from collecting their repaired vehicle by credit hire organisations

*4.8 repairers are routinely offered referral fees from insurance companies/ brokers.* Our model pays no referral fees yet the network repairers have advised customers to contact FAM.

4.15 FAM charges the same rates for non-fault and at fault repairs

4.17 Issue of control would be addressed by using the FAM model, one central point deals with fault and non-fault customers' repairs the same

5.14 The FAM model charges at fault insurers General Terms of Agreement (GTA) rates less 15%, Ford believe that the rates set are too generous to hire providers. Reduced daily rates and fewer days rental provide substantial savings to insurers.

6.8 table- **(final row with the FAM model added as a comparison)**

Arrangement of replacement vehicle for not-at-fault drivers controlled by-	Average daily hire rates	Average hire period	Average cost of hire*
Insurer of the at-fault driver	£39	14 days	£530
Insurer of the not-at-fault driver	£59	19 days	£1090
<b><u>FAM (or potential central hub)</u></b>	<b><u>£34.25</u></b>	<b><u>8.7 days</u></b>	<b><u>£298</u></b>

\*the FAM model does not have any additional costs to insurers, i.e. the £250-£400 referral fee mentioned in the report. N.b. vehicles hired are Ford vehicles compared to the report which includes premium marque vehicles

6.10 average repair costs in the report are £1,530 for not at fault insurer and £1,375 for at fault insurer. FAM average repair cost running at £1,141 for both at fault and non-fault insurer.

## **7 Potential Remedies**

7.5 *ban on referral fees*- Ford agrees, there is no need for hire vehicle referral fees as our model has shown

7.10 *controlling costs passed on*- remedied by implementing a central hub using FAM model claims management

7.22-7.24 explore alternative models but as stated these involve wholesale changes to legislation/ the insurance model

## The Ford Accident Management Model Solution

- Customers directed to call a central hub which mirrors the FAM model
- Customers are not solicited to make a PI claim and no PI referral fees are paid or received
- Customer directed to an appropriate repair centre
- At fault customers given a repair centre's courtesy vehicle
- Non fault customer put in to a like-for-like category direct hire vehicle (non-fault customers should not be inconvenienced by an accident)
- Insurance company of the at fault driver pays the bill

FAM asks customers if they are injured as a duty of care but does not solicit PI claims. No customer has asked to make a claim, if they did we would direct them to the at fault insurer.

The FAM model has already facilitated repairs vehicles for drivers insured by 75 different insurance brands.

Ford respectfully request that the FAM model be considered as a potential blueprint for claims management. Ford is more than happy to discuss and share all aspects of the model and help other companies adopt. Alternatively or a central programme could be established and all insured drivers report claims to this central "hub".

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