

# *SCOTTISH TECHNICAL SERVICES*

## AUTOMOBILE ENGINEERS AND CONSULTANTS

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Inquiry Manager  
Private motor insurance market investigation  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

15<sup>th</sup> October 2012

Dear Sir/Madam,

REF: Private Motor Insurance

I refer to the upcoming investigation into the private motor insurance industry and wish to take this opportunity of expressing some concerns that affect the assessors industry, mainly through restrictive practices operated by insurance companies and the CHO.

Basically, engineer's fees have been restricted by insurers and the CHO to a point where it is financially unviable for engineers to operate effectively in their business. This practice results in higher repair costs being incurred by the insurer, the additional costs then being passed onto policyholders in the form of increased premiums.

Good, effective engineering is essential in the motor vehicle repair industry as engineers can, when given the opportunity and time to examine cars, make the correct decisions regarding the repair method and invariably make considerable savings on the repair budget. Desktop engineering, where costs are agreed with repairers after the damage has been viewed in images, does not provide an accurate means of ensuring that repair costs are accurate, therefore leakage is a factor in repair costs escalating over the appropriate value.

The true extent of accident damage can only be accurately assessed through visual examination of the vehicle and any other form of 'desktop' evaluation is usually only agreeing what has been estimated by the repairer with, perhaps, a token reduction in costs to justify the engineer's existence. This is not a practice that effectively polices the industry or controls repair costs to their correct level.

Whilst there are currently several bodies that engineers subscribe to, none are directly involved in the regulation of the actual industry, nor are they

prepared to give any back-up to engineers in their quest to negotiate a fair fee in respect of the work undertaken. The CHO is particularly stringent in restricting fees to £50.00, a practice that has a knock-on effect through insurance companies and is a value that is insufficient to allow the engineer to be effective in his job. This is particularly prevalent in Scotland where insurers want vehicles examined anywhere in the country for the same restricted fee.

The expense incurred in fuel costs where engineers have to travel literally hundreds of miles to undertake examinations makes the matter even worse where fees are restricted.

I believe that there should be some industry standard whereby engineers work to a code of conduct in order that all engineers are working to the same standard and that remuneration is commensurate with the work involved.

Whilst assessors are undertaking work on this restricted fee basis, more and more engineering firms are closing and 'new blood' is not filtering into the industry. This effectively means that, very soon, there will be a lot fewer engineers to undertake what is seen as an essential part of the insurance industry. This will be particularly true of engineers in Scotland.

I believe that, if there is greater utilisation of engineers by insurers at reasonable fees, the benefits would soon be shown in driving down repair costs and this would be reflected in reducing policy premiums.

I feel that this is an aspect of the industry that is affected and that this may well be the opportunity of addressing the issues or at least making you aware of the current problems being experienced by engineers such as ourselves.

If I can offer any further input or information, please do not hesitate to contact me.

Yours faithfully,

Lindsay Craig  
Director.