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The Competition Commission  
Private Motor Insurance Investigation Team  
Victoria House  
Southampton Row  
London WC1b 4AD

Wednesday, 9th January 2013

RE: Response to Statement of Issues

Submitted by EMAIL.

Dear Sirs,

I write in response to your publication of the Statement of issues on the 12<sup>th</sup> December relating to the on-going Private Motor Insurance Market Investigation.

Kindertons are an established Credit Hire Operator (CHO) although we can quite easily be referred to as an Accident Management Company (AMC), we operate within the claims sector and have provided a range of services and products for the past fifteen years. We have a broad range of work providers which include:

- Insurers
- Insurance Brokers
- Bodyshops
- Solicitors
- AMC's
- Direct referral/past clients

The focal point of our business model is to provide assistance to motorists who have been involved in an accident which was not their fault although we also provide full FNOL (First notification of loss) service to a significant number of brokers, this both reduces internal administration costs for the Broker whilst also providing an enhanced and professional claims handling service to their clients. As you are aware a consumer has rights under tort law to be entitled to be put back into the same position prior to an accident and I believe that this underlining factor must not be lost in your investigation, the client's rights must be protected and any remedies put forward must maintain this principle.

I would like to raise my own observations both in response to your recent issued document and previous discussion papers, we have also been asked to submit further data as part of your request for detailed information and so a more comprehensive response will be included with that submission.

### ***The Rising Cost of Claims – Credit Hire?***

Within the initial OFT investigations an average figure of £10 per policy was stated as being attributable to Credit Hire. It is also accepted that a further £50 per policy is attributable to fraud within the industry, which has the bigger impact both financially and morally to the industry? According to recent findings by the AA and Confused.com the average insurance premium has fallen over the last 12 months to a figure in the region of £750-£850, so the £10 cost of credit hire represents between 1.1-1.3% of the premium. The question needs to be asked that if the concept of credit hire was not available what would be the impact on the consumer?

There is no question that insurance premiums are affected by the cost of claims but I do not believe that Credit Hire is the root cause of this. Insurers state that they have no control over the cost of non-fault claims but this is simply not true. The GTA (General Terms of Agreement) has been an integral mechanism in bringing Insurers and CHO's together since its inception over ten years ago, the fact that 75-80% of claims actually go through this protocol suggests that Insurers do have control of non-fault claims and can certainly influence the true cost. CHO's have to adhere to a strict set of timeframes in terms of reporting, engineering and monitoring, in response insurers have timeframes to pay the submitted claims, anything paid in excess of thirty days will incur penalty charges which increases after sixty days and then after ninety days litigation can begin with yet more considerable additional costs. We believe that we have excellent working relationships with insurers and yet we will still see only xxxx of claims being paid within the initial thirty days in 2012, as a result interest is charged on the remaining xxxx with some claims obviously having to be litigated thus resulting in further un-necessary costs.

Work is underway to design an extension to the GTA through a claims portal similar to the Personal Injury system which would include a series of targets and tolerances, we already have similar systems in place with certain insurers where an IT platform has been provided by a third party and they have produced encouraging results. The key to these portals is the reduction in frictional costs to both parties through the process being more automated and removing the requirement of large claims department resources. The added benefit with this process is in theory payments can be authorised and made on time thus reducing significant un-necessary penalties and legal costs. In our opinion the GTA has been a significant and positive impact upon the industry and with the adequate investment and due diligence it could clearly provide many answers to the current conundrum.

### ***The True Potential Cost to the Consumer...***

Throughout this review it is of course not just the financial implications which should be examined, the far reaching impact on the consumer's rights should not be ignored. It is worth remembering that the Credit Hire Industry began due to the lack of assistance offered to consumers who had been involved in a non-fault accident. Although common law dictated that you are entitled to be placed back into the same position as before an accident it was almost impossible to receive any help or

guidance from the at-fault insurer. Hence the concept of Credit Hire was created with not only the focus of providing a mobility solution after an accident but also to provide the support, advice and assistance in formulating and raising a claim for all related uninsured losses incurred as a result. The role of the CHO therefore is not simply the provision of a replacement vehicle, from the initial reporting of a claim a typical journey would be as follows:

- XXX
- XXX
- XXX
- XXX
- XXX
- XXX
- XXX
- XXX
- XXX
- XXX

As you can the service provided by a CHO is extremely comprehensive, we are actually representing the client to ensure their rights are protected and to minimise any disruption to their normal day to day life, without our assistance would the family with three children which require a larger car or the Taxi driver who drives a people carrier have the same protection? I fear the answer would be a resounding no. It seems that Insurers preferred remedy is for them to have full control over the cost of potential claims, this in itself is surely a conflict of interest as cost will always triumph over service levels provided to a claimant. To further discuss this point it is worth examining how many claims an insurer would actually be willing to assist in from day one, our statistics show that in the calendar year of 2012 only xxxx of claims had an admission of liability from a third party insurer within the first seven days, the majority of these would also be due to our initial investigation of the claim, even if this figure was to remain then there would be xxxx of claimants where potentially no offer of mobility would take place, hardly an improvement on the current system.

### ***In Summary...***

We have been asked to provide further detailed information as part of the Commission's on-going investigation and the area's I have highlighted above will be evidenced with accurate empirical data. The key points I believe which need to be considered are:

- There are definitely costs which can be removed from the claims process
- The majority of these costs are currently being incurred un-necessarily
- We believe that if there is a significant change of process regarding the separation of cost liability and cost control, the Consumer will be the one to suffer both financially and most importantly through the removal of their current legal rights
- The remedy which we would encourage is the further development of the GTA proposed portal, if constructed and managed correctly there would be a significant reduction in frictional costs for both Insurers and CHO's

- Future remedies must also include a concerted effort to deal with the growing issue of fraudulent claims, this carries a far greater risk to the Industry than Credit Hire as evidenced by the ABI's own admission of an estimated £50 per policy. A unified approach with the sharing of data needs to be reviewed with the introduction of far greater penalties for those found to be involved in such activities

If I can be of any further assistance throughout this process please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Shaun Ellison', with a stylized flourish at the end.

Shaun Ellison

Managing Director