

## PRIVATE MOTOR INSURANCE MARKET INVESTIGATION

### Summary of hearing with WNS held on 30 July 2013

#### General

1. WNS told us that it was a global business that specialized in outsourcing business processes, with WNS Assistance the division specializing in claims management. Operating on behalf of UK insurers, brokers fleet operators and intermediaries, it worked to control indemnified costs and in ensuring the maintenance of service levels. Services provided by the company included repair management, credit services, third party claims management, subrogation claims and intervention on third party claims.

#### Post-accident services

2. WNS said that becoming a preferred provider for an insurer or broker in the provision of a temporary replacement vehicle (TRV) or repairs was very competitive. [REDACTED].

#### Post-accident repair services

3. WNS suggested that competitive power meant that it was able to get a [REDACTED]. Retail rates for repairs stood at approximately £41 per hour in terms of labour rates. [REDACTED].
4. Volume based discounts [REDACTED]. Major customers included [REDACTED].
5. WNS explained that it operated an audit procedure for all its TRVs to ensure that any hire duration was appropriate. As a US-listed company, WNS had to abide by the Securities and Exchange Commission rules which meant that all revenue had to be properly accounted for.
6. Credit hire and credit repair represented a [REDACTED] WNS's overall business.
7. In terms of write-offs, WNS preferred to repair if possible on non-fault claims. The customer often wanted the vehicle back, particularly as many tended to be lower-value vehicles where any money received would be insufficient to buy a comparative replacement. It was also easier to control a repair period than to wait for any third party insurer to send payment which tended to lengthen the hire period and lead to greater leakage of costs.

#### Post-accident TRV services

8. The fault insurer could influence the length of the repair through monitoring and through their quality control process for assessing credit hire pack values. This was because the third party insurer would be likely to reject any unjustified hire costs. [REDACTED].
9. We were told that the GTA was not really a constraint but it gave some certainty about what could be recovered for each grade of vehicle, and set rules regarding what was acceptable and not acceptable practice.

10. Some insurers and credit management companies chose not to subscribe to the GTA. They probably viewed the GTA rate as too generous, and therefore wanted to negotiate on a case-per-case basis. However, some insurers left the GTA only to come back in when they realised that outside the GTA they had to deal with retail rates, which were not as competitive as the GTA rates.
11. The lack of bilateral agreements between insurance companies may be due to relationships with other insurers being of a competitive rather than a collaborative nature. Such bilateral agreements would not result in the end of credit hire companies (CHCs) but could impact on referral fees since bilateral arrangements take some of the revenue out of the system.
12. The average duration of hire was longer for non-fault claims management company (CMC) claims because CMCs tend to have a minimum number of days they will do a credit hire for. It is simply not economically viable to pay the referral fee demanded by the insurer and have a credit hire for fewer than [X] days. Also, the level of damage to the vehicle influences the duration of the repair and hence the duration of hire. WNS does not typically provide TRVs on claims involving minor damage to the vehicle.
13. WNS was not able to say whether a captured non-fault claimant received a lower level of TRV service than a non-fault claimant that it managed. However, WNS said that it was likely that a third party insurer would seek to keep its costs down which meant it would be unlikely to remind a customer of his or her rights.
14. WNS said that CMCs could influence the length of the repair duration but they knew that if they did not actively manage the repair duration they would not get paid because insurers could analyse the available data and identify when a repair was taking too long. CMCs were more proactive in their monitoring of repair durations and taking timely action.
15. A fault insurer could intervene with regard to non-fault repairs and the duration of hire by calling the non-fault party directly and offering them repair and mobility.

### **Supplier relationships**

16. The amount paid for paint was decided by the paint companies, usually, on an annual basis. They write to the estimating system providers telling them what their new cost per litre of paint is and this usually means an increase in price every year. WNS is not involved in that process. Repairers negotiated with paint companies directly and obtained a substantial discount on the amount they charged insurers for the paint. [X].
17. WNS did not dictate the particular paint company that its repairers must use [X].
18. The quality of the paint purchased was important to WNS because it offered a warranty for [X] after the repair.

### **Northern Ireland**

19. Although WNS covered Northern Ireland, some of its insurer clients did not do much business in Northern Ireland and as such the number of vehicles for WNS to repair in Northern Ireland was limited.

20. WNS told us that in terms of the supply chain there was a limited choice of repairers in Northern Ireland which meant a much less competitive market in terms of the negotiable rates. [X].
21. WNS did not know why CMCs and CHCs had not taken hold in Northern Ireland, nor was it able to explain why brokers in Northern Ireland tended not to refer to CMCs in the same way as brokers do in Great Britain.