

## An Independent Accident Management Company comments on working papers

15<sup>th</sup> July 2013

### Competition Commission Investigation into Private Motor Insurance

I thought I should write as a relative new-comer to the Accident Management Industry to highlight my findings over the past 7 years, and, may I add my utter shock & horror at the tactics employed by the large Insurance Companies & worst still entertained & ignored by any worthwhile Authority's, trade bodies or so called Industry experts, & now it appears they may even be overlooked by the Competition Commissions Private Motor Investigation.

I felt compelled to write & try to place some relative clarity on the main reasons the costs escalate "post -accident" on non- fault PMI claims, & it has very little to do with the uplift in costs to fault insurers.

Allow me firstly to clarify your finding so far on what appears to be a "separation of costs", you'll find they occur largely on repairer labour rates, at this stage it important to note that the more realistic rates for labour are the higher non -fault rates. The rates large insurers have negotiated ( I prefer , dictated, coerced ,bullied and manipulated) with their so called "Approved Repairers" are too low & nearly all those repairers are struggling to survive, let alone make a realistic profit, this results invariably in corners being cut, poor service & minimum quality of repair. Repairers worry about work supply & therefore have little or no option but to accept these measly rates & cut their cloth accordingly, furthermore large insurance engineers are sent to make further cuts in the repair costs by reducing the labour hours identified for each section of repair, or insisting parts be repaired when in fact repairer preference would be to replace. They then address & cut materials, quantity of paint etc.

The consumer believes their insurers "Approved Repairer" is approved for a high standard of service and a quality repair, when the reality is that they simply accept a lower than average labour rate & allow manipulation of other associated costs far below what should be an industry standard.

Repairers choosing to employ labourers of a high standard cannot afford to work on these rates & choose to promote a better quality of repair & service without the large insurers , after all customers still have "Freedom of Choice " don't they?

This brings me to my second finding, certainly one up to now the Competition Commission I'm sure, are not aware of, or again I'm equally sure, would have by now addressed, vast numbers of consumers choosing their own repairer after either a fault or non-fault incident are again coerced at first, later bullied & as a last resort blatantly lied to by their insurer as to why they cannot use that repairer, I have known customers being called by their Insurers once their chosen repairer has submitted the repair estimate to be told "No" if they use that repairer they won't pay the repair bill and the consumer will become liable for it, they also advise they won't insure them in the repairers courtesy car. None of this is ethically or morally correct behaviour.

Repairers that are able to still convince a customer that this is not the case are still able to compete, however this brings me to my third finding, Aviva a very large insurer now "Doubles the Excess" if their insured does not use their Approved Repairer (of course this is in the very small print!)

I question this for 2 reasons:-

- 1) Is it fair Competition
- 2) Is it Legal!

Of late I have found this "Doubling of Excess" tactic being used by other insurers, even though it is not written in any print let alone "small" in customer's Policy Schedules. Now I ask how any business can compete with blatant lies....& is this a morally acceptable way to mislead consumers?? I hope you think not?! & I hope you would not support continued use or in fact an increased use by other insurers of this aggressive tool , that, if allowed to continue will most certainly lead to a lack of repairer competition & a long term moral hazard for consumers as I do not believe any of the above practise is done in the interests of the consumer or that it will result in eventual cost savings being passed onto the consumer through reduced motor insurance premiums. Once the costs of repairs are totally controlled by the large Insurers, with virtually no competition to challenge quality & service, trust me, these will be the only things to reduce from a consumer point.

If all the above is not taken into account when performing your investigation the independent market will diminish and large insurers Approved Repairers will not be able to cope with the volumes of work , their engineers will not be able to inspect within reasonable timescales and this will result in delays pre and during repairs causing inconvenience and distress to their customers and because the competition has all but been removed they will have no choice but to suffer these inconveniences.

If they also take control of the non- fault aspect I fear that either the victim or their own insured will suffer poor quality of treatment as lines are blurred between priorities?

That covers I feel "costs separation" which largely only appertains to the repairs, however the large insurers will have you believe the greater problem is "costs escalation" of hire costs associated with the replacement vehicles and that this is all due to Accident Management Companies or Credit Hire Operators and the like, charging ridiculously high daily rates that include the management fee's ( or admin costs).

Again my experience directly in this arena highlights that it is in fact insurers inefficiency that pose the bigger issues, and these occur for a number of reasons..

Failure to admit liability quickly enough and or  
Failure to process Total Loss Cheques quickly and or  
Failure to identify when hire might outweigh the Total Loss Cheque and failure to deal on a WOP basis to reduce hire whilst liability investigated and or  
Failure to process engineers reports quickly to assist with decision making on costs and or  
Failure to read the facts in some cases to grasp when a claim could be dealt with faster and or  
Failure to listen to the facts to make quicker decisions and or  
Failure to prioritise claims when in a backlog situation and or  
Insistence on monitoring the repair process which is monitored by any good CHO instead of dealing with back log and or  
Failure to settle before issue and incurring more costs when have to pull out of court proceedings later and or  
Failure to keep trained knowledgeable staff equipped to make all of the above decisions

Most rates of hire can be negotiated, (keeping costs down) any unrealistic hire periods exceeding proper managing of claims will be reduced ( keeping costs down) Good CHO's will manage a customer expectations on hire of prestige and performance cars (keeping costs down).

My fear if the large Insurers manage to reduce the hire rates drastically and bring about the demise of the competition, is that again we will be faced with yet more "moral hazards" and the loser will be the consumer... delays will occur as Insurers cannot cope with backlogs of claims currently when all

elements have already been managed for them, the conflicts will start when a large insurer insures both parties? There will be no rush to settle claims as an outstanding unresolved Non Fault claim remains on insured claims history and premiums will increase until resolved... meaning Insurers can temporarily increase premiums on both side of the claim and delay resolution whilst sitting on these increased funds???

I worry about the valuations of "Total Losses" and in turn the "Salvage Values" if an insurer controls the non fault claim, I feel without Independent competition the consumer may find more and more compulsory admin charges being levied as part of the norm!

My surprise learning since joining this industry and seeing the workings of the wider Insurance World is that the large Insurance Companies seem to hold so much power and get away with business tactics that would not be tolerated in any other business sector, they manage to exclude any long terms attempts by smaller Independent well run businesses to compete fairly and prefer to blame anyone but themselves for a big percentage of rising costs, due to mis-management, poor training , high turnover of staff and deliberate obstructive business methods.

They seem surprised yet incensed that Accident Management Companies should include their management fees as a small percentage of charges, but if they handle a claim for a insured customer they increase the premium next review, isn't a percentage of this to cover their operating costs? But that seems acceptable, it's just for outside of the industry that they feel it needs a rules change!