

**CIS GENERAL INSURANCE LIMITED**

**Market Investigation into Private Motor Insurance**

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**Observations  
on the  
MSX International Vehicle Inspection  
Programme Report**

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**18 November 2013**



## CIS GENERAL INSURANCE LIMITED

### OBSERVATIONS ON THE MSX INTERNATIONAL VEHICLE INSPECTION PROGRAMME REPORT

- 1 These observations are made by CIS General Insurance Limited ("**CISGIL**") on the MSXI Vehicle Inspection Programme Report (the "**Report**") commissioned by the Competition Commission (the "**Commission**") from MSX International ("**MSXI**"). The Report was commissioned in order to inform the Commission's assessment of Theory of Harm 2: separation of the procurer and beneficiary of post-accident repair services.
- 2 In summary, CISGIL considers that no definitive conclusions can be drawn from the Report, given: the very small sample size; the non-representative nature of that sample; and a number of other methodological difficulties with the inspection programme undertaken by MSXI. The Report's conclusion that a significant proportion of repaired vehicles are not returned in pre-accident condition is in contradiction to both, first, the Commission's own consumer survey evidence (as set out in the IFF Research Working Paper and the related working paper "Theory of Harm 2: Analysis of the results of the non-fault survey in relation to underprovision") and, second, CISGIL's own experience, which has been provided in evidence to the Commission.
- 3 CISGIL welcomes the findings made by MSXI that: (i) the quality of repair did not differ where the vehicle is repaired by the at-fault insurer or the non-fault insurer (so confirming that "captured" repairs managed by a fault insurer are not carried out to a lower quality than non-fault claims or own customer fault claims);<sup>1</sup> and (ii) that in no case were repairs found to result in a repaired vehicle not being roadworthy.<sup>2</sup>

#### **The survey results set out in the Report are not consistent with CISGIL's own experience**

- 4 CISGIL is unable to comment on the observations made by MSXI in relation to repairs managed by it: MSXI examined only [REDACTED] vehicles for which CISGIL was responsible for managing the repair and the claims in question are not identified in the Report. [REDACTED]. Equally, as the MSXI study covered repairs managed by numerous insurers and the results are aggregated in the Report, CISGIL cannot comment in detail on the overall findings made.

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<sup>1</sup> MSXI Report, slides 15 to 18.

<sup>2</sup> MSXI Report, slide 42.

- 5 CISGIL is extremely surprised by the results of the MSXI vehicle inspection programme, both as regards the proportion of reported sub-standard repairs (by reference to the vehicle not being restored to its pre-accident condition)<sup>3</sup> and the proportion of claims in which post-repair rectification work was necessary.<sup>4</sup> These findings are in contradiction to CISGIL's own experience of repairs carried out by its approved repairer network, including the results of its own monitoring of its approved repairer network and independent customer surveys.
- 6 CISGIL is consistently ranked highly amongst insurers for customer satisfaction, including for the standard of repairs carried out by its approved repairer network. All repairs are undertaken in accordance with industry specifications. Repairs undertaken by CISGIL's approved repairer network are subject to regular quality inspections. It is notable that all repairs managed by CISGIL are undertaken using common standards and procedures: no distinction is made between non-fault, fault and split-liability claims and the repairer is ordinarily unaware of the liability status of the underlying claim.
- 7 CISGIL would make the following particular observations:
- (a) members of CISGIL's approved repairer network provide high quality repairs. All members of CISGIL's approved repairer network are required to have (or be working towards) the British Standards Institute PAS125 accreditation. PAS125 accreditation ensures that a level of consistency and quality is maintained within the vehicle repair process, including the supply and fitting of parts. This in turn ensures that repairs meet the necessary safety standards, which is critical from a customer perspective. Approved repairers are also required to use the Audatex estimating platform and suitable repair methods manuals (for example Thatcham E-scribe) to ensure that vehicles are repaired to the correct standard.
  - (b) CISGIL ensures that repairs undertaken by its approved repairer network are subject to regular quality inspections. The monitoring and auditing of CISGIL's approved repairer network is managed by a dedicated audit team [REDACTED];
  - (c) in 2012, CISGIL's audit team carried out [REDACTED] approved repairer audits across [REDACTED] locations. The results of these audits confirmed that [REDACTED]% of repairs were compliant with PAS125 requirements;<sup>5</sup>
  - (d) CISGIL guarantees repair work carried out by its approved repairers for three years. This indicates that a high quality standard of repair is undertaken in all cases and confirms that CISGIL has faith in the quality and longevity of the repair work of its approved repairers; and

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<sup>3</sup> MSXI Report, slides 15 to 18.

<sup>4</sup> MSXI Report, slide 21.

<sup>5</sup> See CISGIL's responses to questions 21 and 50 of the Commission's request for information of 1 February 2013.

- (e) CISGIL also subscribes to GIMRA's market benchmarking assessment (which covers about 15 of the major PMI providers) and is routinely ranked highly for customer satisfaction. [X].

**The results set out in the Report are not consistent with the Commission's own consumer survey results**

- 8 The Commission itself seems surprised by MSXI's findings,<sup>6</sup> not least because the results set out in the Report are inconsistent with the results of the Commission's own customer survey undertaken by IFF Research.
- 9 IFF Research found that nearly nine in 10 customers (both fault and non-fault) were satisfied with repairs, irrespective of who handled the repair,<sup>7</sup> including for captured claims. 88% of respondents to the Commission's IFF Research survey considered that their vehicles were in the same or better condition after accident repairs were carried out by their insurer. This evidence should not be ignored by the Commission.

**MSXI's survey has several methodological deficiencies that prevent any reliable conclusions from being drawn**

- 10 CISGIL agrees with the Commission's observation that the results of the MSXI survey should be "interpreted with care".<sup>8</sup>
- 11 However, CISGIL would go further. MSXI's survey suffers from a number of methodological deficiencies, including several selection biases, some of which the Commission itself has acknowledged.<sup>9</sup> As a result, the results of the survey cannot be relied upon and, additionally, do not provide the basis for any further investigation:
- (a) the sample of vehicles for inspection was very small. MSXI was provided with the details of only 360 claims out of a sub-sample of 13,000 claims in the original non-fault survey and carried out only 104 inspections in total. This represents less than 30% of the claims available to MSXI for inspection;
  - (b) the sample was neither random nor representative, whether in terms of the 360 claims passed to MSXI or in the 104 repaired vehicles which it actually inspected. MSXI was instructed to select cases where it felt it was able to assess pre-accident and post-accident repairs most effectively. MSXI could, self-evidently, inspect only vehicles with whom contact was made with the

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<sup>6</sup> See comments at points 9 and 10 of Slide B.

<sup>7</sup> See WP ToH 2: Analysis of the results of the non-fault survey in relation to under-provision, paras. 4 to 6.

<sup>8</sup> See point 14 of Slide B.

<sup>9</sup> Ibid.

owner or keeper (146 out of 360 claims)<sup>10</sup> and whose owner or keeper consented to an inspection (104 out of 146 with whom contact was made)<sup>11</sup>;

- (c) the sample was not representative in terms of geographical spread. In particular, there is a relatively high (and disproportionate to population size) number of repairs undertaken in Scotland (18) and Wales (21) and disproportionately low number of repairs undertaken in London (4) and the Midlands (1);<sup>12</sup>
- (d) the sample does not appear either to be representative as to vehicle age or to have considered or to take account of the age range of the vehicles being repaired. Older vehicles are often more difficult to repair, particularly when a paint match is required. The main reason identified by MSXI for a vehicle not being returned in pre-accident condition was paint finish (71% of the 45 vehicles deemed not to have been returned in a pre-accident condition).<sup>13</sup> A disproportionate number of older vehicles within the 104 repairs inspected may have influenced the findings. Vehicle age could explain the high number of repairs where panel misalignment was identified (40%) and the repair remained visible (40%);
- (e) the outcome of the inspections is based solely on the opinion of the relevant inspector. Whilst no doubt the inspectors are appropriately qualified and have sufficient professional expertise (and so are trained to assess repairs), any assessment relying on opinion will inevitably involve a degree of subjectivity, as MSXI themselves acknowledge.<sup>14</sup> Furthermore, and by definition, MSXI's inspectors did not (and could not) observe the actual pre-accident condition of the vehicles that they inspected; and
- (f) no account appears to have been taken of permitted repair tolerances in determining whether a repair was or was not of sufficient quality. For example, in the case of replacement panels being fitted, a tolerance for panel alignment is permitted by Thatcham. It is not clear that these tolerances were taken into account by MSXI's inspectors, such that they may have found that a repair did not return a vehicle to its pre-accident condition (due to very slight panel misalignment) even if the repair was undertaken in accordance with the relevant repair specifications (including as to tolerances for panel alignment)

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<sup>10</sup> MSXI Report, slide 11. See also slide 41: "the availability of the owner was a key factor in scheduling inspections".

<sup>11</sup> Ibid.

<sup>12</sup> MSXI Report, slide 14.

<sup>13</sup> MSXI Report, slide 22.

<sup>14</sup> MSXI Report, slide 41.

and was therefore a "commercially acceptable repair" in accordance with standards laid down by the motor industry, its trade bodies and insurers.

### **Conclusion**

- 12 The MSXI study and the Report clearly suffer from a number of methodological failings. These mean that the survey could not have been and is not representative and statistically robust. The results, even if preliminary in nature, therefore should not be relied upon by the Commission in assessing Theory of Harm 2.
- 13 Furthermore, the results do not accord with consumers' perceptions of, and the high levels of satisfaction with, the quality of repairs they receive. For this reason also, the Commission should not rely upon the results of MSXI's study.

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