

## **AXA's Response to MSXI Vehicle Inspection Report**

### **1. Introduction**

- 1.1. AXA welcomes the opportunity to respond to the Commission's final working paper on the vehicle inspection study. This working paper is of particular importance to AXA, as with all other insurers, the efficiency and effectiveness of our repair network is paramount for the safety and satisfaction of both policyholders and third parties.
- 1.2. For our customers who insure their vehicles against damage, a satisfactory repair is the "moment of truth" in terms of the insurer delivering on its promise. For third parties, the management of repairs by the at-fault delivers a cost effective but quality repair avoiding unnecessary costs inflation. Any material published or relied upon by the Competition Commission commenting on insurers' performance in these areas must be evidentially statistically robust, and ignored if that test cannot be met.
- 1.3. We would like to reiterate our comments made to the Commission in relation to the disclosure of the relevant claim numbers for the vehicles inspected. Without these claim numbers we are unable to fully exercise our right of reply and as such we are unable to properly respond to any of the findings contained within the report. We are only able to provide comments on general concerns we have in relation to the report.

### **2. The Survey**

- 2.1. As highlighted by the Competition Commission within the report, the sample was too small, non-random and subject to selection bias. The study is an unreliable basis for drawing any reliable conclusions in respect of either the market as a whole or vehicles repaired by AXA.
- 2.2. The sample was taken from the "not-at-fault" survey responses, a survey which covered claims settled in a 12 month period. Using a similar period, in 2012 AXA repaired 39,500 vehicles yet the survey reviewed only **[Confidential to AXA]** non-randomly selected vehicles.
- 2.3. We would suggest that this sample is far too small to be a representative sample of our claims portfolio or the wider insurance market, and that the survey should be disregarded given the manner of its conduct and in line with the faults in that highlighted by the Competition Commission. In our view, it would be unsafe to form any opinions on insurer repairs from such a small sample of results.
- 2.4. In addition to the sampling methodology we also have concerns in the following areas:
  - 2.4.1. The reference numbers of the individual claims have not been made available to AXA to date. This would allow us to review our files to identify any additional information which may have a bearing on the findings. In particular where the surveyors say "*in our opinion all of the issues found ...could have been detected during an efficient quality control process<sup>1</sup>*"; we wish to understand if there were any reasons why that did not happen.

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<sup>1</sup> See page 42 of the MSXI survey

2.4.2. The report is unclear as to how opinions were reached about key aspects such as the pre-accident condition. Within the report it is recognised that the opinion of the surveyor is subjective and other opinions may exist.

2.4.3. We do not know what safeguards were taken to ensure that any damage sustained in the time between the completion of the repair and the MXSI inspection were disregarded.

2.4.4. We find unacceptable comments such as:

*"Although the best efforts have been made to fulfil the programme criteria we can not guarantee that all defects were reported"*<sup>2</sup>.

This comment tries to suggest that more defects might be present than those found. This portrays a lack of objectivity in our view and perhaps a little bias. The surveyors should report what they found and not speculate as to what they did not find.

2.4.5. Although the subject is insurer instructed repairs, the surveyors have given no thought as to the prevalence of poor repair quality in non-insured backed repairs. It may not have been part of the brief, but this is a factor which needs to be considered. Whilst insurers will take responsibility for poor quality repairs by its network, the repairers may produce defective work when working for private clients. No consideration has been given to the causative link between any defects identified and the fact of the repair being insurer backed. By example, the identification of a nut rounded by use of the wrong tool is simply evidence of poor workmanship and unlikely to be related to the insurer's instruction. The crucial point here is what link is being suggested between these defects and the insurer.

### 3. ToH 2: Underprovision of Repairs

3.1. In the working paper 'ToH 2: Underprovision of Repairs', and as outlined within the annotated issues statement, the Commission found no concerns in relation to insurer vehicle repairs. This was based on the evidence insurers had submitted in relation to the monitoring of the quality of repairs, the standard repairers adhered to when undertaking repairs and customer feedback/complaints in relation to vehicle repairs. This clearly contrasts with the results of the inspection report. We would suggest that this calls into doubt the results of the inspection report as being an accurate reflection of insurer's repairs.

### 4. AXA Complaints Data

4.1. As a consequence of this study we have re-visited or updated some of our internal data which we volunteer to the Competition Commission solely to indicate the inaccuracy of the survey results. We are able to offer the following data:

4.1.1. In 2013, to date, we have repaired 17,883 vehicles for non-fault drivers and the total justified complaints number only 63.

4.1.2. No complaints have been received from third party non fault drivers whose claims were captured despite over 4,000 third party repairs being managed in our network.

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<sup>2</sup> See page 41 of MSXI report

- 4.2. We are not surprised by this low level of complaints. Our previous responses have indicated that all repairs managed within our network, fault and non-fault customer or captured third party, are carried out to the same quality regime namely PAS 125 (or higher manufacturers' specifications). All repairs are calculated using the Audatex estimating system, such that repair times are calculated by the manufacture setting a standard time for each component of the repair. This ensures sufficient time and labour is allowed for the repair irrespective of the source of the repair and is in line with repairs where they are not insurer backed. All repairs are reviewed by a qualified engineer and authorised based on repair methods. There is no compromise in regards to safety or quality.
- 4.3. Monitoring of repairers is conducted on the basis of quality, customer satisfaction and financial audits to verify that what has been authorised by our engineers has been conducted. All repairers have to supply the customer satisfaction note along with their invoice. This is to confirm that the consumer is satisfied with the repairs that have been carried out. In the instance that the satisfaction note expresses dissatisfaction we will investigate prior to settling the account. We do note that many of the defects mentioned in the survey report are obvious and/or cosmetic, as such no expert knowledge would be required to identify them and a refusal to sign the satisfaction note would immediately highlight a concern over the repair. However, we repeat the data given at 4.1.1 and 4.1.2 above.
- 4.4. Regular audits are conducted at our approved repairer centres, which are unannounced. We conduct review of repairs that are underway and completed repairs prior to delivery to customers. As well as this, we carry out paper audits to confirm that all parts that have been authorised have been fitted. Any discrepancies would lead to further intensive audits being conducted and meetings between the owner and the senior management team to agree any actions that are required. During our repair process we request images of vehicles in certain stages of repair to substantiate that any repairs that may not be visible once the repair has been completed have been conducted.

## ***5. Procurer of Repair Services***

AXA are concerned that no inspections were made for vehicles that were repaired on behalf of claims management or credit hire companies. We would suggest that the inspection should be extended to include such vehicles in order to identify whether the same issues in quality of repairs exist. This is perhaps another area where the basis of the survey is open to question.

## ***6. Geographical Spread***

The inspection was concentrated in certain geographical areas with 40% of the vehicles inspected coming from the South East and Wales, compared with just 3% in London. This is not representative of the UK population or AXA's claims portfolio. It would be useful to understand whether there is a correlation between the location and the vehicles were returned in their pre-accident condition.

## ***7. Conclusion***

We understand the aims behind this activity and also that there may be constraints on the number of surveys that can be carried out. However we believe that this survey is unreliable

and should not form part of the material considered by the Competition Commission. More reliable indicators of the quality of the repairs conducted by insurers can be found in the volume data, like that provided above, which indicates a very high level of satisfaction and negligible complaint levels.