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**Response to the MSX International Vehicle Inspection Report relating to the Competition
Commission Private Motor Insurance Market Investigation**

Submitted by



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THO-2 NAB Response to MSX International Vehicle Inspection Report

The National Association of Bodyshops makes the following submission in response to the vehicle inspection report by MSX International (MSXI), undertaken on behalf of the Competition Commission (CC) under TOH-2.

NAB is concerned by the review's findings given previous consumer feedback to the CC investigation; however NAB emphasises that it has been consistent in suggesting throughout its written and verbal submissions to the Office of Fair Trading and CC that cost control measures being employed by certain insurers would have the capacity to bring about the wrong technical behaviour in the repair process resulting in consumer detriment. This has been strongly dismissed by representatives of the insurance industry within their submissions. The MSXI report should set alarm bells ringing.

NAB has also previously warned that current advances in vehicle technology and excessive uninformed cost cutting decisions by some insurer representatives are likely to have considerable safety implications for trusting, but unsuspecting consumers going forward.

NAB further notes that MSXI's work appears to reveal that bodyshop standards programmes, including approved repairer specifications and insurer, accident management company and vehicle manufacturer audits, have failed to establish a robust quality assurance programme and repair warranties for consumers that have previously been advocated by insurers and contained within their various submissions to the CC.

While broadly welcoming this high level overview by MSXI, NAB suggests that the statistically small sample of post-repair inspections (77 under stage 1 and 27 under stage 2) raises significant concerns about immediate conclusions that may be reached. **NAB suggests there is a requirement for a much larger sample – including an examination of vehicles that have been repaired after having been previously written off - before far reaching outputs can be considered.**

NAB also makes the following specific observations relating to the MSXI report:

Page 5 Data supplied by the Insurance Companies

NAB would like to see disclosure of a redacted version of estimates and images from the post repair samples (including the estimating platform used by repairers)

NAB would like to see details of the terms and conditions of any approval under which the repairs were carried out

Page 6 Selection of inspections

NAB queries whether pre-accident condition of vehicles has been considered when selecting inspections and whether this may have played a part in any of the outcomes eg customer perception (P23), colour match (P30), use of non-oem parts (P29)?

Page 14 Range of Inspections Geographic Spread

NAB questions whether the absence of data for regions such as the West Midlands, South Coast and North East would have made a difference to the outcomes of the study? For example, the West Midlands region has one of the highest concentrations of insurer owned bodyshops in the country and yet is not statistically represented.

Page 20 Return condition: By Type of Bodyshop Used

NAB suggests the term “franchised” is somewhat misleading. An insurer owned bodyshop cannot be considered in the same category as a “manufacturer owned group” (which in itself appears to be a misnomer). Also, the combined sample appears to be representatively understated relative to bodyshop market demographics, particularly when relationships to sources of work provision are considered ie the concentration of an insurer’s non-fault claims within its wholly-owned bodyshop would be expected to provide a statistically much higher sample than that shown.

NAB queries the reasoning behind the definitions and terminology of “group” and “independent”?

NAB asks whether the bodyshops in the study held a current BSI Bodyshop Kitemark certificate or were PAS125 approved?

NAB asks whether the bodyshops in the study held approved status (insurer, accident management company or vehicle manufacturer) for the sample of vehicle repairs under consideration?

Page 22 Consultants view

NAB urges CC to facilitate a meeting of interested parties to discuss these findings with the report’s authors, and in particular to understand in greater detail than available in MSXI’s redacted report and the images and supplementary inspectors’ comments at Pages 24 – 39, the technical output relating to repair methods including the fitment and use of non-original parts and materials including those mandated as part of approved repairer agreements.

NAB also asks for consideration to be given to the commercial dynamics that may be driving incorrect behaviours including an examination of insurers’ approved repairer contracts, estimates and electronic communications between repairers and engineers; we also feel it would be helpful to consider insurer, accident manager and vehicle manufacturer selection criteria and repair inspection regimes before making further assumptions and reaching conclusions.

- Paint finish

NAB queries whether faults concerning paint finish correlate in any way to the brand of paint used and whether the paint had been specified as part of an insurance company’s, accident management company’s or vehicle manufacturer’s contractual requirement including warranties?

NAB asks to what extent the age, make, model, and pre-accident condition of the vehicle contributed to paint finish issues?

- Panel Misalignment

NAB asks to what extent the use of non-oem parts and vehicle manufacturers' construction tolerances/gaps contributed to episodes of panel mis-alignment?

- Repair is clearly visible?

NAB asks to what extent the age, make, model, and pre-accident condition of the vehicle contributed to panel mis-alignment and paint matching issues? In addition, did repair practices/methods used as a result of imposition through insurer, accident management company and vehicle manufacturer agreements (including involvement of engineers) contribute in any way to the repair outcome?

- Work Shown on Estimate but Missing from Repair

NAB asks if redacted versions of the estimates and redacted versions of electronic communications between the repairer and insurer/accident Management Company can be made available for examination?

- Poor fitment of trim/panels

NAB asks whether the use of non-oem parts and vehicle manufacturers' construction tolerances/panel gaps contributed to these faults?

- Incorrect parts fitted

NAB asks for further details relating to this issue to be provided.

- Mis-shapen parts

NAB seeks clarification behind the terminology behind this separate category?

- Chassis Bent

NAB asks for a definition of this terminology and for full analysis of these faults to be made available.

Page 23 Vehicle Condition: Customer Perception / Consultants Opinion

NAB seeks a better understanding of the differences raised by this subjective comparison.

Page 25

"Company has charged more than work carried out"

NAB asks what measures are being taken to confirm this alleged fraudulent behaviour and if proven, what measures would be taken thereafter?

Page 28

"Parts on invoice have not been fitted. i.e. Grille, bonnet, arch moulding"

NAB asks what measures are being taken to confirm this alleged fraudulent behaviour and if proven, what measures would be taken thereafter?

Page 29

“Suspect non OE wing has been fitted.”

NAB seeks definitive confirmation that a non-oem wing has been fitted.

Page 41 Caveats

“The inspection reports are opinion based – Our consultants are recognised experts in their field, but the inspections were not carried out under scientific or workshop conditions. Although the best efforts have been made to fulfil the programme criteria we cannot guarantee that all defects were reported.”

NAB recognises that the inspection reports are opinion based which is why NAB asks that CC facilitates a meeting of interested parties to consider these subjective outputs further before any conclusions are reached.

Page 42 Conclusions

“Where the vehicle was considered not to have been returned to pre-accident condition the range of repairs did not show any particular trend towards vehicle model, the type of repairer, or insurance company.”

NAB agrees that the statistically small sample undertaken could not be expected to reveal trends towards vehicle model, the type of repairer or insurance company. However, a larger and more sophisticated sample may reveal such differences.

“Although limited by the parameters of the physical inspection, as far as the inspectors could tell none of the defects found could be seen as dangerous, but all would have had a negative effect on the car valuation”

NAB queries whether the faults identified within “chassis bent” at page 22 should be considered “dangerous”. NAB is concerned that the MSXI report has identified a decrease in vehicle values (diminution - and therefore consumer detriment) as a result of some of the repairs that have been carried out.

“In our opinion all of the issues found that resulted in a vehicle not being considered to have been returned to pre-accident condition, could have been detected during an efficient quality control process, prior to the car being handed back to the customer”

NAB suggests that MSXI’s findings point to current bodyshop standards programmes having failed to establish a robust quality assurance and repair warranty programme for consumers.

C Percentage PAC based on who chose the repairer

“The table shows that the proportion of non-PAC cases is much lower when the repairer is chosen by the customer than when the repairer is chosen by the insurer/CMC, but we are unable to attribute statistical significance to the

difference since the small MSXI sub-sample of the survey may not be representative of the wider population.”

NAB notes that consumer choice appears to have a direct correlation to positive consumer satisfaction despite the statistically small sample.

Summary

NAB views this investigation as the welcome start of an extended re-alignment process that ensures consumers' interests are fully safeguarded by all parties involved in the settlement of motor insurance claims. We commit to playing our part to ensure the central consumer focus of all changes that result from CC's investigations are implemented.

We do believe, however, that a number of issues relating to market dysfunction have either been left unanswered by the CC's wider investigation, or have not been considered detrimental at this time.

We believe these matters have the capacity to lead to consumer detriment in the future and to that end, notwithstanding MSXI's findings, a pan-industry adjudicator – a watchdog, (similar to that recently appointed for the supermarket sector) should be appointed to address NAB's specific market concerns, to oversee any recalibration of outcomes following the CC investigation and to prevent future car insurance market dysfunction.

This can only happen through the unanimous support and co-operation of all parties involved in the insurance claims process backed by the CC.