

NON CONFIDENTIAL

Competition Commission: Notice of Possible Remedies Response

Allianz Response to the remedies the Competition Commission (CC) is minded to consider further

Executive Summary

Allianz is mindful that the CC have requested succinct responses to the Notice of Possible Remedies. We have adopted a tabulated response in the hope that it complies with the request. Table 1 provides the responses to the Issues for Comment and in essence a summary of the central issues. Table 2 provides the responses to the Issues for Comment in respect of the remedies the CC is minded to consider further.

Remedy A

Allianz believes in informing claimants, whether they are customers or non-fault claimants, of their rights and options. However we are concerned that Remedy A should not stray beyond advising in relation to insurance and the claims process into providing legal advice that is beyond the scope of our regulated business. The CC will recognise that insurers are not authorised to provide legal advice. Our response to remedy A provides what we hope will be considered a responsible working solution that achieves the desired objective.

Theory of Harm 1: separation of cost liability and cost control and mitigating frictional and transactional costs

In Allianz's opinion a package of remedies comprising the remedies set out as 1A, 1D(a), 1E(b), and 1G would provide an effective solution to ToH1 and all of these elements are essential to make such a remedy effective and deal fully with the AEC identified. We do not believe any other remedy package will deliver an effective solution. A more detailed explanation is provided in Table 1 and 2. As we have said before, the issues identified are equally applicable to commercial motor insurance and we consider that these Remedies would also be equally appropriate to address issues in that context. We recognise the limitations of the CC's terms of reference, but recommend that these issues be considered further and that similar measures be taken in respect of all motor insurance policies.

Theory of Harm 2: quality of vehicle repairs

Allianz is very concerned by the proposed Remedy 2A. The responses from consumers did not indicate a problem with the provision of vehicle repairs. A subsequent post repair inspection by MSXI of 101 repaired vehicles identified 45 that were not perfectly restored to their pre accident condition. The CC has stated that the audit sample is not representative. None of the vehicles were returned in a dangerous state. All defects were cosmetic and 12 of the 45 vehicle owners were not aware there was a problem, which suggests it must have been slight. Most of the problems related to imperfect paint matches and

misalignment of panels. We are unsure of the age of the vehicles (which will impact on paint matching), whether they had been involved in previous accidents, their pre accident state, or whether they were repaired by an insurer approved repairer. We estimate that Remedy 2A will cost the insurance industry approximately £20m if independent engineers are used to audit repairs. We agree that all reasonable and proportionate steps should be taken to ensure that vehicles are returned, as close as is reasonably possible to their pre accident condition. We believe PAS125 and manufacturer accreditation standards address the root cause of defective repairs preventing their occurrence. We have proposed an alternative Remedy 2A (contained in Table 2) that all insurer appointed approved repairers must be PAS125 or manufacturer accredited. We believe this is an effective and proportionate remedy.

Table 1: Issues for Comment

Issues for Comment 1	Response
(a) Views are invited as to whether the possible remedies under ToH1 are likely to be more effective in combination with other remedies than alone and, if so, what particular combinations of remedy options would be likely to be effective in addressing the AEC we have provisionally found.	<p>Allianz holds the firm opinion that the following combination of Remedies will provide an effective solution to ToH1 but that to make the remedy sufficiently comprehensive, all of the following are essential:</p> <p><u>Remedy 1A</u> – We believe that this is an essential component of the remedies package to address the Harm created by the separation of cost liability and control of temporary replacement vehicles (TRVs). For the reasons set out in our detailed response we do not believe Remedies 1B, 1C nor 1F provide, or contribute to, an effective solution to the Harm identified or they would otherwise be disproportionate when taking account the other elements of the package that we believe is sufficient to remedy the Harm.</p> <p><u>Remedy 1D(a)</u> – We believe that this is essential to address the Harm created by the separation of cost liability and control of non fault repair costs. This Remedy is key to preventing the mark up of subrogated recoveries providing insurers with a profit margin. Without this Remedy the practice(s) that are responsible for the Harm will become the standard insurance model. However, for the reasons set out in our detailed response we consider that the imposition of an administration fee should not be permitted. For the reasons set out in our detailed response we do not believe Remedies 1B nor 1D(b) provide, or contribute to, an effective solution to the Harm identified.</p>

	<p><u>Remedy 1E(b)</u> – We consider this is also an essential part of the package in order to address the Harm created by the separation of cost liability and control of non fault write off costs. However, for the reasons set out in our detailed response we say that the administration fee should not be permitted. For the reasons set out in our detailed response we do not believe Remedy 1E(a) provides, or contributes to, an effective solution to the Harm identified.</p> <p><u>Remedy 1G</u> – This Remedy is the central plank to the package of Remedies necessary to provide an effective solution to ToH1. This Remedy is key to minimising or negating the risks of circumvention of the other Remedies.</p>
(b) Whether the possible remedies under ToH1 should be implemented by the CC through an enforcement order or whether the CC should make recommendations to the Government (for, example the Ministry of Justice), regulators or other public bodies to implement the remedies.	The responses provided in Table 2 set out where we believe an enforcement order is the vehicle for implementation and where we believe a change to the law is necessary. We believe that regulators' involvement should be limited to ensuring compliance.
Issues for Comment 5B	Response
Views are invited on the possible remedy in paragraph 102 which we are not minded to consider further and on any other possible remedies that we have not included in this Notice which interested parties consider may be effective in addressing the AEC we have provisionally found under ToH 5. Where parties are of the view that these remedies could be effective, they are asked to submit evidence to support their views.	<p>We agree that the prohibition of “narrow” MFNs would undermine the business models of PCWs and that this would be a disproportionate response.</p> <p>We have no issues with a narrow MFN as currently structured and have narrow MFNs with certain PCWs with which we currently operate.</p> <p>An issue with the retention of narrow MFNs , but deletion of wide MFNs is that this would require our Direct price to be the same or higher than that offered on the PCW on which we offered the highest price.</p> <p>This would make our Direct channel less competitive and drive up consumer prices in this area.</p>
Issues for Comment 6	Response
Views are invited on the nature, scale and likelihood of any relevant customer benefits within the meaning of the Act and on the impact of any possible remedies on any such benefits.	<p>Customer benefits are likely to arise from:</p> <p>Competition between PCWs leading to reduced CPAs.</p> <p>Consequent increased price competition, where a PCW has a lower CPA</p>

	<p>than premiums will reduce in that case for a customer base which is more attractive to an insurer, prices are likely to be reduced.</p> <p>Innovation, opportunities with PCWs to improve acquisition efficiency or opportunities to identify fraud better with given PCWs will all enable better prices to be offered in the absence of wide MFNs.</p> <p>The Insurance Mediation Directive might also require PCWs to display CPAs to customers</p>
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Table 2: Remedy Response

Summary: Harm / Remedy	Verbatim: Issues for Comment	Allianz Response
<p>ToH 1 and 2: <u>Remedy A</u>: Measures to improve claimants' understanding of their legal entitlements.</p>	<p><u>Issues for comment A:</u> Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:</p>	
<p>Aim is to give claimants a better understanding of their entitlements under their own insurance policy and their entitlement that arise through tort law.</p> <p>Better information should be provided at two important points:</p> <ol style="list-style-type: none"> 1. In the annual motor policy. 2. When the claimant first notifies an accident. <p>Statements need to be simple but detailed enough to give the necessary information which would include:</p>	<p>(a) What information should be provided to consumers?</p>	<p>Allianz agrees that sufficient information should be provided to claimants to enable them to make informed choices regarding how to progress their claim.</p> <p>Certainly Allianz (and we believe it is standard market practice) does provide its customers with advice on how to progress a claim under their policy. This is provided both at the points of inception and notification of loss.</p> <p>Broadening the scope of such advice / information to include rights or options available under the law of tort runs the risk of straying into providing legal</p>

<ul style="list-style-type: none"> • What happens when a claimant is at fault or not at fault and what the basic legal entitlements are in each case. • What the claimant will have to pay, the impact on any NCB, and how these can be recovered. • When a claimant is entitled to choose their own repairer and how this affects their liability to pay the excess. • What the contractual rights are if the claimant is unhappy with the repair. <p>CC plan to implement through an enforcement order directed at insurers and other parties who might receive first notification of loss e.g. CMCs and brokers).</p> <p>CC also considering including relevant questions in the driving theory test.</p>		<p>advice that is well beyond the limit of providing advice relating to the product insurers sell and the service options available to the consumer under it. Providing legal advice is beyond the scope of insurers' regulated and authorised business activity.</p> <p>Insurers are not lawyers and cannot offer legal advice.</p> <p>Further the options available under the law of tort may not be the correct reference point dependent on whether the CC issue enforcement notices.</p> <p>In the event the CC is inclined to pursue this remedy further, Allianz suggest that such advice / information should, broadly speaking, be consistent irrespective of the insurer and be provided by an independent third party responsible for providing general advice and information to consumers on their legal rights.</p> <p>Allianz suggests that the ABI could be requested by its members (the PMI providers) to produce, with the assistance of lawyers, a standard template plain English advice that could be inserted into any insurer's documentation. Additionally it could be used by others that may receive first notification of loss such as brokers or CMCs. As part of this process the wording produced could be approved by the CC. The wording would need to be produced after the other Remedies have been finalised in order that it ensures they are taken into account.</p> <p>This solution would meet the objective, ensure</p>
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		consistency, and by adopting a form approved / required by the enforcement order would protect insurers (and others) against accusations of acting beyond the realm of their regulated business activity. Fundamentally any solution would have to be structured in a way that ensures that insurers (and others) do not run the risk of acting beyond the realm of their regulated business activity and we consider there are a number of issues of detail that would have to be considered further in order to implement such a remedy, although ultimately we expect such issues to be surmountable.
	(b) When is this information best provided to consumers – with annual insurance policies, at the first notification of loss, or at some other point? Should this information be available in insurers' websites?	The relevant information (see response above) should be provided both at the point of sale/renewal and at point of loss.
	(c) Would it be more effective for consumers to be provided with a general statement of consumers' rights prepared and periodically updated by a body such as the ABI or are there examples of existing best practice in relation to information given to consumers by insurers?	Yes – see above.
	(d) Would this remedy give rise to distortions or have any other unintended consequences?	Providing a standard wording is used, and approved by the enforcement order, we do not foresee any unintended consequences.
	(e) What circumvention risks would this remedy pose and how could these be addressed?	If the wording is prescribed and mandated by the enforcement order we do not foresee any circumvention.
	(f) How would this remedy best be monitored, particularly in relation to a statement of rights at the first notification of loss?	Compliance with the enforcement order could be incorporated as part of regulators audit / inspections.
	(g) How much would it cost to implement this remedy?	If the requirement is to include an approved plain English advice within policy documents and claims documentation the cost will be minimal.

	(h) Is there any reason why this remedy should not be implemented through an enforcement order?	No, for the reasons expressed above we believe that an enforcement order setting out a prescribed standard advice would be the best and safest vehicle.
	(i) Is this remedy more likely to be effective in combination with other remedies than alone and if so, which combinations of remedy options would be likely to be effective in addressing the AECs that we have provisionally found?	We believe that this remedy can be effectively implemented in isolation. We do not believe that its success will be aided or restricted by any of the other remedies outlined.
	(j) Would the additional measure set out in paragraph 20 (legal entitlement included in the driving theory test) be likely to be effective in enhancing consumers' understanding of their legal entitlements?	Allianz believes that informing and educating motorists, at any and all opportunities, regarding insurance can only be beneficial to the consumer. Whilst beyond the scope of the insurance product, and service, we support the proposition that basic information relating to motor insurance and what to do in the event of an accident could usefully be included in the driving theory test.

ToH 1: Separation of cost liability and control Remedy 1A: First party insurance for replacement cars.	Issues for comment 1A: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>A requirement that replacement cars, but not repairs, be insured on a first party basis whether at-fault or not.</p> <p>The remedy would prevent the non-fault party recovering the cost of a replacement car from the at-fault party.</p> <p>It is envisaged insurers would offer different levels of cover: no replacement, courtesy car, like for like.</p> <p>CC's view is that this would require a change in the law.</p>	<p>(a) What aspects of the law would need to be changed?</p>	<p>Statute would be required to:</p> <ol style="list-style-type: none"> 1. Mandate the requirement to elect first party replacement car insurance (we anticipate this would normally be provided as an add-on to the motor insurance). 2. Specify that in choosing such cover the holder (even if they elect no cover) forfeits their entitlement to recover the cost of a replacement vehicle from an at-fault motorist. The only exception being any excess paid in relation to the supply of vehicle by the first party insurer. 3. Remove the right of recovery of damages for replacement vehicle hire costs as a consequential loss flowing from the direct damage to a chattel. <p>This may be achieved by revising and expanding the statutory motor insurance requirements set out in the Road Traffic Act.</p> <p>The CC may benefit from obtaining their own legal advice in relation to this proposed remedy.</p>
	<p>(b) How should policyholders be given a choice as to the extent of replacement car cover?</p>	<p>Policyholders should be given a choice at inception of the policy and renewal. We anticipate that there would be three basic choices:</p> <ol style="list-style-type: none"> 1. No cover required 2. Free courtesy car – no additional cost 3. Like for like replacement – additional cost would require rating.

		<p>We believe that only those consumers that truly need like for like replacement would select that option. Those whose basic needs are met by public transport, another vehicle they own, or a Class A courtesy car would select the “no cover” or “free courtesy car” options as they would result in a lower premium.</p> <p>Currently replacement vehicle claims do not generally reflect the consumers need. They reflect what they are sold by the organisation managing the non-fault claim to be subrogated. We believe this change would align practices more closely to the intention of the existing Law of Tort. We believe the tortious position is being manipulated to increase cost to the detriment of the majority of insurance consumers. The consumer is “up-sold” or overprovided beyond what is needed and they usually have no knowledge of what is happening or the consequences of their choices. Remedy 1A would overcome this and empower consumers to make informed choices in advance about what they will actually need in the event of an accident.</p> <p>Implementation of Remedy 1A will require insurers to be careful to properly inform consumers of the legal changes and the necessity to select replacement vehicle cover. A standard wording for use by the industry may be considered appropriate.</p>
	(c) To what extent would the need for consumers to pay a premium for replacement car cover be offset by the effect on premiums of the overall reduction in replacement car costs that would occur as a result of this remedy?	<p>Allianz pays approximately £20m per annum in relation to replacement vehicles provided on a credit hire basis.</p> <p>We agree with the CC finding that the over costing associated with credit TRVs is a key cause of</p>

		<p>over-costing on non-fault claims. We believe Remedy 1A would eliminate the need for credit hire.</p> <p>We believe that informed consumer choice will result in more consumers consciously deciding their need for a TRV can be met without a like for like replacement.</p> <p>The premium for first party TRV cover would be driven by the nature of the vehicle and the proportion of consumers that elect like for like cover.</p> <p>Ultimately we believe implementation of Remedy 1A will exert downward pressure on PMI premiums, give consumers informed control over their decisions and cost, and remove the post accident pressures currently experienced by consumers that become a commodity, after an accident, to those that seek to inflate cost and derive an unnecessary profit margin from them.</p>
	<p>(d) How might this remedy affect NCBs and the premiums of non-fault claimants? Would non-fault claimants have to pay an excess when provided with a replacement car under their own policy? If so, would this be treated as an uninsured loss which should be recoverable from the at-fault insurer?</p>	<p>These are significant issues for Insurers. Careful consideration will be required before deciding on how a model might operate.</p> <p>We believe that it can be said with certainty that healthy competition between insurers will result in models that are attractive and beneficial to the consumer. Failure to compete will impact on business retention and acquisition, which no insurer can afford. For example, more insurers might include a free courtesy car in their product offering.</p> <p>Application of excesses will be limited to where</p>

		<p>insurers incur an outlay i.e. like for like replacement. The amount of those excesses will be linked to standard rating factors and any voluntary excess a consumer chooses to carry. This is another area where competition will have a natural effect that benefits the consumer.</p> <p>Any excess paid by a consumer would form part of the uninsured losses and be recoverable.</p>
	<p>(e) How would this remedy affect the credit hire and direct hire activities of vehicle hire companies? How might the quality of service in the provision of replacement cars be affected if replacement car provision is a contractually specified in motor policies?</p>	<p>The first party TRV insurers will need to engage suppliers. Hire companies will be given the opportunity to tender for high volume contracts to supply TRVs.</p> <p>Standard procurement best practice is that such contracts are likely to operate for a period of approximately three years giving successful suppliers commercial security.</p> <p>Those suppliers that are not successful will need to improve their commercial offering.</p> <p>Consumers will judge insurers by the actions of the TRV provider. Accordingly, insurers will contractually require their TRV suppliers to adhere to strict and demanding service standards to ensure their customers are satisfied. Failure to ensure high service standards will have a reputational impact on the insurer and risk the retention of business.</p> <p>Allianz believes the engagement of TRV providers will generate healthy competition between providers and result in a more consumer focussed market impacting positively on cost, insurance premiums, and service.</p>

		<p>Insurers already have commercial arrangements with TRV providers. The implication of this Remedy would result in those being scaled up. The fact that a credit offering will no longer be required is positive from a consumer perspective – it removes the risk of personal liability and will result in significant downward pressure on premiums.</p>
	<p>(f) Would it be likely that the non-fault insurer providing the replacement car would also handle the repair of the non-fault claimant's vehicle? What would be the consequences of this? Would complexities and costs arise if the replacement car is provided by the non-fault insurer and the repair is carried out by a different service provider?</p>	<p>To a large extent it depends on the other remedies implemented by the CC for example Remedy 1B.</p> <p>In the main Allianz would expect the non-fault insurer providing the first party TRV insurance to handle both the claims for the provision of the replacement vehicle and the repair to the damaged vehicle. For the reasons expressed below we believe that would result in the best consumer experience.</p> <p>Provision of both by a single insurer will enable them to co-ordinate suppliers to ensure that their customer's needs, as provided for by the policy options selected, are met seamlessly. Allianz believes this would result in the best consumer experience.</p> <p>Allianz believes that complexities and costs will arise if the replacement car is provided by the non-fault insurer and repair carried out by another provider. Co-ordination of the two would require liaison between the two providers. Response times will not be instantaneous. We therefore envisage lags (delays) whilst they pass information between them to ensure that the commencement of the repair and provision of the replacement car coincide. The same will occur on conclusion of the</p>

		<p>repair and cessation of the need for the replacement car. We predict this would result in:</p> <ol style="list-style-type: none"> 1. Delay. 2. Frictional cost. 3. The risk of over or under provision of the replacement car. 4. A detrimental impact on premiums. <p>Allianz recommends that a single provider handles both the provision of the TRV and repair.</p>
	(g) Would this remedy give rise to distortions or have any other unintended consequences?	<p>Allianz does not believe this remedy would give rise to distortions or have unintended consequences providing it is implemented as presented with no subrogation right. That aspect removes significant frictional cost and the incentives (referral fees, rebates, and other income models) that would otherwise exist and result in circumvention.</p> <p>It provides the consumer with the option to select replacement vehicle cover that reflects their need e.g. they may have a second car available to them that meets their needs, they may choose to rely on public transport and forego a car for a period, they may choose to take a free Class A courtesy car, or they may elect to take cover for a like for like replacement. If their circumstances change at the point of claim they should be given the option to upgrade and take out the “add-on” at that time.</p> <p>Having made that choice they can be confident that their needs will be met quickly and without dispute and personal financial risk in the event of an accident.</p>
	(h) How long would it take to implement this	Two years. 12 months to plan, rewrite wordings, IT

	remedy? What administrative changes would need to be made?	changes, pricing etc and then a 12 month renewal period.
	(i) Would this Remedy need any supporting measures? If so, what are those measures?	<p>Allianz does not believe any other measures are necessary. In our opinion this Remedy as presented would provide an effective solution.</p> <p>Any suggestion of the Remedy being revised to permit subrogation should be resisted. That would result in unnecessary frictional cost and create a heightened and unnecessary risk of circumvention. We believe loss of subrogation, which becomes a rating point, removes the risk of insurers deriving an income (by whatever means) from replacement vehicle costs.</p>
ToH 1: Separation of cost liability and control Remedy 1B: At-fault insurers to be given the first option to handle non-fault claims.	Issues for comment 1B: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>At-fault insurers would be given the option to handle either the whole of a non-fault claim or only the replacement car part.</p> <p>The aim is to make it easier for the at-fault insurer to capture non-fault claims.</p> <p>When a non-fault claimant makes the first notification of loss to their own insurer or CMC (or broker) they would be required to inform the at-fault insurer of the accident.</p> <p>There would be no obligation on the at-fault insurer to make an offer to the non-fault claimant.</p> <p>The remedy would not apply where liability is undecided or split.</p>	<p>(a) Which of the variants in paragraphs 38 and 39 are likely to be most effective:</p> <ol style="list-style-type: none"> 1. If the non-fault claimant retains the right to choose who handles the claim, what incentive would they have to choose to have claims handled by the at-fault insurer? Would this remedy favour larger insurers with stronger brands? 2. If the at-fault insurer is able to capture the claim should it wish to do so, what incentive would the at-fault insurer have to provide the standard of service to which the non-fault claimant is entitled? What measures need to be put in place to safeguard against this risk (see, for example, Remedy 2A) 	<p>Allianz believes that a combination of a number of the other possible remedies proposed by the CC properly address the Harm identified.</p> <p>For the reasons set out above Allianz does not believe that the separation of the repair and provision of a replacement car can operate effectively. We believe that would be contrary to the interests of the consumer.</p> <p>Allianz believes, for the reason we set out below, that both variants of Remedy 1B raise significant issues for the consumer.</p> <p>Allianz does not have a preference for either variant. In our opinion neither offer a practicable solution.</p>

<p>The non-fault claimant would be able to elect who they want to be able to handle their claim. There is a risk that they will select based on service and not cost.</p> <p>A variant of the remedy is for the choice to be removed from the non-fault claimant such that they are obliged to allow the at-fault insurer to have conduct.</p> <p>CC offer a view that it might be more appropriate for this remedy to be restricted to the provision of replacement cars.</p>	<p>(b) What are the implications of the non-fault claimant having the right to choose an alternative</p>	<p>A consumer makes their choice of insurance provider when they take out their policy. Sometimes it's due to price but is also commonly driven by brand image and reputation in respect of service. Not all purchase decisions are based just on price but service does play a factor (and is reflected in premium). Some consumers do pay a little more to be insured with certain insurers.</p> <p>There is a contractual relationship between consumers and their first party insurer that does not exist between them and the at-fault insurer. In Allianz's opinion the combination of trust, service differentiation, and contractual relationship make it extremely unlikely that a consumer would freely choose to have their claim handled by another party that they do not know. However, in the event that such a choice was made we believe it would favour the larger household names.</p> <p>Removing the consumer's right to elect who handles their claim does not sit comfortably with treating them fairly. They have made a conscious choice and purchased a product. Denying them the right to use the service afforded by that product and mandating that they use a company with whom they have no contractual relationship raises the risk of creating new Harms. Many consumers will feel uncomfortable in such a situation.</p> <p>Allianz does not believe that either variant of Remedy 1B should be considered further.</p> <p>For the reasons stated above we believe that given a choice, in the main, the non-fault claimant</p>
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	service provider?	will choose for their own insurer to handle repairs. Where this is not the case we believe that choosing the at-fault insurer as the provider will favour the larger insurers with greatest brand awareness.
	(c) To what extent might this remedy inconvenience non-fault claimants, for example if they have to wait for the at-fault insurer to make contact? How long should the fault insurer be given to contact the non-fault claimant?	<p>The main inconvenience will be delay. The need to transfer / receive information and make a decision means that delay is unavoidable. Allianz considers that any delay is unacceptable.</p> <p>Notifying at fault insurers would be a new process at both ends (providing and receiving information). There is a risk that may impact on capacity and result in insurer backlogs. Insurers may need to review resource models which might add to expense ratios.</p> <p>If the CC does consider this remedy further Allianz proposes the at-fault insurer has no more than 24 hours to make a decision.</p>
	(d) Should non-fault claimants who make the first notification of loss to their own insurer, broker, or CMC have to wait for an offer from the at-fault insurer before deciding who to appoint to handle the claim even if they want their own insurer or CMC to do so?	For the reasons expressed above we do not believe so.
	(e) Are there any advantages or disadvantages to the variant applying this only to replacement cars (see paragraphs 40 and 41) compared with applying this to both replacement cars and repairs? What might be the consequences of a replacement car being provided by the at-fault insurer but the repair being managed by the non-fault insurer?	As stated above (Remedy 1A) Allianz believes that complexities and costs will arise if the replacement car is provided by the non-fault insurer and repair carried out by another provider. Co-ordination of the two would require liaison between the two providers. Response times will not be instantaneous. We therefore envisage lags (delays) whilst they pass information between them to ensure that the commencement of the

		<p>repair and provision of a replacement car coincide. The same will occur on conclusion of the repair and cessation of the need for the replacement car. We predict this would result in:</p> <ol style="list-style-type: none"> 1. Delay. 2. Frictional cost. 3. The risk of over or under provision of the replacement car. 4. A detrimental impact on premiums. <p>Allianz recommends that a single provider handles both the replacement vehicle and repair.</p>
	(f) Would this remedy give rise to distortions or have any other unintended consequences?	<p>We believe that notification to at-fault insurers and allowing them to decide whether to offer a repair and/or a replacement vehicle will create unavoidable delay and impact on the consumer experience. The exchange of information on a mass scale would result in substantial frictional cost and adversely impact on insurance premiums.</p> <p>We believe that notifying at-fault insurers on every claim will have an operational impact on both the non-fault and at-fault insurer. There is a risk that the operational impact may have service implications for both first party consumers and non-fault claimants.</p> <p>This Remedy would have the unintended consequence of shortening an insurer's timescale for considering liability – currently 14 days under the MoJ's rules. We suspect that many at-fault insurers would not be able to make a decision within what would be considered a reasonable time frame by the CC. As a consequence the take up rate by at-fault insurers would be minimal in practice.</p>

		<p>We believe that mandating a non-fault claimant to use the at-fault insurer, with whom they have no contractual relationship, risks creating a new type of Harm. The quality of the at fault insurers approved repairers will not be known. Some consumers may have also paid a premium to receive a service which the Remedy precludes them from utilising. The Remedy also removes the incentive to differentiate through superior customer service and may have the unintended consequence of driving down standards. We believe it would severely impact on consumer focussed innovation.</p>
	<p>(g) How might this remedy be circumvented? How could this circumvention be avoided?</p>	<p>We do not believe that this remedy will operate effectively even where complied with. In light of that circumvention may not be a high risk.</p> <p>Circumvention could occur by the non -fault insurer/CMC purporting to have notified the at fault insurer but having in fact failed to do so.</p> <p>Inadequate notification may occur i.e. advising that an accident occurred but not proving sufficient information for the at fault insurer to properly consider the matter.</p> <p>Alternatively it may occur by purporting to have notified them earlier putting them outside the response time limit set.</p>
	<p>(h) How should insurers, brokers, and CMCs be monitored to ensure that claimants are properly informed of their rights when making the first notification of loss? How should non-fault insurers</p>	<p>Compliance could be incorporated as part of regulators audit / inspections but would add significantly to related costs.</p>

	and CMCs be monitored to ensure that the at-fault insurer is informed of the claim? Who should undertake this monitoring? What additional costs would arise as a result of the monitoring?	Non-compliance could be reported by the at-fault insurer.
	(i) How long would it take to implement this remedy? What administrative or legal changes would need to be made?	<p>Insurers would need to prepare to make and receive large volume notifications to at-fault insurers and from non-fault insurers.</p> <p>To a large degree implementation will vary from insurer to insurer. It will be determined by existing practices and systems. For some IT systems may need development, processes may need to be defining, and training provided. Recruitment may be necessary which may have premises implications.</p> <p>Allianz anticipates that it would take at least 12 months, and if the requirement to allow the at fault insurer to have first option on repairing the vehicle had to be in the policy wording or any consumer literature enclosed in renewals then it would be a further 12 month renewal cycle in addition.</p> <p>Should the CC be minded to consider this Remedy further we believe that variant 1 could be implemented by way of an enforcement order. We suspect variant 2 (removing the consumer choice) would require changes to the law – in that regard we suggest the CC obtain their own legal advice.</p>

ToH 1: Separation of cost liability and control Remedy 1C: Measures to control the cost of providing a replacement car to non-fault claimants.	Issues for comment 1C: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>The aim of this remedy is to control the cost to at-fault insurers of subrogated claims for replacement vehicles.</p> <p>CC suggested it would be implemented through an enforcement order. Applicable to insurers, CMCs, vehicle hire companies, and other providers of replacement cars.</p> <p>The measures would replace the GTA and contain:</p> <ul style="list-style-type: none"> • Guidance on the duration of hire periods. • A cap on daily hire rates for each category of replacement car to be reviewed and re-set annually by an independent body. • An allowance for administrative costs. <p>The remedy may require use of an online portal for the exchange of documentation to reduce frictional cost. This would build on the GTA Technical Committee evaluation of a credit hire portal.</p>	<p>(a) What would be the most effective way of implementing this type of remedy? Possible ways could be an enforcement order made by the CC, an undertaking to replace the GTA, or (in relation to the hire costs of TRVs subject to dispute) a recommendation for judicial guidance on the level of hire costs recoverable from at-fault insurers by non-fault insurers and other providers of replacement cars.</p>	<p>Allianz believes that Remedy 1A offers the most effective solution to addressing the detriment arising in relation to the provision of TRVs. In the event of that Remedy being adopted we believe that Remedy 1C becomes redundant.</p> <p>In the event that Remedy 1C is adopted as part of the solution we suggest it would best be implemented by way of an enforcement order applicable to all providers of TRVs. It would need to enforce a process (provision of information to the at-fault insurer, rates, hire periods, prevent insurers and others differentiating between at-fault and non-fault hires, and ensure that claimants are provided with all the necessary information to make an informed choice including cost). The frictional cost will be significant and is avoided by Remedy 1A.</p>
	<p>(b) Which parties should be covered by this remedy?</p>	<p>Insurers, accident management companies, claims management companies, and vehicle hire companies.</p>
	<p>(c) What is the appropriate time period in which repairs should commence once a replacement car has been provided? How should the hire period be monitored and by whom?</p>	<p>There is no standard time period. It will be dependent on the make and model of the damaged vehicle together with the parts required to effect repair.</p> <p>Replacement vehicle <u>average daily cost</u> reduces dependent on the period of hire i.e. two days will cost more than one month. The time period for repair should be assessed and the replacement</p>

		<p>vehicle cost should reflect that period.</p> <p>The need to monitor the repair period is not required if Remedy 1A is adopted. This will remove significant frictional cost.</p> <p>In the event that this Remedy progresses the at-fault insurer should be advised of the nature and time estimate of repairs by the non-fault insurer.</p>
	(d) What is the most appropriate mechanism for setting hire rates for replacement cars? Who should determine the rates?	<p>Remedy 1A removes the need for such a mechanism. The first party replacement vehicle insurer will negotiate a commercial rate with their chosen supplier(s).</p> <p>In the event that Remedy 1C progresses we agree that an independent body (the body) should be appointed to set a scale of rates that act as a cap. The body should be provided with a detailed brief to include:</p> <ul style="list-style-type: none"> • Rates to be based on the basic hire rate (not credit hire rates). • The average daily rate should reduce dependent on the length of the hire period i.e. the longer the period the lower the average daily cost. • The categories of vehicles (make / models) aligned to rates. • Discounts for prompt payment.
	(e) What administrative costs should be allowed? At what level should administrative costs be capped?	Allianz does not believe that any administrative cost should be allowed. Such costs are incorporated in product pricing i.e. the insurance premium and the replacement vehicle hire cost.
	(f) Is it practicable for the relevant documentation to be exchanged through a web portal rather than in paper form?	<p>Remedy 1A avoids the need for a portal solution.</p> <p>The MoJ portal exists for a discreet category of</p>

		<p>claim. Allianz does not believe that it could be tailored to comprehensively accommodate replacement vehicle claims.</p> <p>A separate replacement vehicle portal would probably therefore be necessary. This would incur cost and require funding. The portal build, rules and training would delay implementation. Further introduction of another portal system would have serious operational and frictional cost implications for insurers.</p> <p>Allianz does not believe that there is a viable portal solution.</p>
	(g) What costs would the measures in this remedy entail?	<p>If Remedy 1A is adopted Remedy 1C becomes redundant and no cost is incurred.</p> <p>We believe that adopting Remedy 1C would result in significant costs in relation to set up cost and ongoing frictional cost.</p>
	(h) Would this remedy give rise to distortions or have any other unintended consequences?	<p>We believe this remedy would result in significant frictional cost.</p>
	(i) To what extent is there a risk that this remedy could be circumvented by the evolution of new business models that are not subject to it? How could this risk be avoided?	<p>This remedy could easily be circumvented. Repair could be delayed for a number of reasons, extending the hire period. Claimants that may have been content with a free courtesy car may be encouraged to take a like for like replacement hire vehicle. As a consequence the requirement for audit would be high.</p>

ToH 1: Separation of cost liability and control Remedy 1D: Measures to control non-fault repair costs	Issues for comment 1D: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>The aim of this remedy is to prevent subrogated claims for repair costs being marked up.</p> <p>This could be achieved in two ways via an enforcement order:</p> <ol style="list-style-type: none"> 1. Remedy 1D(a) - Non-fault insurers would be required to pass on to at-fault insurers the wholesale price they pay to repairers plus an allowance for an administration charge. There is a concern this might result in inflated bills to fund referral fees, rebates, etc. Consider in tandem with Remedy 1G. 2. Remedy 1D(b) - The repair costs recoverable through subrogated claims would be limited to standardised costs. The CC suggests these could be developed using estimation systems and Thatcham standards. This price control would require standard discount rates for parts / paint, and common labour rates and would need to specify when non-OEM parts could be used. 	<p>(a) What would be the most effective way of implementing this remedy?</p>	<p>Allianz is firmly of the view that an enforcement order implementing Remedy 1D(a) is essential to remedy the AEC identified under ToH1 in conjunction with Remedy 1G.</p> <p>The recent Court of Appeal decision in <i>Coles v Hetherington</i> enables insurers to legally recover “marked up” subrogated recovery claims. Unless the CC prohibits that practice we expect other insurers will feel commercially forced to follow the RSA and adopt such models. The obvious consequence will be that the AEC identified by the CC increases. Whilst Allianz plan to apply to the Supreme Court for permission to appeal we are not confident that the law can be relied upon to protect the consumer in this instance.</p>
	<p>(b) Would either variant of this remedy give rise to distortions or have any other unintended consequences?</p>	<p>Remedy 1D(a): Allianz does not believe that an administration fee should be permitted. The cost of making a subrogated recovery is an operating cost that is incorporated into the premium received. Administration costs are not currently recoverable by insurers. Altering this will add cost. With the exception of the administration fee we do not foresee any unintended consequences with this Remedy.</p> <p>Remedy 1D(b): The actual cost of repairs will be determined by the commercial terms agreed by the at-fault insurer. Setting standardised costs would result in two possible results:</p> <ol style="list-style-type: none"> 1. Mark up for large insurers that agree

		<p>commercial rates below the standard costs.</p> <p>2. Under recovery for smaller insurers that cannot agree commercial rates at or below the standard rates.</p> <p>This would create further market distortions.</p> <p>Allianz firmly believes that in order to be effective, under this remedy the non-fault insurer should only recover the actual cost of the actual repairs after commercial discounts agreed. There should be no “legally permitted margin”.</p>
	Regarding Remedy 1D(a)	
	(c) How could repairers be prevented from inflating the wholesale prices they charge to non-fault insurers and passing excess profit to non-fault insurers through referral fees, discounts or other payments?	<p>The enforcement order should stipulate that entitlement to recovery is limited to the actual cost of the actual repairs net of all commercial discounts, referral fees, rebates, profit share agreements and any other financial benefit secured by the non fault insurer. Further it should mandate that the at-fault insurer must not differentiate between at fault and not at fault accidents.</p> <p>Appropriately worded enforcement orders implementing Remedies 1D(a) (excluding the administration fee) and 1G (expanded beyond referral fees) will prevent inflation of wholesale prices.</p>
	(d) Could this remedy be circumvented by insurers vertically integrating with repairers?	<p>Appropriately worded enforcement orders implementing Remedies 1D(a) and 1G (expanded beyond referral fees to include rebates, profit share, and other known income models) will prevent circumvention.</p>

	Regarding Remedy 1D(b)	
	(e) Is it practicable to set standardised costs for all aspects of repairs in subrogated claims? If not, what are the potential problems?	<p>No, the actual cost of repairs will be determined by the commercial terms agreed by the at-fault insurer. Setting standardised costs would result in two possible results:</p> <ol style="list-style-type: none"> 1. Mark up for large insurers that agree commercial rates below the standard costs. 2. Under recovery for smaller insurers that cannot agree commercial rates at or below the standard rates. <p>For these reasons we do not believe it would be practicable.</p>
	(f) What are the appropriate benchmarks for inputs into the price control? To what extent are cost estimation systems helpful? What other indices would need to be used?	<p>It is our strong opinion that standardised costs cannot operate and address the AEC identified. We have explained the logic behind that opinion and in light of that we do not believe that there are any appropriate benchmarks, estimation systems, or indices that could assist in making this an effective remedy.</p>
	(g) What would be the costs of implementing this arrangement?	<p>Irrespective of cost this Remedy cannot deliver the intended outcome.</p> <p>The standardised costs would need to be set by an independent body. That could not be insurers, repairers (or their representative body), or any other participant in the supply chain. The eventual output would under compensate some insurers and/or over compensate (providing a mark up) others. The process of attempting to set and annually review the standardised costs would incur a cost that we are unable to estimate.</p> <p>Estimation systems would need to be re-calibrated</p>

		<p>incurring further cost.</p> <p>Any insurer that does not currently use an estimation system would be required to do so.</p> <p>The process of checking bills received against the standardised costs would add frictional cost.</p>
	(h) How would monitoring of this remedy work?	<p>Insurers could audit recoveries received against the standardised costs. However, we repeat that monitoring compliance against a defective Remedy will only have the effect of validating that the defect exists to the extent permitted. We believe this is an opportunity to deliver a suite of Remedies that truly addresses the Harms identified.</p>
	(i) What would be the most appropriate organisation to review the inputs into the price control on a regular basis?	<p>If this remedy were pursued, Allianz holds the view that Thatcham would be seen as the natural choice. Alternatively, the creation of an independent body chaired by Thatcham could be an alternative.</p>
	(j) What measures would be required to ensure that the price control arrangements would not have adverse consequences for the quality of repairs?	<p>In terms of subrogated claims, the focus of Remedies 1D(a) and 1D(b), there is no incentive for the non-fault insurer to deliver an under provision of repair.</p>
<p>ToH 1: Separation of cost liability and control Remedy 1E: Measures to control non-fault write off costs</p>		
<p>Low estimated salvage values are used for the purpose of the subrogated recovery claims from the at-fault insurer resulting in overpayment.</p> <p>The aim of the remedy is to ensure claims costs reflect the actual salvage proceeds.</p>	<p><u>Issues for comment 1E:</u> Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:</p> <p>(a) Would either variant of this remedy give rise to distortions or have any other unintended consequences?</p>	<p>Remedy 1E(a): The Road Vehicles (Registration and Licensing) Regulations 2002 require the DVLA to be notified of a written off vehicle and that the V5 is surrendered or destroyed. Most insurers provide notification to DVLA via the Motor Insurers Anti Fraud and Theft Register (MIAFTR). This is done once the vehicle is declared a write off (not</p>

<p>This could be achieved in two ways via an enforcement order:</p> <ol style="list-style-type: none"> 1. Remedy 1E(a) – Requires the at-fault insurer has the option to handle the salvage in non-captured claims. The subrogated claim would be the pre-accident value of the vehicle and the at-fault insurer would sell the salvage and retain the proceeds. 2. Remedy 1E(b) – Requires settlements to be based on actual salvage values or if estimates are used for the settlement to be adjusted if the actual salvage proceeds vary from the estimate used. 	<p>on payment of the claim). MIAFTR has a dual purpose as it will report previous accidents the vehicle has been involved in. Details of the salvage agent are provided by the MIAFTR registered insurer at the end of the process. Transferring the MIAFTR registered insurer will cause significant delays.</p> <p>Transfer of ownership in the salvage will result in frictional cost being incurred.</p> <p>Remedy 1E(b): We do not believe that salvage estimates should be used. There is no necessity for it. The subrogated claim should be made once the salvage has been sold, the actual value known, and the net cost of the claim established with certainty. Subject to that revision Allianz does not believe that this remedy, when operating in conjunction with Remedy 1G, gives rise to any distortion or unintended consequence. For that reason it is our preferred remedy.</p> <p>Regarding Remedy 1E(a)</p> <p>(b) Would at-fault insurers be likely to take up the option of handling the salvage?</p>	<p>Insurers would prefer for subrogated claims to be presented on a true net cost rather than inheriting the salvage and the responsibility for disposal. This remedy circumvents the problem rather than address the root cause.</p> <p>Unless the root cause is addressed we expect at-fault insurers would opt to deal with the salvage in principle although the issues caused with DVLA following transfer of insurer may result in a different decision in practice.</p> <p>This Remedy creates its own grey areas and</p>
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		therefore we feel unable to answer the question more definitively.
	(c) At what point in the claims process should at-fault insurers be given this option?	If this Remedy is adopted as soon as the vehicle is assessed a write off.
	Regarding Remedy 1E(b)	
	(d) What impact would this remedy have on salvage companies? To what extent would this proposal reduce the incentives for insurers to get the best salvage value from salvage companies?	<p>None. The estimated salvage value has no relevance to the salvage company. They will always pay the actual salvage value to the insurer.</p> <p>As previously stated we suggest the enforcement order should mandate that the non fault insurer must present the subrogated claim once the actual salvage value is known (and received). Subject to that revision if implemented in conjunction with Remedy 1G (removing income streams) we believe Remedy 1E(b) would be effective.</p>
	(e) What administrative costs would the adjustment mechanism have? What evidence would need to be provided to verify the salvage proceeds (and any referral fee)?	<p>Administrative costs are an operating expense that is incorporated into the premium received. Administration costs are not currently recoverable by insurers. Certainly Allianz refuses to pay such fees even where sought. Altering this will add cost.</p>
ToH 1: Separation of cost liability and control Remedy 1F: Improved mitigation in relation to the provision of replacement cars to non-fault claimants	Issues for comment 1F: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>Non-fault insurers and CMCs do not enquire about the non-fault claimant's need for a broadly equivalent vehicle.</p> <p>The remedy would require that non-fault insurers and CMCs ask non-fault claimants standard questions about their need for a replacement car. The type of vehicle provided and the duration</p>	(a) Could this remedy operate on a stand-alone basis?	<p>This Remedy would not be effective on a stand-alone basis.</p> <p>A standard set of questions produced to evidence need will, We believe, result in the development of a set of standard responses engineered over a period of time to be accepted as proving appropriate mitigation.</p>

<p>should reflect the answers given.</p> <p>The non-fault insurer / CMC would be required to provide the at-fault insurer with a mitigation statement setting out the responses to the questions and written confirmation that the cost of the replacement car had been appropriately mitigated.</p>		Allianz holds the view that the effective remedy to the issue of replacement vehicle costs is Remedy 1A.
	(b) Which other remedies would benefit from this remedy as a supporting measure?	Allianz believes Remedy 1A provides the solution to the Harm identified. If that remedy is implemented there is no requirement for Remedy 1F.
	(c) What questions should the non-fault insurer or CMC ask non-fault claimants in order to assess the need for a replacement car, the appropriate type of replacement car and to demonstrate that the provision of a replacement car had been appropriately mitigated? Should the cover provided by the claimant's own insurance policy be considered in assessing the claimant's need: for example, if the claimant's own policy included provision of a replacement car in the event of an at-fault claim, would that be sufficient evidence of need for a replacement car in the event of a non-fault accident?	<p>In the event the CC pursued this, the questions provided below are illustrative of what we consider to be appropriate.</p> <ol style="list-style-type: none"> 1. Do you have access to another vehicle? If so would the other vehicle be suitable? 2. Do you need a replacement vehicle? 3. How often will you use the vehicle on a weekly basis? 4. Is a courtesy car available? If so would that be suitable? 5. What is your average daily mileage? 6. What is the vehicle used for? 7. Do you have any particular family needs? 8. Do you need a car of the same size or could you manage with something smaller? <p>We suggest that the claimant should be made aware of the cost implication of providing a like for like car, if that is what they say they need, to enable them to make a fully informed decision.</p>
	(d) Would the right of the at-fault insurer to challenge the non-fault insurer or CMC and to see the 'mitigation declaration' and call record be sufficient for this remedy to be self-enforcing without additional monitoring? Would giving the at-fault insurer access to the non-fault insurer's or CMC's call records give rise to any data protection	Allianz believes that a standard set of questions produced to evidence need will result in the development of a set of standard responses engineered over a period of time to be accepted as proving appropriate mitigation. Therefore we do not believe that seeing the mitigation statement and/or call record would result in it being self-

	issues?	policing. We believe this Remedy would have little impact.
	(e) How much would it cost to implement this remedy?	Cost will be limited to production of an agreed set of questions and the format of the mitigation declaration. Accordingly we suspect implementation costs will be minimal.
	(f) Would this remedy give rise to distortions or have any other unintended consequences?	For the reasons expressed above we do not believe this Remedy would provide the intended consequences.
ToH 1: Separation of cost liability and control <u>Remedy 1G: Prohibition of referral fees</u>	<u>Issues for comment 1G:</u> Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>A prohibition of referral fees would aim to support measure set out above.</p> <p>The remedy would prohibit:</p> <ul style="list-style-type: none"> Referral fees or commission paid by CMCs/CHCs/repairers/others to non-fault insurers/non-fault brokers/others in relation to the provision of replacement cars, repairs and paint; and Referral fees or commission paid by salvage companies to non-fault insurers. 	(a) Could this remedy operate on a stand-alone basis?	Allianz believes that Remedy 1G should be expanded to include rebates and profit share deals. Subject to that revision we believe Remedy 1G is an essential central plank of the measures implemented by the CC. However, it is not a stand-alone solution to all the adverse effects identified.
	(b) Would remedies to 1A to 1F benefit from a prohibition of referral fees as a supportive measure? Or would remedies 1A to 1F have the effect of reducing referral fees in any event?	<p>Remedy 1G is essential to supporting the effectiveness of Remedies 1A to 1F. It underpins the other remedies and enables them to operate as intended.</p> <p>We do not believe that Remedies 1A to 1F will operate as intended if referral fees remain payable. They incentivise creative solutions to the Remedies and their retention would increase the risk of circumvention.</p>
	(c) What would be the impact on premiums if referral fees were prohibited?	The answer depends very much on which other Remedies are implemented alongside 1G. The CC has identified the extra layer of cost added to the insurance claim spend. That extra layer of cost

		<p>adds no value for the consumer whatsoever. Currently it merely impacts on premium and therefore is harmful to the consumer.</p> <p>Whilst we cannot state with confidence the impact on referral fees we can say that in our opinion Implementation of 1G is essential. That is because it removes any incentive to circumvent the other Remedies. In our view if facilities the success of other Remedies.</p> <p>We cannot see any merit in allowing referral fees to remain intact in any guise.</p>
	(d) Would this remedy give rise to distortions or have any other unintended consequences? In particular, would a prohibition on referral fees create a greater incentive for insurers to vertically integrate?	<p>This remedy would not give rise to any distortions or unintended consequences. Referral fees, rebates, profit share and other non-insurance related income streams have had a wholly unhealthy influence on the insurance market and their prohibition could only be positive.</p> <p>Remedy 1G in conjunction with Remedy 1D(a) will overcome the negative elements of vertically integrated repair models.</p>
	(e) What circumvention risks would this remedy pose and how could these be mitigated? In particular, how could other monetary transfers (eg discounts) having the same effect as referral fees be prevented?	<p>None providing the scope of the Remedy was extended to rebates, profit share and other financial mechanisms identified by the CC during its investigation.</p> <p>Discounts are positive providing they are passed on as required by Remedy 1D(a).</p>
	(f) How could this remedy best be monitored and what costs would be incurred in doing so?	<p>Regulatory authorities should be responsible for monitoring this Remedy.</p>

<p>ToH 2: Possible underprovision of service to those involved in accidents Remedy 2A: Compulsory audits of the quality of vehicle repairs</p>	<p>Issues for comment 2A: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:</p>	
<p>Insurers and CMCs do not monitor the quality of repairs. There are significant limitations to consumers' ability to assess the quality of repairs.</p> <p>The aim of this remedy is to improve the quality of at-fault and non-fault repairs through periodic audits.</p> <p>There is a need to audit the quality of repair in addition to the cost.</p> <p>There is a need to consider how to best minimise the additional cost of an audit requirement.</p>	<p>(a) What costs would be involved in auditing the quality of repairs?</p>	<p>An inspection by a staff engineer has been calculated within Allianz as costing [redacted]. The commercial rate is approximately £96 (inclusive of VAT).</p> <p>Allianz inspected [redacted] vehicles in 2013. Assuming a required audit sample of 10% that translates to a cost of [redacted] using staff engineers or [redacted] using independent engineers for Allianz alone. In addition post accident inspections may delay the return of the repaired vehicle, extend the replacement vehicle hire period, and inconvenience consumers – the figures provided are therefore conservative.</p> <p>Extrapolating Allianz's cost across the market we believe the total cost to insurers would be a minimum of [redacted] based on staff engineers or £19,920,000 based on independent engineers.</p> <p>We believe this cost is disproportionate to the CC's findings based on MSXI's limited inspections and indeed we consider that the CC's findings of an AEC in this respect are unfounded.</p> <p>The CC has accepted that the sample size is "<i>non-representative</i>".</p> <p>MSXI inspected a total of 101 vehicles repaired by insurers of those it was reported 45 were not returned in their pre accident state.</p>

		<p>We do not know whether they were all repaired by PAS125 accredited repairers of manufacturer approved repairers. It is possible the owner elected to use a non-approved repairer, which is beyond insurers' control.</p> <p>Crucially no vehicle was returned in a dangerous state. The most common criticisms were;</p> <ul style="list-style-type: none"> • Paint finish; • Panel misalignment; and • The repair being clearly visible. <p>Insurers will accept that a perfect paint match is not always possible on older vehicles. It is not possible to age new paint. It is accepted that in such situations there may be a negative effect on the value of the car. Insurers commonly pay claims for diminution in value, in addition to the repair cost, in such situations. We do not know whether such a payment had been made in some or all of the 45 cases reported.</p> <p>Where panels were misaligned we do not know whether the vehicles had been involved in any previous accidents, which may account for it.</p> <p>All of the defects were cosmetic. The fact the owners of 12 of the 45 cars (nearly 25%) had not recognised any issue with the repairs suggest the defects must have been extremely minor and as we have recognised perfection is sometimes impossible to achieve. An audit process will not alter that.</p>
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		<p>We believe that the Remedy is disproportionate to the limited evidence from MSXI which conflicts with the evidence received from vehicle owners that suggested there was not an issue.</p> <p>Insurers cannot be responsible for repairs provided by a non-approved repairer that a consumer may elect to use.</p> <p>Allianz's approved repairers are all PAS125 or manufacturer accredited. Garages will be inspected by BSI (PAS125) or the manufacturers. An audit failure may result in loss of accreditation.</p> <p>Both accreditations have demanding requirements directed at training, competence, repair method (prescribed by the manufacturer or Thatcham), the tools used, and the parts used. It naturally flows that the resultant repair must be as close to perfect as can reasonably be achieved as the requirement control the ever aspect of producing the repair.</p> <p>We request that the CC review the response to the MSXI report and consider a more proportionate response. If necessary we request that the MSXI inspection be extended to a representative sample from which safe conclusions can be drawn. We would also ask to know whether insurer approved repairers were used, the age of the vehicle, and whether it had been involved in any other accidents.</p>
	(b) How frequently should audits of repair quality be undertaken?	If audits are determined necessary a representative sample is normally considered to be 10% annually.
	(c) Should audits of repair quality be undertaken	If audits are necessary we suggest insurers should

	by insurers and CMCs or an independent body? Is it necessary for the audits to be standardised and be performed by an independent body for the results to be comparable and credible? How would an independent body be funded?	<p>be able to use staff engineers.</p> <p>Insurers are brand protective. We do not believe any insurer intentionally returns a substandard repaired vehicle. The reputational issues are too acute.</p> <p>The cost of an independent audit inspection requirement would neutralise the positive financial effect of the other Remedies for consumers.</p>
	(d) If the results of repair quality audits were to be published, who should collate the results? Should results be categorised by repairer or insurer?	<p>We repeat that we believe the audit process proposed by this Remedy is disproportionate to any issue perceived to exist by reference to the non-representative MSXI audit.</p> <p>We repeat that in some instances a repair that returns the vehicle back to its perfect pre accident state may not be possible e.g. new paint cannot be aged and if the car had been involved in previous accidents it may have an impact on what is possible.</p> <p>Centralising and publishing audit results would add cost to the figures provided above and not provide meaningful guidance on quality standards adhered to by the insurer.</p> <p>If this remedy is implemented we do not believe that results should be published. The outcome and the rectification or diminution in value payment (if rectification to a perfect state is not possible) is a matter between the insurer and individual customer.</p>
	(e) If audits are carried out by insurers, how would consistent standards be achieved?	<p>We repeat that we do not believe this Remedy should be implemented based on 45 imperfect</p>

		<p>repairs.</p> <p>To an extent any post repair audit must involve a degree of subjectivity i.e. is the paint match as good as it can reasonably be?</p> <p>We do not believe that perfect consistency would be achievable even if independent engineers were used. Whilst the inspection requirements may be consistent the assessments against those questions will always vary.</p>
	<p>(f) If this remedy were to be implemented through expanding the scope of PAS 125 and the scope of audits undertaken in relation to PAS 125, is it necessary for PAS 125 accreditation to be made mandatory for all repairers undertaking insurance related work?</p>	<p>Allianz believes this goes further than reasonably required.</p> <p>PAS125 is an accreditation that sets standards for competence, appropriate repair (Thatcham or manufacturer prescribed), parts used, and tools / facilities necessary to produce the best result possible. Manufacturer accreditation is at least as demanding.</p> <p>A defective repair can only be the product of incompetence, inappropriate repair, inappropriate parts, or inadequate or inappropriate tools / facilities. Both PAS125 and manufacturer accreditation requirements therefore address the root cause.</p> <p>PAS125 requirements are audited by British Standards Institution (BSI) and accredited repairers carry the kitemark.</p> <p>If PAS125 accredited repairers or manufacturer approved repairers are used the accreditation requirements should naturally result in as good a repair as is possible being achieved.</p>

		<p>We repeat that there is no suggestion any of the 45 vehicles were repaired by a PAS125 accredited (kitemarked) garage or a manufacturer accredited garage.</p> <p>PAS 125 or manufacturer accreditation are a requirement to appointed to the Allianz network of approved repairers.</p>
	(g) Would this remedy give rise to distortions or have any other unintended consequences?	It would result in a significant and disproportionate cost.
	(h) Whether this remedy is best made by the CC through an enforcement order or whether the CC should make recommendations to another party to implement the remedy, and if so who that party should be?	<p>We do not believe this remedy should be implemented in the form set out.</p> <p>We believe that a proportionate Remedy would be to require PAS125 or manufacturer accreditation before a repairer can be appointed as an insurer approved garage. We believe this is a responsible and proportionate safeguard that will protect the consumer.</p>
	(i) Whether this remedy is likely to be more effective in combination with other remedies than alone and, if so, what particular combinations of remedy options would be likely to be effective in addressing the AEC we have provisionally found?	<p>We do not believe this remedy would be effective.</p> <p>We repeat that PAS125 and manufacturer accreditation address the root cause of the risk of defective repair. We believe that the correct Remedy is ensure there is consistency regarding insurers' appointment of approved repairers. PAS125 and manufacturer accreditation should be a standard requirement.</p>
ToH 4: Add-ons Remedy 4A: Provision of all add-on pricing from insurers to PCWs	Issues for comment 4A: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
The remedy would require each insurer that wishes to offer add-on products to provide pricing	(a) Should PCWs be required to enable consumers to compare the policies offered by	Yes - consumers should be able to accurately compare products.

<p>information on all the add-ons it offers to the PCWs. The PCWs would then display the full range of add-ons available from each insurer so that a consumer can compare the total price of policies offered by different insurers including the add-ons selected.</p>	<p>different insurers including all add-ons on their websites or are they sufficiently incentivised to do so without such a requirement?</p>	<p>The challenge is doing this in a way that doesn't make the convenient purchase process via aggregators excessively complicated.</p> <p>Consumers are likely to value a PCW that makes the process of choosing the right cover for them as transparent and simple as possible. However, PCWs receive a flat fee from an insurer regardless of the number of add-ons a customer purchases in order to tailor their policy, or relating to the breadth of cover a customer chooses to purchase. This may therefore dampen the incentive for PCWs to provide consumers with additional information regarding add-ons and cover.</p>
	<p>(b) Should the remedy be extended to brokers?</p>	<p>Yes- Brokers trade on PCWs in exactly the same way as Insurers do.</p>
	<p>(c) Should the remedy apply to all add-ons?</p>	<p>It is difficult to argue why not. We would note, however, that depending on the ease of fully explaining and the accurate pricing of add-ons on PCWS, this might reduce the range of add-ons available and the choice available on PCW site to Consumers (even if insurers offered a wider choice on their own sites).</p>
	<p>(d) How long would it take for insurers to prepare the pricing information to pass to PCWs and for PCWs to alter the design of their websites to accommodate this change?</p>	<p>Not known, more work will be required on this, but substantial re design of both PCWs websites and the system insurers use to generate and pass Add on quote information</p>

		to PCWs would be needed
	(e) How much would it cost to make these changes?	Again, unknown
	(f) What circumvention risks would this remedy pose and how could these be mitigated?	Nothing further to add to points previously made.
	(g) Would this remedy give rise to distortions or have any other unintended consequences?	It could result in add ons being pared down in order to improve price competitiveness at customer inception. It could also result in more standard pricing rather than individual pricing of add ons, increasing the price overall or reducing the cover available for some customers which may not be to their benefit.
ToH 4: Add-ons <u>Remedy 4B</u>: Transparent information concerning no-claims bonus	<u>Issues for comment 4B</u>: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>CC found that there is lack of transparency of NCB scales and a lack of clarity on the difference between NCB and NCB protection that results in consumers being unable to properly evaluate the protection on offer.</p> <p>All insurers would be required to:</p> <ol style="list-style-type: none"> 1. Make available to consumers details of the NCB scales when choosing whether to take out NCB protection and when receiving their policy quotation. 2. Include in the description on the NCB protection a clear statement that a policyholders premium may increase following an accident in which the 	(a) Is it necessary for consumers to be given the NCB scales both when choosing whether to take out NCB protection and when receiving their policy quotation?	No. Provided consumers have the total annual or monthly price of the policy with and without NCB protection and level of protection provided by NCB based on claim level triggers.
	(b) What wording could best be used to help consumers appreciate that NCB protection does not prevent premiums rising following an accident?	Ideally, we would explain the standard (actual) insurance provider rationale for this, in plain English. Premium loadings may not automatically be applied in all cases. Each Insurer should explain how it applies loadings based on its own specific policy wording and prescribed wording should be avoided.
	(c) Are there any obstacles to effective implementation of this remedy?	The ability of the PCW to display this information clearly to the consumer in

policyholder was not at fault even when they have taken out NCB protection.		conjunction with all the other information we are asking, or proposing to ask, the consumer to digest.
	(d) How long would it take for insurers to prepare the NCB scales?	Already available for AZ YC in brochure ware
	(e) What circumvention risks would this remedy pose and how could these be mitigated?	Insurers might create and apply other related discounts such as "Safe Driver" discounts to create new discounts, or loadings, that circumvent NCB disclosure
	(f) Would this remedy give rise to distortions or have any other unintended consequences?	There could be an incentive for insurers to artificially inflate the premium and then show a high level(%) of NCB being available, which might not in practice lead to a real saving for the consumer
ToH 4: Add-ons <u>Remedy 4C: Clearer descriptions of add-ons</u>	<u>Issues for comment 4C:</u> Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:	
<p>CC have found that consumers have a limited understanding of add-ons. The information provided by insurers is insufficient.</p> <p>The aim of this remedy is to improve the quality of descriptions on add-on products.</p> <p>All insurers will be required to meet plain English standards.</p>	(a) What are the key aspects of each add-on product that need to be explained in such descriptions and how should the quality of these descriptions best be established?	The principles are those which benefit the consumer and differentiate the product compared to market. Consumer bodies and the ASA would regulate quality..
	(b) How should these descriptions be provided to consumers – for example, in the insurance policy documentation, on insurers' websites or on PCWs?	Descriptions need to be provided in all of these places. The challenge is in getting the balance right between providing consumers with full information and this becoming information overload
	(c) How would this remedy best be monitored – both for initial approval of descriptions and ongoing approval?	We would develop with Technical and Compliance input, descriptions easily understood by the customer, creating the final copy in plain English as a minimum.

<p>ToH 5: Most favoured nation clauses in PCW and insurer contracts Remedy 5A: Prohibition on 'wide' MFN clauses</p>	<p>Issues for comment 5A: Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:</p>	
<p>The remedies only apply to the 'wide' MFN clause.</p> <p>The remedy would prohibit the use of 'wide' MFN clauses between PCWs and insurers.</p> <p>All PCWs will be required to stop using clauses that restrict and insurer offering their product more cheaply on another PCW site. However, a PCW could require that an insurer would not offer the product more cheaply on its own website.</p> <p>The CC want to avoid PCWs adopting other mechanisms that achieve the same outcome or effect as a 'wide' MFN clause e.g. threatening to delist an insurer.</p>	<p>(a) How would this remedy best be specified? Would the prohibition be best described in relation to all MFN clauses except those in relation to insurer' own websites?</p>	<p>Yes. By a prohibition banning all MFNs apart from those relating to all providers' own websites ie (Narrow)</p>
	<p>(b) Could this remedy take effect immediately (or within a short period to remove clauses) or would an adjustment period be required?</p>	<p>We see no reason why any changes could not be implemented quickly if required by an enforcement order, via an addendum to the contract]. This would enable customers to benefit in shortest timescale.</p>
	<p>(c) What circumvention risks would this remedy pose and how could these be mitigated?</p>	<p>In addition to delisting, the PCW could:</p> <ul style="list-style-type: none"> i) Simply not display quotes; ii) identify means to highlight or otherwise feature to users of PCWs, quotes from insurers and brokers who do not offer products more cheaply on other PCWs' websites. In doing so to support sales from these insurers at the expense of those who do offer lower prices on other PCW's websites; iii) Charge differential CPAs to insurers that do or do not offer products more cheaply on other PCWs. <p>Mitigation might include a duty to display quotes wherever an insurer returns a price. It also might include, all else being equal, a duty to give equal prominence to the customer for all quotes where the cover is broadly similar, the quotes still being ranked by price.</p> <p>Essentially, the risk here is that the PCW uses</p>

		other factors, in addition to price, in order to rank products, where one of the underlying purposes is to feature products from those insurers who do not offer products more cheaply on other PCWs.
	(d) In addition to threatening to delist an insurer, what other actions could a PCW take that might have the same effect as a 'wide' MFN? How could the risk of a PCW taking these actions be effectively mitigated?	As per (c) above, with the addition of increasing CPAs, restricting access to data, including to anti-fraud information. A non discrimination obligation should apply to all. PCW shall not discriminate against any insurer in price or other terms by reference to whether or not such insurer offers products more cheaply elsewhere.
	(e) Would this remedy give rise to distortions or have any other unintended consequences?	PCWs are seeking to improve the information provided to the customer regarding a product in order that they can make more informed choices. The remedy needs to be designed in such a way that it does not prevent richer information being provided and the ability to better compare cover levels and appropriateness for a consumer