



Inquiry Manager  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

15<sup>th</sup> January 2014

Dear Sir/Madam

**Re: PRIVATE MOTOR INSURANCE MARKET INVESTIGATION  
Comments on Notice of Possible Remedies**

Fusion provides a range of consultancy, project management, audit and compliance services to the accident repair and motor claims supply chain. Our client base includes vehicle manufacturers, paint companies, motor insurers, accident repair centres and credit hire organisations amongst others. The services we provide embrace both the business process requirements opposite all participants of the supply chain, and the technical aspects of accident damage repair.

Clearly, the outcome of the 'market investigation' will potentially impact across all our client sectors and thus we have a vested interest, both directly and indirectly, in closely monitoring the 'market investigation' as it progresses.

With this in mind, we are pleased to submit our comments in relation to the compulsory audits of the quality of vehicle repairs (**Theory of Harm 2, Remedy 2A, paragraph 78**).

Yours sincerely

Alan J Holden  
*Managing Director*

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## **Comments provided by Fusion Management Support Limited**

### **(Theory of Harm 2, Remedy 2A, paragraph 78)**

78. Views are invited on the effectiveness and proportionality of this remedy and, in particular, on the following:

(a) What costs would be involved in auditing the quality of repairs?

We support the view in paragraph 76 that it is not practical, neither operationally or financially, to audit each and every repair. The emphasis ought to be on the auditing of the repairer's compliance opposite a defined set of standards in conjunction with an inspection of a number of randomly selected vehicles in terms of repair integrity and quality. Furthermore, along with post-repair inspections, some vehicles should be inspected during the repair process so enabling identification of failings that may be latent once the repair has been completed. The actual compilation of vehicle damage assessments should be interrogated to validate that fair and equitable repair costs are arrived at.

Clearly, such audits need to be undertaken by persons with the appropriate knowledge, experience and accreditation in respect of vehicle damage assessment; there is too much at stake in respect of vehicle safety, as well as the desired quality of repair, to allow auditors without the necessary credentials to undertake such audits.

The questions of costs cannot be assessed at this stage until this remedy has been defined in full, effectively providing a full and proper scope. There will of course be the cost of deploying the auditor himself/herself, the time associated with authoring/maintenance of the standards, report production, collation and dissemination of information to relevant parties, administrative costs etc.

(b) How frequently should audits of repair quality be undertaken?

Our extensive experience in this area leads us to think that an annual full compliance audit should be undertaken by prior arrangement, including repair inspections; we envisage that this would be a full day exercise. In addition, we believe that up to perhaps three further, but shorter, unannounced visits should take place each year with the focus primarily on repair quality; that said, further visits could be deemed necessary subject to the volume of vehicles repaired by a repairer.

(c) Should audits of repair quality be undertaken by insurers and CMCs or an independent body? Is it necessary for the audits to be standardized and be performed by an independent body for the results to be comparable and credible? How would an independent body be funded?

The point raised in paragraph 75 regarding the current audits carried out by insurers and CMCs is valid; the focus is indeed on cost, and also on compliance opposite commercially-driven service level agreements, rather than on repair safety and quality.

It is essential to be mindful here that many repairers undertake work for a number of insurers and CMCs; therefore it seems entirely incongruous to have numerous work providers undertaking the same or similar audits on the same repairers several times year. This would create a huge time burden for repairers and work providers alike, in addition to significantly increasing the quantum cost of ensuring compliance across the repair community, irrespective of who bears that cost. Critically, allowing insurers and CMCs to undertake the audits would still carry the risk that the focus would still not be applied correctly on repair quality.

The logical approach is to have a globally accepted set of standards that insurers and CMCs align themselves to. Auditing opposite those standards should be undertaken by an appropriate independent organisation.

Any repairer must comply with the standards to accept work handed down through the insurance claims process. Similarly, insurers and CMCs should only provide repair instructions to repairers that are accredited to the standards.

Ongoing compliance with the standards must remain the sole responsibility of the repairer, as any audit undertaken is merely an endorsement of the compliance level at that specific point in time. In the event that the compliance levels are found to be unsatisfactory at the time of an auditor's visit, the auditor should have the right to hand down a timebound improvement order, or in the most extreme circumstances, request that the repairer in question have their accreditation suspended.

Our view is that the cost of auditing should be funded by all key stakeholders. Each and every repairer that applies to be accredited opposite the standards would pay a set annual fee. In addition, insurers and CMCs should pay a *pro rata* share of the remaining quantum costs based on their respective share of the claims market.

In the event that credit repair remains a feature of the claims process, credit hire organisations [CHOs] should be expected to abide by the same process and funding commitments. In order to ensure robustness in this market sector, it would seem that any company managing credit repairs should be appropriately registered to do so.

Collection of monies for each respective sector could be collected through the corresponding representative body, i.e. the ABI on behalf of the insurers.

(d) If the results of repair quality audits were to be published, who should collate the results? Should results be categorized by repairer or insurer?

It follows that the results of the audits should be compiled by the auditing body, and be made available for publication in a variety of formats.

For each insurer, CMC or CHO, a league table could be produced for their individually selected networks comprising compliance ratings for each repairer. Additionally, each work provider could see the composite compliance level of its own network in a further league table containing anonymised results from all the other networks.

Abbreviated compliance reports/ratings should be made available for each and every repairer so that claimants can be presented with some relevant information about the selected repairer. Ratings for all accredited repairers should be made available in the event that a claimant selects a repairer that is not part of the managing insurer's network.

An issue does arise though, where a claimant selects a repairer that is not accredited, assuming that such a legal entitlement continues to exist.

(e) If audits are carried out by insurers, how would consistent standards be achieved?

We don't believe this is possible nor practical. Please see our comments under 78(c).

(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?

There is some validity in this suggestion, and one which would be welcomed by many PAS125 accredited bodyshops we feel sure.

However, PAS125 does **not** embrace every single aspect of what contributes to the safe and proper repairing of damaged vehicles. Thus, PAS125 in isolation would **not** suit the purpose.

It's worth reflecting a little on the evolution of PAS125 to place matters in perspective.

The hope of the repair community, and the stated intent by sections of the insurer community at the outset was that PAS125 would form the core standard that all parties sought to align themselves too. Repairers who therefore demonstrated compliance would expect to see their businesses preferred by insurers over others; and insurers would be able to rely, in part, on PAS125 for their due diligence process for deploying repairs that would be completed safely and to a proper level of quality. In reality, this has scarcely happened, as most insurers have not fully embraced PAS125.

A key characteristic of PAS125 was that it would publically promote the credibility of compliant repairers to the policyholder, setting such repairers apart from those that were not able to comply or were not willing to invest. It's worth mentioning here that PAS125 accreditation can

be handed down by independent bodies, but in such circumstances does not bring with it the award of the Kitemark® - that is only awarded when BSI undertakes the auditing. There is a common feeling amongst the repair community that generally BSI has not done enough to promote PAS125 under its Kitemark® banner, so resulting in the public being largely unaware of repairers with a demonstrable and recognised accreditation.

So without engagement by the insurers and any real public awareness, many repairers have become disillusioned in the true benefit of PAS125, with a number pulling away from it.

It should be noted that the cost of complying with PAS125 is considered prohibitive by many repairers, even if the accreditation is awarded without the Kitemark® by independent auditors.

From direct experience, it is true to say that the following now apply:

1. There exist very good repairers who do not carry PAS125 accreditation;
2. There exist some repairers who do carry PAS125 accreditation who in reality do not adhere to it;
3. Any repairer carrying PAS125 would still need to demonstrate compliance in other areas to satisfy the requirements of this remedy

In summary, the scope and cost of complying would have to be addressed, but because BSI retains control of the Kitemark®, relying purely on PAS125 as the compliant reference point is potentially problematic. The industry needs access to fully and completely authored standards that are relevant and are not cost prohibitive in terms of audit and compliance.

A viable option is to create an additional series of audit components to meet the additional requirements of this remedy, plus a set of core standards to be applied where PAS125 is not in place.

The net result is that repairers not wishing to adopt PAS125 can still participate, whilst those that do subscribe to PAS125 may benefit from a less onerous and less expensive audit process.

**NB:** In determining the best solution to support the remedy, it will be essential to consider the impact of BSI's recent announcement of its plans to change PAS125 into the BS10125 standard.

**(g)** Would this remedy give rise to distortions or have any other unintended consequences?

1. If new global standards were adopted, it is conceivable that some repairers may no longer wish to align themselves to PAS125.
2. Should insurers and CMCs be permitted to deploy and manage their own audit and compliance processes, a distortion would manifest itself such that the quantum cost of auditing repairers will increase.
3. Depending on the level to which repairers embrace the standards ultimately determined under this remedy, there may be not insignificant change in the composition of insurer networks.

**(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.

Our suggestion is that the remedy is implemented by a third party rather than by an enforcement order, notwithstanding that any third party must carry the appropriate authority, e.g. VOSA, but should remain independent of the delivery; the audit and compliance process itself should be managed downstream by an appropriate, independent service provider.

We see this as essential such that the third party becomes the ultimate authority on matters of dispute, not least relating to the suspension of accreditation where the audit has revealed severe non-conformances.

(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.

The key concern we have here relates to paragraph 18(d), and specifically how the claimant's contractual rights are respected in the event of [reasonable] dissatisfaction with a repair. Careful thought needs to be given as the burden of responsibility may shift depending on who selected the repairer, i.e. insurer or claimant, and also whether or not the repair is controlled by the non-fault or the third party insurer.

There may be a role for a dispute resolution process, perhaps undertaken by the auditor; establishing who funds this may be a challenge.

**Ends.**