Insurer A response to Remedies Notice

Before providing answers on the feedback sought, there is a particular point within the provisional findings that we would like to take issue with. In 6.15 you have decided not to take into account the longer duration of hires when vehicles have been provided by CHO's (average 17 days) compared to direct hire (12.7 days) on the basis that credit hires tend to be for more serious accidents requiring longer repairs. From the referral and claims capture models we have seen presented by CHO's and from the claims we have received from CHO's, we have seen **no** evidence that credit hire services are only / selectively offered for the longer repairs. Our experience is that credit hire is offered systematically and with no discrimination as to the level of damage. Have you been presented with any evidence that such selection does in fact take place? If not, we would recommend that the cost (and the associated behaviour that drives the longer hire period) continue to be taken into account by the CC.

Regarding the proposed remedies for ToH 1 relating to replacement hire cars:

Answering 28(a), we do not believe remedy 1A is a viable proposition. 1B combined with 1C and 1F could be effective should the process and the credit hire portal currently under consideration be sufficiently robust. This allows the at fault insurer an opportunity to deliver the replacement car service but also then still protects the non fault claimant should the at fault insurer fail to provide a suitable service within specified timescales.

Answering 43(e), the main advantage we see to remedy 1B is that this delivers a simple and tangible solution to the key issue of separation of cost liability and cost control.

Answering 43(f), one potential unintended consequence of reducing the rent achieved by CMC's through the provision of replacement cars is that they will seek to make up the shortfall elsewhere, perhaps through charges to the non fault claimant or further inflation of costs in the repair or total loss process they manage.

Answering 43(g), we recommend the implementation of a credit hire portal.

Option 1C has merit by itself in any event, looking at the evidence provided in Table 6 of Appendix 1 which shows GTA rates 2.1x higher than insurer direct hire and the overall credit hire rate 2.5x higher than insurer direct hire.

Answering 48(d)(e), and mindful of the statistics outlined in Table 6, the most appropriate approach to capping rates is that as outlined in paragraph 45(b)(i). An administration fee then could then be allowed that covers the reasonable costs incurred by CHO's for their service. It would make the setting and comparison of hire rates that much more transparent than option 45(b)(ii) which could lead to protracted debates over the level of credit uplift that should be allowed in the rates. As can be seen by the uplifted currently between direct hire rates and the GTA rates, we have already seen too much inflation there over the years.

Finally, in considering remedy 1G, and answering questions 64(a)(b), we don't believe this remedy would work on a stand alone basis. Many of the issues and bad practices identified arise from the amount of profit available from providing credit hire. If the hire rates are sufficiently capped as outlined above and the level of administration fee also sufficiently low, then the levels of referral fees available should naturally reduce with an associated reduction in the bad behaviour.