

WNS's comments on the CC's Provisional Findings

1. Introduction

- 1.1 WNS is involved in all aspects of Claims Management. As such, a number of the provisional findings are not directly relevant to WNS and its activities. The comments below relate to those provisional findings and/or those parts of the provisional findings report which appear to relate to the activities of Claims Management Companies ("CMCs").
- 1.2 The CC's survey of non-fault claimants found that a CMC was mainly responsible for managing a non-fault claim in only 16% of cases. Only 1 of the 10 largest insurers referred some (but not all) of its non-fault claims to a CMC. Accordingly, the number of non-fault claims that may be affected by any adverse behaviour by CMCs is comparatively low compared with the number of such claims handled by insurers. In assessing whether the activities of CMCs contribute to any AEC and, if they do, whether any remedies should be imposed on CMCs, the CC should not lose sight of the fact that CMCs are only involved in managing a comparatively small number of the overall non-fault claims.
- 1.3 If one looks at the CC's own calculations of the net effect on consumers of the separation of cost liability and cost control (see paragraphs 6.82 & 6.83 of the provisional findings), credit repairs account for additional costs of some £23 - £35 million, which corresponds to an additional £0.92 - £1.40 per motor insurance policy. Credit hire accounts for the majority of the additional costs of £6 - £8 per motor insurance policy referred to in paragraph 6.84 of the provisional findings. The minor net effect of credit repair on motor insurance policy premiums is surely a relevant factor in the CC's decision as to whether it is reasonable and proportionate to impose specific remedies on CMCs which relate to credit repairs.

2. Whether excessive pressure on costs could be leading to "cutting corners" on repairs

- 2.1 The evidence relied on by the CC in support of the contention that excessive pressure on costs could be leading to "corner cutting" on repairs, is from two independent repairers. This evidence is unsubstantiated in so far as it does not set out the extent of the alleged "corner cutting" (i.e. the number of instances where "corner cutting" has taken place and whether the excessive pressure on costs is common to all major insurers or only certain insurers).
- 2.2 The evidence referred to in paragraph 2.1 above cannot be taken to refer to repairers who are part of a CMC's authorised network of repairers or to repairers who are part of an insurer's authorised network of repairers. This is because it comes from independent repairers who are not part of such networks and, consequently, are unlikely to have recent, first-hand knowledge of the relationship between insurers and CMCs/authorised repairers.

- 2.3 The comments in the provisional findings about non-OEM parts need to be treated, by the CC, with a degree of caution. Not all non-OEM parts are of a poor quality. Some are of a similar quality to the OEM part and may be approved by Thatcham. In some instances, the use of non-OEM parts enables older vehicles to be repaired as opposed to being declared a Total Loss.
 - 2.4 The CC also needs to bear in mind that for vehicle models that are less than 3 years old, there are not generally that many non-OEM parts available. This is because it takes some time for non-OEM parts manufacturers to develop the relevant parts for the new vehicle model. Also, where a vehicle is still under the manufacturer's warranty, repairers are required to use OEM parts in order not to invalidate the warranty. This means that, in practice, non-OEM parts can only realistically be used on a particular segment of repairs.
3. **MSXI's findings that a large proportion of vehicles were not repaired to pre-accident condition**
- 3.1 WNS submits that the sample selected by MSXI is far too small and is not representative of the large number of repairs undertaken by accident repairers. Captured claims were over-represented in the sample and the CC itself acknowledged there may be sample selection biases in each of the steps leading to the 104 inspections.
 - 3.2 The sample of 104 was arrived at by asking respondents to the CC's non-fault consumer survey whether they were prepared to have their vehicle inspected by a professional assessor. This, in itself, creates a major selection bias because experience shows that when consumers are given the option to participate in a survey/give feedback, there is a greater take-up from consumers who are either very happy with the service provided or very unhappy with the service provided. It would appear that the vast majority of consumers who were willing to have their vehicle inspected by MSXI were very unhappy with the service they received because of the 101 vehicles inspected by MSXI, only 18 were returned to the owner in pre-accident condition without any need for rectification work.
 - 3.3 The CC, itself, acknowledges that it would not be appropriate to take the MSXI inspections to be a representative sample of non-fault repairs as a whole (see paragraph 7.32 of provisional findings). Yet, the CC relies on the findings in the MSXI Report to support its contention that non-fault claimants too often receive a quality of service below the legal standard. This conflicts with consumers' own perceptions of the quality of service they received – in the GIMRA survey of 2,500 claimants, 94% of customers felt that the repair to their vehicle put it back at least to its condition before the accident – and with data from repairers and insurers (see paragraph 7.19(b) of provisional findings). WNS's own experience is that out of the [] repairs it managed in 2013, only [] (i.e. []%) required rectification work to return the vehicles to their pre-accident condition.

- 3.4 WNS's review of the data in the MSXI Data Room found that at least 36 vehicles had covered more than 50,000 miles, and it was clear to WNS that the sample of 101 vehicles included a high number of high mileage and old vehicles. Such vehicles typically exhibit evidence of significant wear and tear (e.g. wear and tear to the paint finish due to fading or minor scratches and abrasions, doors that no longer align due to hinge wear and tear, clips loose or no longer present as a result of unattributed minor bumps and knocks), which makes it difficult to assess what the pre-accident condition of the vehicle was.
- 3.5 WNS found vehicles in the sample that arguably should not have been repaired. For example, R0184 had twice been declared a category C Total Loss, yet it had been repaired twice. The chances of a vehicle being repaired to its pre-accident condition after having twice been written off, are not high.
- 3.6 New vehicles are often delivered to customers with defects that, to the man in the street, are not an issue but which, to the trained eye, would constitute the vehicle not being in "showroom" condition.
- 3.7 All of this serves to demonstrate how difficult it is, without having seen a vehicle in its pre-accident condition, to accurately assess whether a vehicle has been returned to its pre-accident condition following the repair.
- 3.8 WNS also found that of the 58 vehicles in the MSXI sample which stated their mileage, 13 had covered between 5,000 & 10,000 miles between the time of the repair and the time of MSXI's inspection whilst 24 vehicles had covered more than 10,000 miles (of which 5 had covered more than 30,000 miles since the time of the repair). These vehicles are likely to have sustained additional wear and tear following completion of the repair making it impossible to say what condition they were in immediately after the repair had been completed. MSXI cannot, therefore, reliably state whether these 37 vehicles were returned in their pre-accident condition after the repair (and any rectification) had been completed.
- 3.9 For those 43 vehicles which did not have their mileage stated, it is not clear how many of these had been driven significant distances between the time of the repair and the time of MSXI's inspection. However, all of the vehicles inspected by MSXI will have been driven for a time after completion of the repair, making the assessment of whether they were returned in their pre-accident condition after the repair (and any rectification) had been completed very difficult.
- 3.10 WNS noted that the quality of reports provided in the MSXI Data Room were frequently poor, with low resolution images, small numbers of images provided in many cases and some instances where the images related to a different vehicle to the one being covered in the report. This made it difficult for WNS to assess whether or not the repairs were of a satisfactory standard.
- 3.11 For all of the reasons outlined in this section 3, WNS submits that the CC should place no weight on the findings of the MSXI Report: it is simply too flawed and should be disregarded in its entirety.

4. **The CC's suggestion that consumers might not be able to assess accurately the quality of repairs**

- 4.1 The CC acknowledges (in its working paper on the underprovision of repairs) that the confidence of non-fault claimants who said that they could spot if their vehicle had been returned to its pre-accident condition, would relate mainly to assessing cosmetic aspects of repairs and not aspects relating to parts of the vehicle which are technical or not easily visible. In paragraph 7.35 of the Provisional Findings Report, the CC states "The most common reasons [found by MSXI] why the vehicle was not returned in pre-accident condition were related to paint finish, panel misalignment and repair being clearly visible". These are exactly the types of defects the CC says the respondents to its non-fault survey (which were far greater in number than the 101 vehicles inspected by MSXI) could confidently spot.
- 4.2 None of the defects found by MSXI could be seen as dangerous (see paragraph 7.35 of the Provisional Findings Report).
- 4.3 In paragraph 7.44 of the provisional findings, the CC states "We believe that more weight should be attached to the evidence from experts (ie from repairers and from the results of the vehicle inspections)". The CC acknowledges that the results of the vehicle inspections by MSXI need to be regarded with caution (see paragraph 7.42 of the provisional findings). This, therefore, leaves the evidence from repairers.
- 4.4 In paragraph 7.19(b) of the provisional findings, the evidence from repairers is that repair-related complaints arose very infrequently, often in only 1 or 2 per cent of repair cases. This is supported by the evidence in Appendix 7.3, paragraphs 72 & 73, which shows that 5 CMCs and at least 2 insurer owned repairers and 1 independent repairer received complaints about repairs in less than 1% of cases. Of the remaining CMCs and repairers who provided the CC with evidence about the incidence of complaints about repairs, only one independent repairer reported complaints in 5% of cases and one CMC reported complaints in 6% of cases, with the majority of the other repairers and CMCs reporting complaints at lower percentage levels. In total, the CC refers to evidence from 18 separate parties.
- 4.5 In paragraph 45 of Appendix 7.3, the CC sets out information from repairers purporting to relate to poor quality repairs. This consists of evidence from just 3 repairers as compared with evidence from 18 parties in relation to the incidence of complaints in relation to repairs.
- 4.6 The vast majority of the evidence from repairers is that complaints about repairs arise very infrequently and there is no attempt, by the CC, to quantify the number of repairs affected by the practices referred to by the 3 repairers mentioned in paragraph 45 of Appendix 7.3 – the evidence from 18 parties about the incidence of complaints about repairs would suggest that such practices occur very infrequently.
- 4.7 In light of the comments in this section 4, WNS submits that the CC has not produced credible evidence to support its contention that there are significant

limitations to claimants' ability to assess the quality of repairs – the small, unrepresentative sample of repairs examined by MSXI does not constitute credible evidence. In fact, the MSXI Report suggests that claimants are able to spot a poorly repaired vehicle because, in over 80% of the repairs, claimants required some form of rectification work to be done.

5. **The CC's contention that the track record of CMCs on repair quality is likely to be similar to that of insurers who manage repairs**

- 5.1 In paragraph 7.46 of the provisional findings, the CC makes a finding that "[it] would not expect CMC-managed repairs to be of higher quality than insurer-managed claims".
- 5.2 The CC states that the MSXI findings do not provide any direct evidence about the differences and similarities between repairs managed by CMCs and repairs managed by insurers.
- 5.3 The CC notes that there is some evidence that repairers obtained better prices for CMC work. If this is the case, the pressure to "cut corners", referred to in paragraph 7.24(a) of the provisional findings and in Appendix 7.3, paragraph 45, should not be as great as it is when repairers act directly for insurers.
- 5.4 The CC claims "that CMCs incentives were similar to those of insurers (ie to focus on cost rather than quality)" yet the evidence in the provisional findings and Appendices is that quality is clearly of relevance to CMCs. Also, the CC states there is some evidence that repairers obtained better prices for CMC work, which runs contrary to the suggestion that CMCs are focussed on cost rather than quality. Accordingly, this contention by the CC is untenable.
- 5.5 Finally, in support of its contention that CMC-managed repairs are not expected to be of a higher quality than insurer-managed repairs, the CC refers to "some evidence of credit repair companies not checking repair quality". This evidence consists of the unsubstantiated comment of one independent repairer, which cannot be taken to apply to repairers who are part of a CMCs authorised network of repairers of which the independent repairer is not a part.
- 5.6 It is unclear, in light of the evidence relied on by the CC in support of its contention and the comments above, how the CC could rationally arrive at the conclusion that it would not expect CMC-managed repairs to be of a higher quality than insurer-managed repairs. The CC has produced no direct evidence which would support such a conclusion. Similarly, the indirect evidence the CC seeks to rely on is not sufficiently robust to support the CC's contention, and only the CC's contention. Accordingly, WNS submits that this contention must be disregarded.

6. **The CC's contention that CMCs do not monitor effectively the quality of repairs**

- 6.1 In paragraph 7.56 of the provisional findings, the CC concludes that "CMCs do not monitor effectively the quality of repairs". However, the evidence in Appendix 7.3, paragraph 38, is that four out of the seven CMCs carried out audits of repairers (of which one did it solely through the appointment of independent engineers), five of the seven CMCs monitored the performance of their approved repairers and two CMCs relied solely on independent engineers. This suggests that the quality of repairs is being monitored by CMCs. The question, therefore, is whether the monitoring is effective.
- 6.2 The comment in paragraph 43(c) of Appendix 7.3, that CMCs did not do any quality control checks, is unsubstantiated and is attributed to one independent repairer. This comment cannot be taken to apply to repairers who are part of a CMCs authorised network of repairers – which are far greater in number than the nine independent repairers from whom the CC obtained evidence.
- 6.3 Paragraph 45(c) of Appendix 7.3 contains the comment, by an independent repairer, that "repairers could cut corners by using non-OEM parts and that this was particularly possible with credit repair companies, due to these work providers not checking repair quality". It is not clear whether this comment is from the same independent repairer referred to in paragraph 43(c), who claimed that CMCs did not do any quality control checks. The extent to which this practice goes on is not detailed. Also, it relates to repairs carried out by independent repairers as opposed to repairs carried out by authorised network repairers. A further point is that the use of non-OEM parts per se, does not necessarily mean that the quality of the repair will necessarily be poor: this will depend on the quality of the non-OEM part as compared with the quality of the equivalent OEM part and the skill with which the non-OEM part is fitted by the repairer.
- 6.4 If one looks at the level of customer complaints in relation to repairs managed by CMCs, paragraph 72 of Appendix 7.3 states that five CMCs received complaints in less than 1% of cases and one CMC received complaints in 1% of cases. The remaining two CMCs received complaints in 4% and 6% of cases respectively. This evidence clearly suggests that the quality of repairs is being effectively managed by CMCs and the repairers that they use.
- 6.5 In paragraph 7.46 of the provisional findings, the CC states "MSXI findings did not provide us with direct evidence about the differences and similarities between repairs managed by CMCs and those managed by insurers". The CC also says that "there was some evidence that repairers obtained better prices for CMC work", which should give such repairers fewer incentives to "cut corners".
- 6.6 If one assesses the totality of the above evidence in relation to CMCs, it does not provide a sound basis for a finding that CMCs do not monitor effectively the quality of repairs. The only negative evidence relating to the quality of repairs is unsubstantiated and does not relate to CMCs' authorised network repairers. Accordingly, WNS submits that the CC has not proved, to the required standard, that

CMCs do not monitor effectively the quality of repairs. In such circumstances, the CC has no legal basis for imposing remedies on CMCs relating to the monitoring of repair quality.

7. **The CC's contention that the separation of cost liability from cost control in the handling of non-fault claims results in an inefficient supply chain, with excessive frictional and transactional costs**

7.1 The CC's contention that the separation of cost liability from cost control in the handling of non-fault claims results in an inefficient supply chain, with excessive frictional and transactional costs, appears to relate primarily to credit hire. The CC states, in paragraph 6.89 of the provisional findings, "the effects are currently smaller in repairs and write-offs where different non-fault insurers have different practices; and frictional and transactional costs are currently lower".

7.2 There is no suggestion in paragraph 6.87 of the provisional findings, which describes the effects associated with the opportunity to earn a rent, that credit repairs by CMCs result in excessive frictional and transactional costs. Indeed, as set out in paragraph 1.3 above, the net effect on motor insurance premiums of credit repair is an additional cost of between £0.92 - £1.40 per policy. In return for that small additional premium cost, the consumer has their excess waived and their no-claims bonus protected if they opt for a credit repair.

7.3 There is also nothing in Appendix 6.2 to suggest that insurers incurred significant frictional costs in dealing with credit repair bills. This accords with WNS's own experience of challenges, by at-fault insurers, to its credit repair bills – which have rarely happened despite WNS undertaking more than [] credit repairs in 2012 and more than [] credit repairs in 2013.

8. **The CC's contention that differences in consumers' experience of repair associated with separation were small**

8.1 Table 6.2 in the provisional findings sets out the findings from the CC's non-fault survey of some 1,500 claimants. It shows that 66% of claimants were very satisfied with the repair service from the non-fault insurer as compared with 56% when the repair was managed by the at-fault insurer.

8.2 The table also shows that 6% more claimants believed their vehicle was returned in the same condition as before the accident when the repair was managed by the non-fault insurer as opposed to it being managed by the at-fault insurer.

8.3 The above percentage differences are not immaterial and it is, therefore, misleading of the CC to claim, in paragraph 6.33 of the provisional findings, that differences in consumers' experience of repair associated with separation were small.

- 8.4 The differences in consumers' experience as assessed by reference to other metrics are much smaller. However, on the key metrics of whether the vehicle was returned in the same condition as before the accident, and whether the claimant was very satisfied with the repair service, it is clear that there is much greater satisfaction when the repair is managed either by the non-fault insurer or a CMC.

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