

Repairer A response to Remedies Notice

Our independent repair centre has been involved in the accident repair industry for almost 40 years and has seen many changes in that time. It is for that reason that we can offer you an independent view of the insurance industry as we experience it now on a daily basis.

It is apparent that Motor Insurers are not, as you may well know, informing customers of their statutory free right to choose the supplier of any goods or services in relation to a claim, as long as goods/services are supplied/performed at reasonable market prices.

It is the market price for a particular repair that is most difficult to discover, since, if you took six estimators to view the same vehicle, it is most likely that none of the estimators will arrived at the exact same repair cost, because;

some might only have an insurers interest/influences at heart,

some will have the customers interest at heart,

and some the repair centre's profit interest only.

However if the repair is considered as what is best for the customer and their property, generally the repair cost should be the same (within a small variation), if repairers that are asked are competent, training is up to date, and all relevant equipment is available to perform work to pre-accident condition. The labour rates that garages charge per hour etc. are competitively comparable, so insurers cannot really insist that there is much variance from one garage to the next, it is the added benefits and control that they are primarily concerned with, and indeed their own ease of administration.

Approved repairer agreements are traditionally exclusive, in that, they are not open to all repairers who are interested. Insurers do not allow access to approved vertical agreement schemes on a basis of qualitative selection, but make excuse of exclusion on a basis of quantitative selection (as did Motor Manufacturers). The vertical agreements with the insurance selected suppliers form 'closed-shop' schemes that would not work to the effectiveness witnessed otherwise.

From recent interactions we feel that insurers are perhaps gearing themselves toward any possible reform of how they expected to interact with clients. It appears that insurers are not good at accepting 'fair-play' when it comes to claims and prefer to adopt an approach that is mostly aggressive toward free choice. The reason for this is so the insurer can adopt their version of the market price and style on repairs for which they have influence.

Motor insurers are aware that usually the first party to offer help following any accident can give bearing on the direction of what supplier(s) should provide goods and services to a claimant, since the claimant has then evolved from an 'average' consumer, to a 'vulnerable' average consumer due to the situation. Customers are frequently advised to contact the insurer/broker or their accident management program provider as soon as an accident happens. The effectiveness of any scheme in place is dependent on how soon after an accident that the consumer gets in contact.

When a consumer realises that the obvious answer to the financial cost of any incident is to refer to an insurance policy or the provider for advice, that's when advice and requests are made by the insurer. Frequently the advices offered are not impartial, and do not seek the input of the claimant themselves, the style of the insurer/CMC/CHO is practically imposed on the claimant. It is usually suggested that choices contrary will be less beneficial to the consumer.

During Insurance Motor Claims, motorists now expect to receive a replacement vehicle during the course of repairs whether fault, or not. The perception that this is just part of the deal, is part of the insurance industry's grand scheme. Consumers mostly believe that

insurers pay a daily rate of hire for the vehicles and the vehicle provided is courtesy of the insurer not the garage. Insurers quite frequently state that if a consumer doesn't use an approved repairer then a courtesy vehicle will not be supplied; this is a type of misrepresentation of the facts, because the level of service is always offered by the customer's garage.

Most modern garages that are geared toward insurance funded accident repair work can provide a replacement car to customers during repairs, but most garages require that their vehicles are insured by the customer whilst on loan/hire, so garages ask customers to transfer the comp. insurance they already have to cover the replacement car.

However, it now appears that insurers have realised that they are more successful in their attempts to restrain customers from choosing a non-insurance-approved repairer by imposing temporary insurance charges on temporary vehicles (courtesy vehicles) that are quite frequently provided free to the customer by the repairing garage. This also generates for insurers extra income for their bother. It would be more acceptable if charges were not applied in a discriminatory fashion and every car provided in every situation incurred the same level of charges. In other words, it is clear that approved garages' cars are covered on a free basis by the insurer to the consumer and charges apply if you select a non-approved route. This influence is outside the control of the vehicle repair industry.

In recent times we've seen insurers and/or brokers charging in the region of £50+ per week for temp cover on a Nissan Micra when we're not 'approved'. This certainly discourages the customer from choosing their own garage and provides opportunity for the insurer or broker to then take most advantage of the claim situation. Some insurers/brokers are actually asking if repairs are mechanical or accident damage related before informing consumers of the costs involved, this suggests that there may well also be varying charges dependent on the situation. Some insurers offer only one week free cover during a policy period, then charges apply, but if a claim is made and an approved repairer is used, this free week is still available and no additional charges apply in relation to the claim.

Also, insurers who are charging/applying varying excesses are also doing so to distort the accident repair market for their own advantages. Just because a price or style of repair can be reduced through these means (or suggested to be reduced as this is not always the case), does not suggest that the cost of insurance to consumers would go down. Alternatively, if a repair charge is reduced too much, this can lead to poor, rushed repairs that are ultimately bad for consumers and indeed the entire repair industry involved.

Additionally Accident Management companies (CMC's & CHO's) who have strong ties with insurers and brokers are also imposing referral fees on garages in order that these garages can appear on a 'select' panel of repairers that are available to customers. The referral fees are 'secret' from the consumer and quite likely from the insurers themselves. Any garage outside of these arrangements are in a ways discredited by the CMC, CHO, insurers, brokers, etc..., even if a repairer is approved for insurers, if they don't participate in a CMC's/, CHO's secondary scheme then the repairer may as well not have an insurer approval at all. Customers are never informed of the true reasons behind these types of referrals and the financial rewards these organisations receive in lieu.

Insurers are imposing discounts on Garages for the work to be performed and also the style of the repair can also alter with approved repairers even if an estimating system like Audatex is used as the pricing system. This can ultimately distort the repair method so that pre-accident condition cannot really be achieved by the repairer. Repairers are continuously monitored and benchmarked against statistics that will usually suit the insurance company's objectives.

I am happy to discuss in more detail how this all impacts on consumers' natural choices' and indeed their overall claims experiences. This is indeed detrimental to understanding how the insurance industry is now evolving to indirectly retain control over who supplies the relevant goods/services, ultimately distorting the entire vehicle repair market not for any consumer benefit.

Please contact me at any time as I'm concerned that companies like ours who simply desire to charge fair prices for providing a good service to local consumers will remain unable to do so if insurers and related companies are not forced stop acting in the corrupt manner currently witnessed.

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It is possible that you may, or may not, be aware of enforcements that exist in other parts of the world like the U.S. and Australia where these issues have been vigorously examined and consumer rights have been protected in a manner that promotes a level of fairness during general insurance **claims** for consumers, insurers and repairers (suppliers) alike.

In these regions, I believe that insurance companies and related industries are bound by Codes of Practice and insurers are forced to respect, acknowledge **and inform** consumers of their right of choice of a repairer (suppliers of other types) allowing the industries closely related to claims to operate with a form of normalised competition. In the U.S. where this happened first, the insurance regulator continuously monitors what vehicle repairers charge in a given geographical area and then deduces an average labour rate etc. for that region. Any repairer who wishes to charge beyond that average would not be entitled to it unless there was a unique exception agreed on an individual case between the insurer and the repairer chosen by the consumer.

It has been documented that the cost of motor insurance in states like California U.S. actually experienced a reduced average cost of motor insurance premiums after anti-steering legislation was introduced. The insurers were (and are) opposed to these types of legislation and have tried to manoeuvre around the enforcements. Many introduced special policy wordings that allowed the insurers to force the consumer who had purchased their policies to obey the insurers' request to use the specified 'approved' repairers. It appears that the anti-steering legislations were introduced both in the U.S. and Australia because it became apparent that the control the insurers had enjoyed became very abusive, through similar consumer manipulations as witnessed in the UK motor insurance market today.

Insurers obviously don't own the property insured, but many if not most, are currently misleading UK consumers to believe that they **must** have their vehicle repaired with a supplier/repairer of the insurer's choice, or else!. The style of repair, parts to be used, where parts and paint are sourced, and how much a repairer should charge per hour, etc... is all dictated by the insurer, because if a repairer refuses to accept the falsified market conditions, then the contract/agreement will be under threat of being moved to a competitor. If acting for a consumer as a non-approved repairer, the garage is under a continuous threat of having the vehicle taken away if 'approved rates' are not applied to the pricing calculation, only of course if the rates are higher. Obviously this threat is the key to insurers retaining maximum control of costs, but since many insurers are now hindering free consumer choice of supplier with financial penalties, this has really led to abuses of the repair market and indeed the entire insurance claims process whether non-fault or not.

It is a clear conflict of interests for Insurers, Brokers, CMC's or any other interested party (e.g. the fault party themselves) to force a consumer to choose suppliers solely on a principle that it reveals a secret financial gain/objective for them. This in itself could be classed as direct market corruption. Suppliers of goods and services should be treated with a form of equality, and if insurers insist on continuing with approved supplier schemes, they should be open to every interested party on a basis of qualitative criteria; not on one of an insurer's personal quantitative requirement. By reducing the number of participants to a particular scheme polarises the desired insurer effect, revealing more than normally possible financial gains/objectives. This is in essence the root of the non-fault market corruption we are all aware of, just a mirror image in the repair market; insurers appear happy to ignore market manipulation, when it tends to their own attempts to profiteer at the expense of consumers and suppliers.

Many UK insurers such as AXA Ireland, Zenith, and Aviva have all introduced a penalty Excess if you don't use an approved repairer. Many others will charge for temporary

insurance, which can be in many cases considered to equate monetarily to the penalty Excess and if a repair is large or delayed, charges can become very noticeable. Recently we've seen charges reach in excess of £150, for a couple of weeks cover on a Nissan Micra 1.2ltr, because our repair centre was not 'approved' by the insurer, but our repair costs were most acceptable. If the customers had used insurer approved repairers, there would have been no extra charges to the consumers for use of a courtesy vehicle from the approved garage. Therefor consumer choice was reduced and the repair industry abused as one type of garage is promoted and many others discriminated against.

In the U.S. an insurer insisted on ignoring state anti-steering regulation and was fined for reducing policy Excess payments by \$100, and ordered to cease the activity with immediate effect, since this was deemed as an anti-competitive practice and therefor anti-consumer choice. (Please follow the link and you'll fully understand what the circumstances were: http://www.bodyshopbusiness.com/Article/79004/ameriprise_insurance_fined_71100_for_steering.aspx)

The government authorities there quickly realised that once this trend started, there would be no limit to the amount of extra penalty/discount Excess that could be introduced to facilitate abuse of the consumer and the relevant markets. Many, if not all insurers, would have to follow suit, in order to secure their own competitiveness. Allowing these trends may initially be considered by some with an interest as an acceptable method for reducing the cost of repairs, but in the long term, by forcing businesses to provide ever cheaper goods and services usually leads to poor quality, and this isn't what the consumer really desires, especially when it comes to their second most important property - never mind the possible safety related issues.

I believe this is where the UK vehicle repair industry is headed, if not potentially already there, based on what we've been shown locally and indeed the OFT's findings that repair quality was poor and 45% of vehicles inspected during their investigations did not meet pre-accident condition. The investigation only considered a minute sample, so it could be only the tip of the iceberg.

In Australia, insurers had also paralysed the vehicle accident repair market by manipulation of repairers and consumers through approved repairer schemes and bidding systems. My rudimentary research suggests that the cheapest bid (out of usually three) on a repair was the one the insurer accepted and apparently bids were usually generated remotely (via computer generated estimates based on digital images of the damaged vehicle rather than physical inspection). This type of repair costing probably in the short-term looked like it was financially beneficial, but it became apparent that many road deaths were related to the badly repaired vehicles. Following investigation, insurers were forced to resolve any financial interest in repair facilities, and thorough codes of practice for insurers and repairers alike were introduced to help prevent this all happening again. (All relevant documentation is available on-line, please follow this link also:

<http://www.parliament.nsw.gov.au/prod/parlment/hansart.nsf/V3Key/LA20060330002>)
(there is much more related material)

By allowing UK insurers, Brokers, CMC's etc... to continue on a path of; sell the policy, word the policy to reveal the desired effect (because the average consumer hardly ever reads or understands the content anyway) and then explain later that the contract is binding, so the approach of read the small print and weep is hardly acceptable in anyone's eyes.