

PRIVATE MOTOR INSURANCE MARKET INVESTIGATION

Summary of response hearing with Kindertons Accident Management held on 4 March 2014

1. Kindertons said that it had an excellent reputation within the industry, not only for the service it provided to its work partners, but also with the insurers, both from a referral point of view and for when claims were submitted to an at-fault insurer.
2. Kindertons told us that it had a number of bilateral agreements with insurers that were aimed at improving the claims process, including making the process more consumer-focused and removing frictional costs. It did a lot of work to eliminate fraudulent claims in its First Notification of Loss (FNOL) aspect of a claim and by checking clients' identification and the accident circumstances. Kindertons told us that it existed to protect the consumer's rights. Further, it considered that it had a highly-skilled team to establish liability.
3. Kindertons believed there was no adverse effect on competition (AEC) in the credit hire sector, and it was concerned that the Competition Commission (CC) had not yet fully understood the difference between credit hire and direct hire correctly for three reasons. First, Kindertons had concerns about the erratum that had recently been published by the CC and the treatment of VAT; secondly, it did not believe that the direct rates were fully reflective of the true credit hire service rates; and thirdly, the true direct hire model was not just the provision of that vehicle at the daily rate they provided to the insurer. Consequently the remedies proposed could be far-reaching and economically damaging. Kindertons expanded on each of those three points as outlined below.
4. Kindertons provided information that detailed the extra work involved in a credit hire claim compared with an insurance captured direct hire claim. Kindertons explained that there were a large number of additional activities within the credit hire claim which needed to be recovered within the General Terms of Agreement (GTA) rate, since claimants were not charged for these additional services. It further set out that insurers shielded the direct hire supplier from such costs as the work was done by the insurers for the captured claims. Therefore, Kindertons considered that a direct comparison of direct hire and credit hire GTA rates was wrong in principle and fact.

5. Kindertons set out its own analysis that it had conducted on whether there was an AEC. It submitted that this showed no detriment arising from the separation of cost liability and cost control issue when proper and correct adjustments were made. It considered that the CC's assumptions in its original AEC document were wrong and that those assumptions did more than simply adjust for VAT. Kindertons further submitted that the direct hire daily rates had not included additional daily charges. Such additional charges may be due if the vehicle required was an estate or automatic transmission, or simply due to the direct hire supplier offering a range of add-on products which the claimant would be responsible for. The issues were left with the CC to take forward.
6. Kindertons considered that a more accurate comparison would be the basic daily GTA rate versus the direct hire rate after making the adjustments referred to above. Moreover, as the CC recognised that on average credit hire companies (CHCs) offered a discounts of approximately 15% on the GTA rate, the at-fault insurer was actually only paying 85% of the GTA rate. Kindertons therefore considered that the true comparison should be the direct hire rate versus 85% of the actual GTA rate, because that in effect was what the at-fault insurer was actually paying, and that this resulted in no consumer detriment.
7. Kindertons told us that it subscribed to the GTA. It noted that the CC had concerns about hire duration. It considered that the constraints of the GTA in terms of monitoring hire periods were very strong. Clear guidelines with regard to engineering and repair timescales were provided and it was the responsibility of the CHC to engage with the at-fault insurer to keep it informed of any potential delays. Throughout this period Kindertons would be in constant communication with the client and the at-fault insurer. If Kindertons (or CHCs) were not there to carry out this process, then it would be concerned about who would properly do this. It also queried who would carry out this process when liability was not clear. Kindertons believed that this was the value it provided to claimants in the UK.
8. Kindertons stated that on occasions where liability seemed to be clear at the outset, but then as the claim progressed something happened which would retract that liability, Kindertons had steps in place so that the claims process was not delayed as it moved forward. Kindertons informed us that it carried the risk of the hire, so if something went wrong, Kindertons would have to bear that loss.
9. Kindertons said that there had always been referral or marketing fees. Kindertons believed that the payment of such fees was the best way to link claimants to CHCs. Its business model was based on referrals from all key

sectors of the market including insurance brokers, other claims management companies, repairers, and insurers. Kindertons considered that referral fees had increased over recent years but that additional services to both work providers and claimants were a further key driver to competition and to winning new accounts.

10. Kindertons said that its customers would, under a credit repair scheme, receive genuine parts from a repairer, but this may not be the case for insurer networks which were driven by volume and cost.
11. Kindertons said that it offered real customer benefits for free, such as assisting in disputes; liaising with all parties involved in an accident; immediate mobility; recovery of other uninsured losses; not losing any no-claims discounts; and no excess payment. It further said that there was also the potential for no premium inflation.
12. Kindertons noted that Remedy 1A would cause significant loss of consumer benefits – it referred to its calculations in its response to the Remedies Notice. A discussion then took place with regard to possible variants of Remedy 1A put forward by Enterprise, Aviva and CISGIL. The CC subsequently invited Kindertons to submit views on these variations.