

Annex 3 - Redacted

Compass Lexecon analysis of data disclosed by the CMA
dated 8 July 2014

Annex 4 - Redacted

Email exchanges between AX and CMA dated 17 June - 7 July
2014

Annex 5

Independent Audit of Insurer Delays under the GTA dated 25
October 2011

GTA Pilot Audits

Project Feedback

presented to

The GTA Technical Committee

by



October 25th 2011



GTA Compliance Audits

Phase 1 Review



Phase 1 Activity

- 6 CHOs randomly selected
- Only Closed claims audited where complete end-to-end analysis could be undertaken
- Focus applied to key GTA “touch points”
 - Customer Acceptance process
 - Hire Monitoring
 - Hire Costs
 - Payment Pack
 - Settlement
 - Credit Repair (incl. Engineering)



Phase 1 Outputs

- Overall strong compliance with GTA
- An apparent will to comply in both spirit & practice
- Hire Monitoring generally strong
- Hire Periods & Costs usually correct
- Ave. Settlement period was only slightly outside 30 days, often with Liability issues influencing matters
- Engineering processes could be tightened up
- Documentation could be improved in certain cases
- Collective communication could be improved
- Challenges to the Audit Process
 - IT systems – bespoke/disparate
 - Documentation storage & access
 - Varying business processes
 - Full claim auditing is very time consuming



Phase 1 Observations

- Although certain claims were used as 'case studies' to illustrate our findings, much of the analysis was data/decision driven
- It was felt the overall approach should focus more on the *reasons* that contribute to deviations from the GTA
- The outputs from the auditing process therefore ought to be more qualitative in nature
- Settlement period data did not appear to be consistent with market experience
- Two key areas of future focus were identified
 - Hire Monitoring and its impact on GTA deviation and delayed settlement
 - Establish reasons for delayed/non-payment attributable to both parties (i.e. 360° analysis)
- Look at ways to speed-up the audit process



GTA Compliance Audits

Phase 2 Outputs



Phase 2 Objectives

1. Investigate and analyse the Hire Monitoring by the CHOs
2. Investigate and analyse the Settlement Performance of Insurers
3. In both instances
 1. Extract comparative meaningful data
 2. Produce notes to create a 'claims commentary', with non-compliance classified where appropriate with Reason Codes



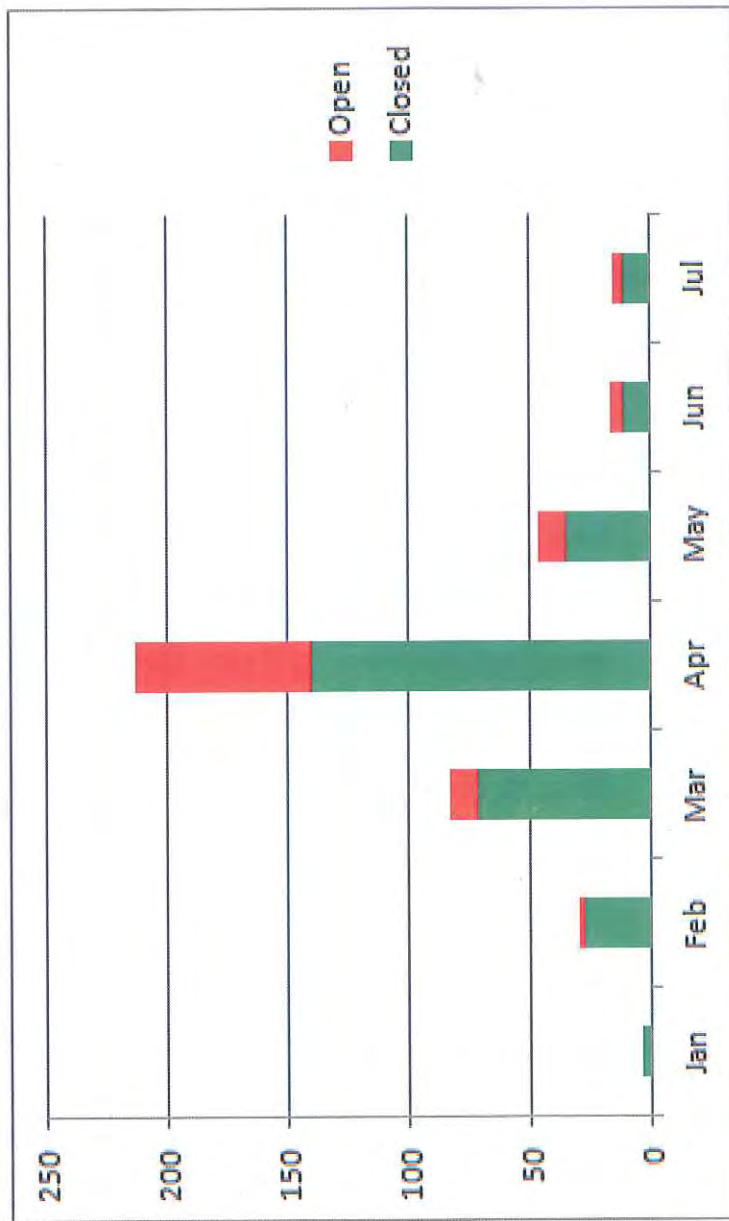
Phase 2 Approach

- 6 CHOs randomly selected
 - 1 large, 2 medium & 3 small
- Aim to audit up to 100 claims per CHO
- ‘Open’ and ‘Closed’ claims to be assessed
 - Closed Claims
 - Assessment of Hire Monitoring by CHOs
 - Reasons for Non/Reduced/Late Payment by Insurers
 - Period of Settlement
 - Open Claims
 - Assessment of Hire Monitoring by CHOs
 - Reasons for Non Payment by Insurers
- Some data gathered in advance from CHOs
- Aim to have approx. time lapse of ~120 days from Payment Pack
- Exclude claims where bilateral agreements are in place
- Exclude claims that involve non-subscribing insurers



Claims Distribution

	Jan	Feb	Mar	Apr	May	Jun	Jul
Closed	4	28	72	140	35	11	11
Open	0	2	11	73	11	5	4
	4	30	83	213	46	16	15
							407

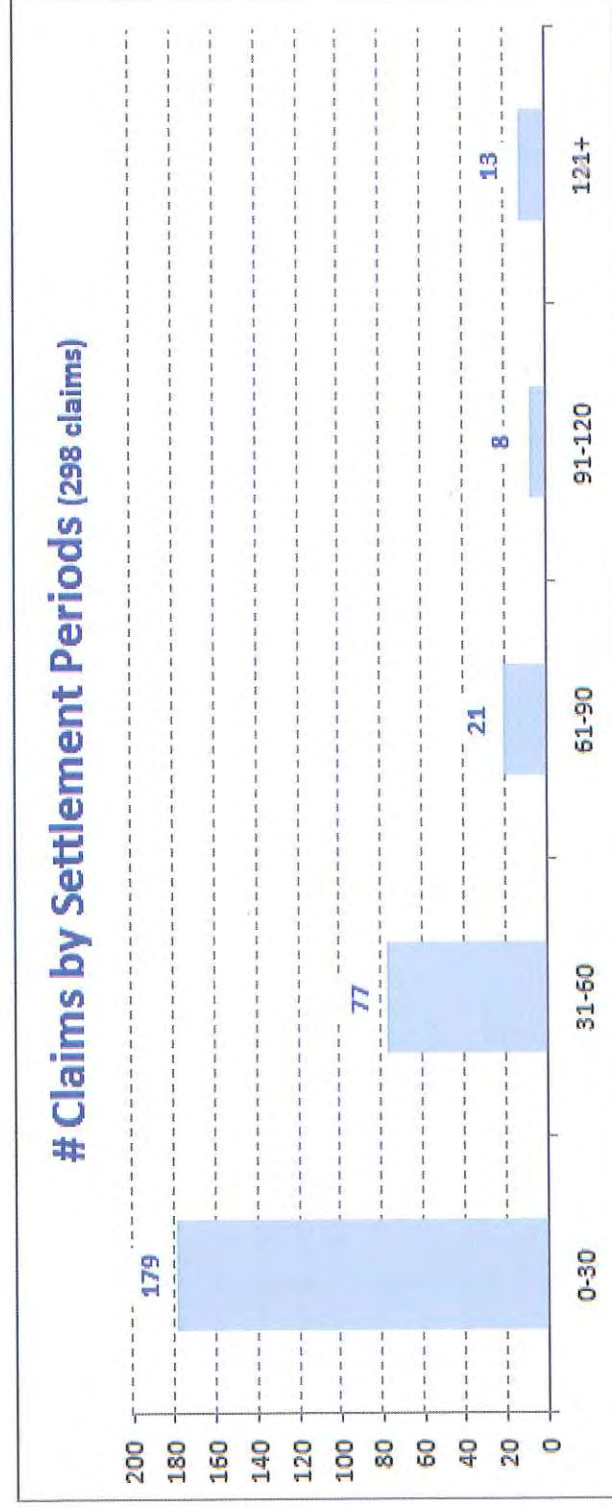


Audit Outputs (presented to Working Party)

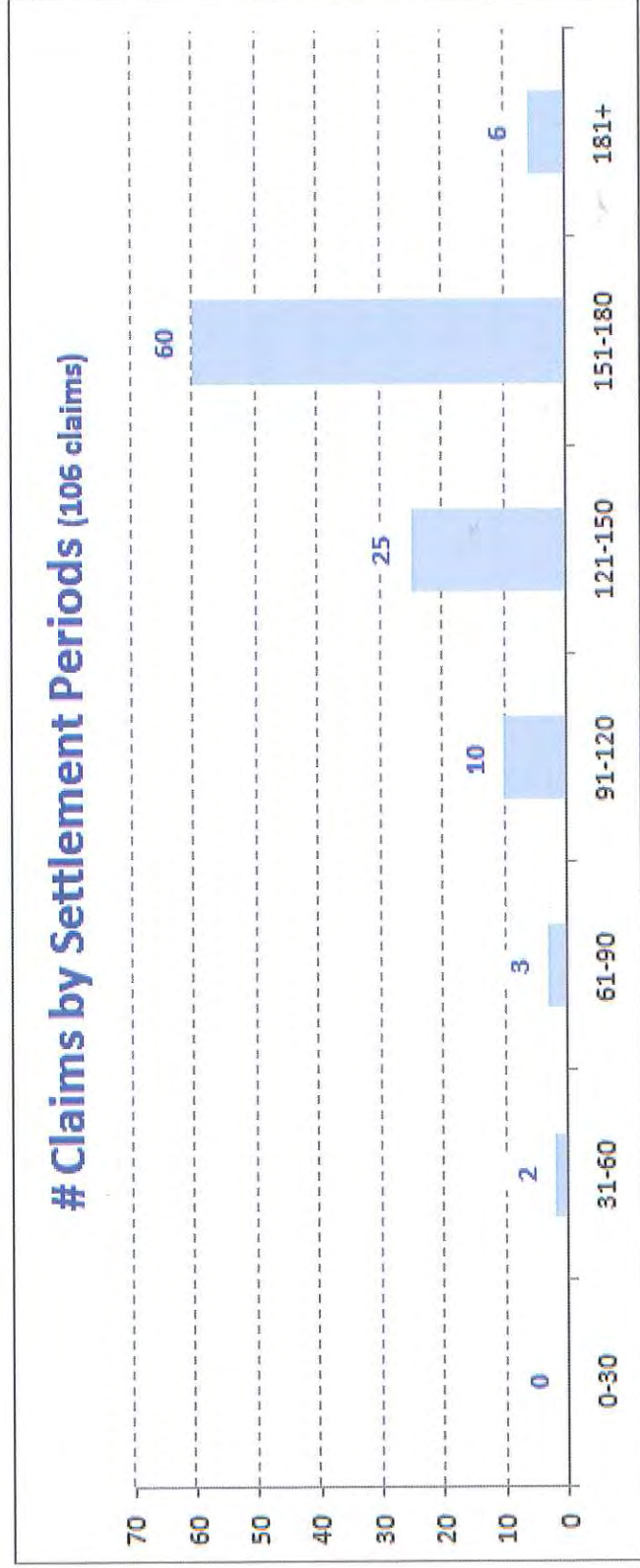
1. Global view of metrics by hire periods, settlement period etc
2. Monitoring performance by all CHOs in each key area
 1. Engineering
 2. Core Monitoring
 3. Off-hiring (both rep & total loss)
3. Reasons for
 1. Closed Claims: Reduced/Late Payment
 2. Open Claims: Non-Payment
4. Handouts of comments we made...
 1. In respect of Hire Monitoring by CHOs
 2. In respect of reasons influencing Settlement
5. CHO Analysis
 1. View of individual monitoring performance
 2. Narrative of overall competency/failings/issues by CHO
6. Analysis of Insurer Settlement Performance
 1. Settlement performance by insurer
 2. Narrative of reasons for delayed/non-payment by Insurer



1a. Metrics (Settlement Period - Closed)



1b. Metrics (Settlement Period - Open)

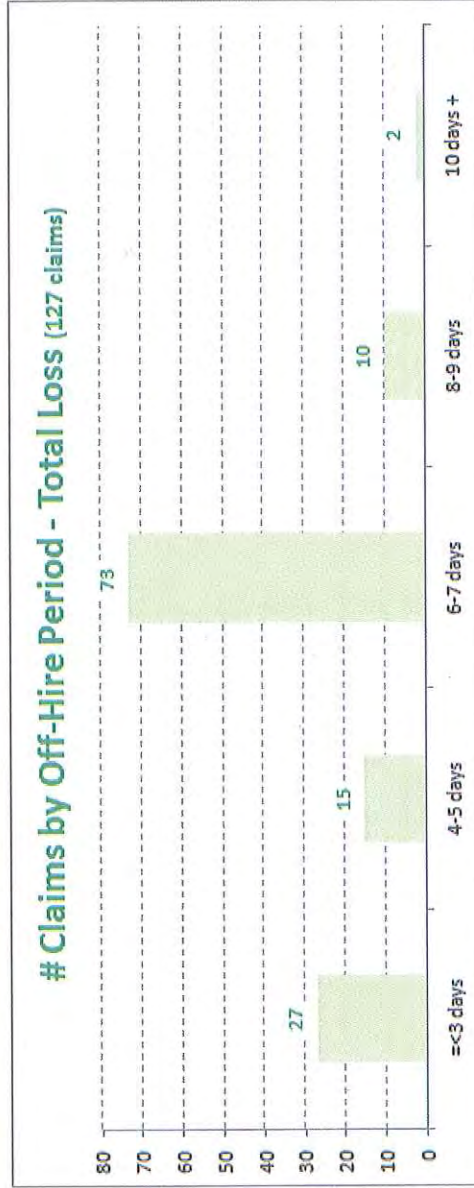
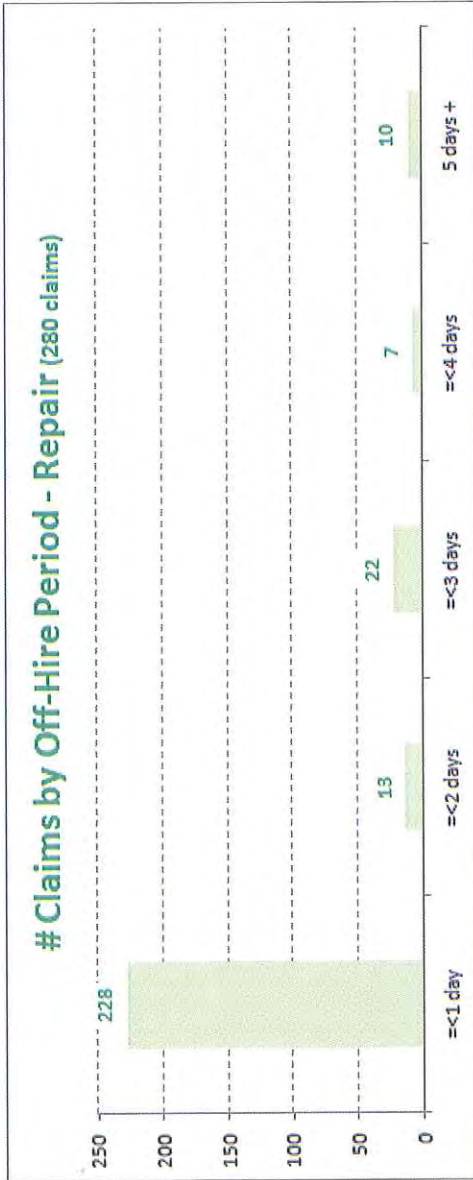


2a. Monitoring Performance

- Instruction of Independent Engineer within 24 hours (**96.5%**)
- Independent Engineer Reporting within 4 working days (**67.4%**)
- Early Monitoring – checking for authorisation within 3 working days (**90.3%**)
- Late Monitoring – checking for repair completion 3 working days from original/ revised ECD (**78.5%**)
- Off-Hiring within 1 day [repairs] – (**81.4%**)
- Off-Hiring within 7 days [total losses] – (**90.6%**)



2b. Monitoring (Off-hiring)



- Based on # days on original invoice, but in many instances reduced when challenged by TPI



3a. Reduced/Late Payments

- In assessing reason for Reduced/Late/Non-Payments, a series of Reason codes were created to assess **CHO Non-Compliance**
 - C1 - PP incomplete
 - C2 - Documentation
 - C3 - Costs - Hire Group
 - C4 - Costs - Period Early
 - i.e. early commencement of hire
 - C5 - Costs - Period Late
 - i.e. late end to hire
 - C6 - Mitigation
 - C7 – Other
- In assessing reason for Reduced/Late/Non-Payments, a series of Reason codes were created to assess **Insurer Non-Compliance**
 - T1 - Lost Payment Pack
 - T2 - Lack of Response
 - T3 - Uncontactable
 - T4 - Other
 - T5 - Liability Challenge



3b. Reduced/Late Payments (closed claims)

- CHO Non-Compliance

	Justified	Not Justified	Unclear	TOTAL
C1 - PP incomplete	6	0	0	6
C2 - Documentation	0	0	0	0
C3 - Costs - Hire Group	13	1	0	14
C4 - Costs - Period Early	16	0	0	16
C5 - Costs - Period Late	14	2	0	16
C6 - Mitigation	2	0	0	2
C7 - Other	2	0	0	2
	53	3	0	56

- “Justified” means therefore that in these cases Insurers legitimately reduced or delayed payments for the above reasons as a result of a CHO deviation from the GTA

- Insurer Non-Compliance

	Justified	Not Justified	Unclear	TOTAL
T1 - Lost Payment Pack	0	9	0	9
T2 - Lack of Response	0	13	0	13
T3 - Uncontactable	0	3	0	3
T4 - Other	3	29	1	33
T5 - Liability Challenge	4	3	11	18
	7	57	12	76

- “Not Justified” means therefore that in these cases Insurers reduced or delayed payments for the above reasons but **not on legitimate** grounds



3c. Non-Payment (open claims)

- CHO Non-Compliance

	Justified	Not Justified	Unclear	TOTAL
C1 - PP incomplete	5	0	0	5
C2 - Documentation	4	0	0	4
C3 - Costs - Hire Group	0	0	0	0
C4 - Costs - Period Early	3	0	2	5
C5 - Costs - Period Late	6	0	0	6
C6 - Mitigation	1	0	0	1
C7 - Other	2	0	0	2
	21	0	2	23

- Insurer Non-Compliance

	Justified	Not Justified	Unclear	TOTAL
T1 - Lost Payment Pack	0	4	0	4
T2 - Lack of Response	0	10	0	10
T3 - Uncontactable	0	1	0	1
T4 - Other	0	3	0	3
T5 - Liability Challenge	23	6	33	62
	23	24	33	80



3d. Settlement Summary (1)

- **'Closed' Claims (301)**
 - CHO responsibility for delays/reduced settlement
 - Insurers correctly challenged CHOs on 53/56 closed claims (94.6%)
 - Represents 17.6% of all closed claims
 - Insurer responsibility for delays/reduced settlement
 - Insurers incorrectly delayed payment to CHOs on 57/76 closed claims (75.0%)
 - Represents 18.9% of all closed claims
 - NB: Responsibility couldn't be assigned in 12 claims (9.1% of those subject to delayed/reduced payment) – mainly around Liability



3e. Settlement Summary (2)

- 'Open' Claims (106)
 - CHO responsibility for delays/reduced settlement
 - Insurers correctly challenged CHOs on 21/23 open claims (91.3%)
 - Represents 19.8% of all open claims
 - Insurer responsibility for delays/reduced settlement
 - Insurers incorrectly delayed payment to CHOs on 24/80 open claims (30.0%)
 - Represents 21.7% of all open claims
 - NB: Responsibility couldn't be assigned in 33 claims (31.1% of those subject to non-payment) – exclusively around Liability



4. CHO Performance Summary



- Direct comparison between Phase 1 & Phase 2 participants not completely possible because of differing approach, but.....

- Of the 12 CHO's audited, we would regard their compliance levels as being distributed...

- Very Strong 3
- Strong 7
- Marginal 1
- Weak 1



5a. Settlement - Closed Claims

- 36 insurer brands represented, with top 14 accounting for ~82% of closed claims
- Other 22 all had <2% of closed claims

Vol	Name	Closed	Ave Sett	within 30 days		within 60 days		within 90 days		over 90 days	
				%	% cum	%	% cum	%	% cum	%	% cum
1	Robin	39	27.2	69.2%	25.6%	94.9%	97.4%	2.6%	97.4%	2.6%	100.0%
2	Swan	32	30.5	71.9%	18.8%	90.6%	96.9%	6.3%	96.9%	3.1%	100.0%
3	Woodcock	27	30.1	77.8%	7.4%	85.2%	92.6%	7.4%	92.6%	7.4%	100.0%
4	Falcon	23	33.0	60.9%	30.4%	91.3%	95.7%	4.3%	95.7%	4.3%	100.0%
5	Eagle	21	32.0	52.4%	42.9%	95.2%	100.0%	4.8%	100.0%		
6	Chaffinch	16	41.3	37.5%	50.0%	87.5%	100.0%	12.5%	100.0%		
7	Kestrel	15	23.7	86.7%	6.7%	93.3%	93.3%	0.0%	93.3%	6.7%	100.0%
8	Parrot	14	29.1	64.3%	28.6%	92.9%	100.0%	7.1%	100.0%		
9	Partridge	13	64.1	7.7%	46.2%	53.8%	69.2%	15.4%	69.2%	30.8%	100.0%
10	Lapwing	13	27.5	76.9%	7.7%	84.6%	100.0%	15.4%	100.0%		
11	Owl	11	42.9	54.5%	27.3%	81.8%	90.9%	9.1%	90.9%	9.1%	100.0%
12	Pheasant	8	42.1	62.5%	12.5%	75.0%	87.5%	12.5%	87.5%	12.5%	100.0%
13	Mallard	7	56.1	28.6%	57.1%	85.7%	85.7%	0.0%	85.7%	14.3%	100.0%
14	Petrel	7	35.0	42.9%	42.9%	85.7%	100.0%	14.3%	100.0%		
15	Others	55	46.6	50.9%	23.6%	74.5%	83.6%	9.1%	83.6%	16.4%	100.0%
		301	34.7	59.5%	25.9%	85.4%	92.7%	7.3%	92.7%	7.3%	100.0%



5b. Overdue Periods - Open Claims

Vol	Name	Closed	% of ALL claims	Overdue Period
1	Robin	12	23.5%	143.7
2	Swan	10	23.8%	144.9
3	Woodcock	3	10.0%	163.7
4	Falcon	8	25.8%	161.3
5	Eagle	7	25.0%	144.4
6	Chaffinch	6	27.3%	146.2
7	Kestrel	3	16.7%	155.3
8	Parrot	4	22.2%	139.0
9	Partridge	7	35.0%	160.0
10	Lapwing	3	18.8%	129.3
11	Owl	1	8.3%	155.0
12	Pheasant	2	20.0%	176.5
13	Mallard	8	53.3%	123.9
14	Petrel	4	36.4%	142.3
15	Others	28	33.7%	153.4
		106	26.0%	148.4



GTA Compliance Audits

Summary



Summary

- **CHO Monitoring**
- Engineering control and documentation could be improved and does result in early hires
- Early monitoring is generally strong
- Mixed performance in respect of late monitoring
- Off-hiring with repaired vehicles needs to improve
- Off-hiring with TLs is less of an issue
- The failure to off-hire correctly is the biggest single cause of insurer challenges
- With perhaps one exception, all CHOs had a seemingly fully committed approach to complying with the GTA
- No evidence of specific efforts to mislead insurers – if anything a lack of business process control
- **Insurer Settlement**
- Closed Claims: The key reasons for settlement delays are
 1. CHO's billing for incorrect hire period
 2. Insurers not responding to CHO requests/activity
 3. Administrative 'disconnects' within the Insurer, lack of resource etc.
 4. Fraud – although doesn't cause conflict
 5. Liability issues slow the process down
- Open Claims: The key reasons for non-payment are
 - 1 – 4 as above
 - Liability issues clearly presents the biggest barrier to settling claims quickly



The Audit Process

- Most CHOs welcome the audit and the feedback from compliance and operational perspectives
- It is clear CHOs and Insurers both contribute to deviation from the GTA
- Both parties exhibit a degree of mistrust
- Advance information **does** help a little; some of the time saved on site is offset by pre-processing however
- The Audit Process **does** illustrate where and why CHOs exhibit varying levels of compliance
- The Audit Process **does** highlight where and why Insurers contribute to delayed settlement
- Full 360° reporting **can** be provided
- League tables **can** be produced where individual businesses can compare their own performance opposite anonymised peer organisations
- Qualitative analysis **will** assist in promoting universal understanding in how to collectively improve compliance with the GTA



Thank You

