

The Competition Commission
Private Motor Insurance Investigation Team
Victoria House
Southampton Row
London WC1B 4AD

4th January 2013

Dear Sirs

RE: Private Motor Insurance; Market Investigation

VBRA is a trade association established in 1914 representing vehicle body building and vehicle body repair businesses across the UK, Channel Islands and Isle of Man. VBRA provided detailed (especially verbal) information to the Office of Fair Trading which partly informed their decision to refer the dysfunctional motor insurance market to the Competition Commission.

For your consideration I would ask that you specifically take the following points into consideration as part of your deliberations. I address these from the point of view of repair rather than new vehicle build.

- The crash repair industry is primarily made up of small family businesses (incorporated or otherwise) which form an integral part of the economic and social communities in which they operate
- The real expertise in vehicle repair lies within this community of professionals – an issue seemingly often ignored by the insurer, accident, fleet management and credit repair sectors who fund most of the repairs conducted each year.
- These so called ‘work providers’ (WP) insist that, in no particular order and to varying degrees between each:
 - Vehicles **must** be repaired at workshops designated by them (not chosen by the customer)
 - This generally is for financial expediency of the work provider and has little or nothing to do with consumer benefit
 - Some motor insurance policies have contractual terms requiring the use of such facilities. In general this is not made very clear at the point of quotation and consumers do not generally read policies until a claim occurs and only then do they discover their choice is restricted or non-existent. **This is a matter, in our view, that should be thoroughly addressed**
 - Some do allow a choice but subject to paying a higher excess or deductible – another thing not made abundantly clear at quote stage
 - It is at the point of first notification of loss that the ‘bullying’ tactics start. In our view it should be made abundantly clear to callers, up front, that they have a right to nominate their own repairer (after all it is their vehicle) but that the insurer can offer assistance if requested (ie requested not suggested)
 - Labour rates/times will be set by them and not by the repairer
 - Whilst it is not unreasonable that a (fairly) standard time should be derived for repair operations it is entirely unreasonable that a work provider should determine the rate that he will pay for such repair (supermarket syndrome)

- The repair times used in estimating systems are generally manufacturers times and relate to the operation being done on pristine vehicles not accident damaged ones – they can therefore be inaccurate (and strangely do vary across Europe within the same quote system for identical vehicles depending upon the territory in which the system is being used – this seems inconsistent (in fairness with a few exceptions this is less a problem than it used to be). WP seem doggedly determined to accept only the standard time without listening to the repairer’s justification of any problems which require an increase
 - Some estimating systems allow for either ‘manufacturers’ times to be used or Thatcham researched times (which are sometimes more realistic). Whilst not frequent it is found that some Accident Manager WP stipulate that for certain repairs Thatcham times should be used and for others Manufacturer times (whichever is the most advantageous to the eventual WP paying the bill – a case of having cake *and* eating it maybe?)
 - Only an individual repair business should be allowed to set its labour, discount rates and payment terms – these should not be externally dictated. Through the current operating methodology, whilst we would endorse that current remuneration rates are inadequate to fund proper medium and long term staffing, training, forward investment and sustainability, *competition is essentially stifled*
 - Some WP impose (though it is dressed up as ‘agree’) ‘average’ repair costs. As a trade association we counsel members not to sign up to such deals but each is an independent business (that has to operate in what has been declared by others as its ‘real world’) seeking to provide continuity of employment to its staff which in turn supports its local community
 - Parts, paint and materials etc will be provided by repairer free or at discounted rates
 - This can relate to repairers being compelled for certain WP jobs to use a particular brand of paint from a particular supplier at an ‘agreed’ (fixed) price. Penalties are then invoked for under usage and [unnecessary] waste is created. This requirement can result in a commission payment to the instructing WP and expected volumes of paint are checked by cross referencing repairs authorised against paint ordered. It is not unusual for a repairer to be able to source the same brand of paint via their own supplier at lower cost but this arrangement is excluded by their contracts with such WP – even though they are free to use this identical but cheaper paint from their own supplier on other jobs not sent by this WP!
 - In the above regard please see the complaint submitted to the OFT jointly by ourselves and Retail Motor Law in October 2012
 - There is a ‘paint index’ within the estimating systems and insurers often demand it be set at a discount, for no apparent reason other than ‘it can be’ set lower than 100%. If it is set at, say 80% there is a 20% advantage to the WP paying the bill taken out of the repair shops earnings
 - It is common for insurers and other WP to require the repairer to provide a courtesy car during repair within the over-all labour rate. This is ‘sold’ as a benefit to policyholders but paid for by the repairer as his ‘ticket to the game’. Similarly collection and redelivery of vehicles and storage is expected but not paid for
 - A specified estimating system must be used
 - There are a number of competing systems available and WP tend to require the repairer to use the one they designate. This can be for convenience of administration and invoicing (and can in some instances benefit the repairer with quicker settlement of invoices). This also means that competing systems may proliferate in a workshop artificially when a single one would be adequate – another method by which external WP control may be exercised

- Refer to my comment about Thatcham times vs Manufacturer times- different systems may utilise either or both timings
- What should matter is safety of repair and a paper system (whilst unlikely to be used) CAN do the job just as well
- Equipment and Machinery
 - Some WP 'approvals' require that specified equipment be in use. Whilst it is entirely reasonable that the correct (generic) equipment be in place to cope with the technical repair methodology, it is entirely unrealistic that a WP should designate a particular make or model of, for example, welding set. External control being exercised again!

Part of your investigation is inevitably into the 'cost' of motor insurance but cost is not the be all and end all here. Getting the right repair job done at reasonable cost and with due regard to the policyholder first and foremost, including his right to choose the tradesman to whom he entrusts his vehicle for repair is equally important.

Physical repair is of course only one element in the equation of setting the premium. Injury claims claim a greater percentage of the claims expense. MY own background is in insurance (having achieved FCII qualification and it very much appears to me that Motor Insurance has become a commodity rather than a risk based product. There is less incentive to 'get the price right' than to maintain market share for cash flow's sake and building cross selling databases for later mining.

A fundamental requirement of the FSA in terms of insurers and other WPs registered with it or working on behalf of registered firms is the need to 'treat the customer fairly'. Patently this often is not happening – we and our members receive regular complaints from policyholders that their preferences are being trampled upon. Insurers, particularly, can be very aggressive at 'requiring' vehicles to be repaired at their designated locations (even where there is no contractual requirement to comply). Appallingly policyholders feel sufficiently intimidated by the prospect of being adversely dealt with or penalised in future by their insurer that they will not commit their complaint to paper! This is a dreadful state of affairs!

Insurance is a legal requirement; it is expensive, there seem to be too many complex behind the scenes deals (wheels within wheels style) which appear to benefit just the WP with little regard to the customer BUT in amongst this is customer fear of the very organisations providing the cover.

As Insurance is so expensive increasing numbers of policyholders, seeking to reduce cost insure with offshore based organisations many of whom are not directly responsible to the UK FSA (ie based in Gibraltar or Malta or elsewhere).

Yours faithfully

Malcolm Tagg FIMI
Director General