

Inquiry Manager  
Private Motor Insurance market investigation  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

**Response to the Annotated Issues Statement of the 5<sup>th</sup> of July & Working Papers relating to the Competition Commission Private Motor Insurance Market Investigation**

**Submitted by**



Email to: [pmi@cc.gsi.gov.uk](mailto:pmi@cc.gsi.gov.uk): & [katie.passingham@cc.gsi.gov.uk](mailto:katie.passingham@cc.gsi.gov.uk)

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NAB is a Division of: Retail Motor Industry Federation, 201 Great Portland Street, London, W1W 5AB

Tel: 020 7580 9122

Fax: 202 7307 3406

Web: [www.rmif.co.uk](http://www.rmif.co.uk)

## **NAB submission prior to provisional findings**

### **NAB Statement**

NAB is the UK's leading not-for-profit trade association representing the UK body repair sector.

It is widely acknowledged that the UK is the world leader in terms of accident repair processes and operations. The industry's major players operate to independently audited standards and long established codes of practice.

It is reassuring that the Competition Commission's independent research reaffirms what we have known for many years, which is that our sector continually delivers high levels of repair quality and customer satisfaction, this is achieved despite increased pressure to reduce repair costs and shorten cycle times.

With bodyshop staff often being the only face to face contact a policyholder may have, it commonly falls to the repairer to manage customer expectation, despite the now recognised dysfunctional nature of the insurance claims process and the associated frictional costs identified by Competition Commission investigations.

We agree with your research that the tripartite relationship between consumers, insurers and bodyshops has become unbalanced, and that consumers are being disadvantaged, marginalised and often exploited as cash cows, due to the current dysfunctional nature of the insurance claims process.

We suggest that the high repair satisfaction levels, identified in your research, are only achieved as a result of the ethical, moral and professional position taken by bodyshops, and not as a result of current commercial relationships that exist between bodyshops and insurers.

This is not a sustainable position for our sector, or for long term consumer satisfaction.

We believe that there is significant potential for consumer detriment and consider that focus is required on some key frictional elements, such as:

- The absence of a clear definition for "vehicle roadworthiness" – either pre-accident, or post repair. This means there is no definitive base-line from which to establish if ; either a replacement vehicle is required, or if vehicle reinstatement has been achieved.
- Jargonistic policy wording, inconsistent first notification of loss procedures, along with technically complex repair processes – all serve to confuse and alienate the consumer. The often complex technicalities of insurance policies at point of purchase and subsequently the point of claim, are often ambiguous, misleading and highly complex in nature.

- In the light of additional supporting evidence since the release of the Working papers ToH 1 and 2 Vehicle write-offs on the 1<sup>st</sup> of August 2013 we request that the CC gives further consideration to this issue as previously raised by NAB.
- To consider an independent watchdog to respond to the constant challenges posed by the Motor Insurance Industry through their dysfunctional behaviour.
- From your research it is clear that consumers lack a comprehensive understanding of their rights in respect of the statutory provision of motor insurance, making them vulnerable to exploitation and abuse, particularly in relation to the conventions of indemnity, mitigation and diminution, all of which are imperfect, and inconsistently applied.
- We have seen how large, dominant financial institutions, can become driven and then conflicted by the pursuit of delivering shareholder value. Recent conduct in the insurance sector shows similarities with that of the banking sector. Motor insurance is, however, unique in so much as it is a statutory requirement for all motoring consumers. As such those consumers should be entitled to have implicit trust in the behaviour, and conduct, of their insurance provider. Seeking financial gain at the expense, and therefore detriment, of one party over another is a clear conflict of duty. Motor insurance is, to a certain extent, a social utility.
- In recent years, the subrogation of costs has been in the spot light, with insurer taking legal action against insurer, on the legitimacy of repair invoices submitted for the recovery of costs, we have even seen the ABI calling for a review of subrogation rules.
- Insurer's cost control measures can drive incorrect behaviour in the repair process, with certain business models currently being operated by some insurers, having a capacity to drive entirely the wrong technical behaviour within the repair process and will result in future consumer detriment. With the current advances in vehicle technology, excessive, uninformed cost cutting decisions by some insurer staff are likely to have considerable safety implications for trusting, but unsuspecting consumers.

To conclude...

NAB believes that;

A clear definition of "Vehicle Roadworthiness" should be provided to establish a benchmark from which indemnity can be determined.

The industry needs to be recalibrated in order to put consumers interests first and foremost in the process.

Consumers should be made more aware of their rights, and provided with plain English, transparent, jargon free, and more importantly, honest guidance, throughout the entire insurance purchase and claims delivery processes.

There is significant risk to consumers if the repair sector does not have sufficient revenue to reinvest in training, skills and equipment, to meet the

advancing needs of modern vehicle repair, it is a point of indemnity that, once repaired, the vehicle should perform in any subsequent impact, the way the manufacturer intended.

**A pan-industry adjudicator – a watchdog, (similar to that recently appointed for the supermarket sector) should be appointed to address NAB’s specific market concerns, to oversee any outcomes of this investigation and to prevent future insurance market dysfunction.**

NAB views the CC investigation into the Private Motor Insurance market as only the start of an extended re-alignment process that ensures consumers’ interests are fully safeguarded by all parties involved in the settlement of motor insurance claims. We commit to playing our part to ensure the central focus of all changes that result from CC’s investigations are implemented.

We believe, however, that a number of issues relating to market dysfunction have either been left, as yet, unanswered by this investigation or have not been considered detrimental at this time.

We believe these matters do have the capacity to lead to consumer detriment in the future and to that end, NAB seeks further guidance and clarification from CC on the specific items referred to below in our response to its provisional findings and to other related items not yet covered by the investigation:

#### **ToH 1 Overcosting and overprovision of repairs**

[28] Page 9

NAB suggests the statement at 28 is ambiguous: the statement says esure handles its own non-fault customers but then goes on to say esure uses a CMC. This does not appear to be consistent. We believe esure outsourced most of its non-fault customers to the now defunct Drive Assist CMC. Also LV outsources its non-fault claims to WNS, whereas the statement at 28 suggests they handled their own non-fault claims.

#### **ToH 1 Overcosting and overprovision of TRVs**

NAB has no further comments to add to these findings

#### **ToH 1 Analysis of the results of the non-fault survey in relation to overprovision of TRVs**

NAB has no further comments to add to these findings

#### **ToH 1 and 2 Vehicle Write-offs**

NAB has, through previous submissions and most recently at the joint hearing with RMIF (NAB) and VBRA held at Competition Commission, Southampton Row, London Wednesday, 17<sup>th</sup> July 2013 {Transcript page 49 12-25} raised concerns about the handling and subsequent sale and release of salvage back into the market and the consequential detriment to unsuspecting consumers.

Since the meeting of the 17<sup>th</sup> further evidence concerning write off vehicles has come to light which NAB suggests CC should consider.

<http://www.bbc.co.uk/news/uk-wales-north-east-wales-23688743>

We attach herewith the Coroner's "Report to Prevent Future Deaths" relating to the above tragic case which we understand has been circulated to the ABI, DVLA and VOSA

See end of document

A second case concerns vehicles that have been written-off in the UK that are being sold in Ireland.

<http://www.independent.ie/irish-news/motorists-warned-as-writtenoff-or-damaged-uk-cars-flood-our-roads-29491077.html>

[16] Page 6

NAB suggests the number of write-offs reported at [16] will increase as vehicles become more complex and costly to repair (refer to evidence provided by NAB's technical expert Andrew Marsh at the joint hearing with RMIF (NAB) and VBRA held at Competition Commission, Southampton Row, London on Wednesday, 17 July 2013). NAB suggests this will compound consumer detriment issues identified at [50].

[50] Page 16

NAB notes CC's conclusion relating written-off vehicles. However, NAB suggests the higher prices currently being paid for salvage and identified within CC's investigations represent a wholly distorted salvage market that encourages corrupt and criminal behaviour which in itself is detrimental to **all** consumers whether they be motorists or not.

NAB questions why the price paid for salvage is artificially high, particularly when the consumption of salvage parts for insurance repairs has been identified by CC as being so low?

NAB contends consumer detriment extends beyond the purchase of previously written off vehicles that have been subject of "ringing" or those that have been unsatisfactorily repaired; these vehicles place other motorists and pedestrians at risk resulting in further insurance claims which then leads to an overall escalation in insurance premiums, notwithstanding the cost of police and other investigations.

NAB suggests that CC should undertake further investigations through VOSA to establish if any available data on repaired total losses exists. NAB also suggests that MSXI's work should be extended to examine any "roadworthy" vehicles that have previously been the subject of a total loss. NAB would draw CC's attention to the following article in the *Daily Telegraph* 27 April 2012 where "a high level of consumer complaints" is mentioned in the penultimate paragraph of the story

<http://www.telegraph.co.uk/motoring/road-safety/9214351/The-truth-behind-category-D-insurance-writes-offs.html>

A voluntary code for the classification of damaged vehicles has been established by the insurance industry but NAB suggests the classifications are outdated, poorly defined and not subject to controls, particularly in respect of vehicles classified as salvage and not for repair.

A 'vehicle passport' has been discussed within the industry, giving the potential purchaser details of previous repairs. Insurers have indicated they could not support such a scheme, raising concerns over claims arising from diminution of value. British insurers typically do not factor diminution into premiums, unlike say in Germany where the motorist can claim diminution of value from a repair.

NAB has also received information from members expressing concerns over the handling of VAT on the sale of salvage by RoyalSunAlliance (RSA). NAB suggests a full disclosure of the relationship that exists between insurer RSA and Acorn Vehicle Solutions/Acorn Salvage should be requested as part of this investigation.

If the CC still believes the above is outside their scope of investigation, NAB would welcome guidance from CC on which are the most appropriate government departments to investigate these matters.

## **ToH 2 Underprovision of repairs**

[2] Page 1

NAB argues that the greater use of non-oe parts and the greater use of repair techniques rather than replacing components in at-fault claims illustrates that there **are** substantial differences between fault and non-fault repairs. While diminution has not been identified as a significant issue through the CCs anecdotal research, NAB suggest that if fault consumers were better informed about their rights under diminution, they would choose to have oe parts fitted rather than have greater use of repair techniques eg body filler or non-oe parts used in the re-instatement of their vehicles.

NAB would refer CC to an increasing insurer requirement of their approved repairers towards the greater use of repair over replace techniques through the following models:

**Fixed Price Repair Cost:** Is a pre-determined average (**capped**) price per repair job set by an insurer or accident management company where each party agrees to pay the other any difference between the actual and contracted average price on every job undertaken. Invariably a repairer exceeds the agreed price and has to pay back any difference\*. In this model underwriting risk is transferred to the repairer by the insurer or claims management company. Repairers are at a distinct disadvantage because they have no way of knowing what type of vehicle is being insured (or managed), what the profile of accident damage severity will be or the policyholder profile/type. In order to manage repair costs within agreed parameters, repairers may be drawn into adopting practices that compromise repair quality and safety. \*It is unclear how or if at all the "savings" clawed back by insurers from repairers who exceed a capped ceiling, are passed on to consumers in policy reductions.

**NAB is providing CC with two samples of the relevant sections of fixed price contracts, these are both are shown below.**

[✂][✂]

Average Repair Cost: Is the means by which an insurer or accident management company benchmarks repair costs across its repairer network by aggregating total network repair costs and dividing that by the number of repairers on the network. The aim is for a repairer not to exceed the average otherwise remedial or disciplinary action ensues leading ultimately to dismissal from the network. Usually no account is taken of work mix or damage severity during reviews - it's simply a case of "you are more expensive than the rest of the network". Over time, the average cost of repair is reduced through the introduction of various contractual changes eg incentives to repair rather than replace, alterations to estimating system parameters, mandated use of non-oe or salvage parts. These may occur during the term of an agreement or at times of contract renewal even though business overhead costs may have increased. In the case of contract renewal, frequently the insurer or accident manager will play the market eg by "auction" with the aim of reducing the average repair cost figure. In most cases there is no transparency in the way average repair costs are arrived at as insurers and accident management companies do not reveal the full extent of repair cost data in their possession.

Both models have serious potential for consumer detriment where organisations become blinded by target fixation of cost and therefore safe repairs have the potential to be compromised.

NAB notes that CC has identified any potential for consumer detriment from these models may lay downstream of their current investigation.

NAB would appreciate guidance as to where consumer concerns may be directed following the deadline of this investigation.

[2e] Page 2

NAB suggests this statement is misleading. NAB concurs with others who have provided evidence elsewhere that insurers do **not** undertake physical inspections of repaired vehicles unless there is a customer complaint or unless the requirement forms part of a financial audit.

[4] Page 3

Consumers also have no way of knowing what diminution in value may have occurred to their vehicle following repair unless they have it valued by an expert, post repair.

[19] Page 7

NAB suggests the differences between credit repairs and insurer managed repairs **have** been identified by CC through the greater use of repair over replace techniques and the greater fitment of non-oe parts within the insurer managed repairer sector (see [22] Page 8)

[25] Page 9

NAB suggests that CC having identified that “cost cutting is most likely to occur in areas which are least likely to be identified in audits by insurers, CMC and standard monitors (eg in respect of PAS125 accreditation) or by consumers (eg **to unseen parts of the vehicle**)” would require a more rigorous independent post-repair inspection regime to verify indemnity has been fully discharged. NAB suggests a register of repaired vehicles should be created to provide enhanced transparency. NAB suggests this would also make the total loss process, highlighted under ToH 2, more transparent and trustworthy.

[37] Page 13

NAB suggests manufacturer repair methods **may** differ substantially from Thatcham methods depending on the make, model and accident damage severity of a vehicle under repair. NAB awaits the results of MSXI’s inspections to provide clarity on this point.

NAB suggests the database of models covered by Thatcham is incomplete.

[86] Page 26

NAB suggests the figure of 2 million accident repairs paid for by insurers appears low. ABI’s own figures say 3.2 million car and 792,000 commercial vehicle claims were made in 2011. While NAB appreciates that not all vehicle claims result in accident repairs, NAB suggests a need to review the 2 million figure.

[91] Page 28

NAB suggests that consumers introduced to CMCs by insurers suffer potential detriment under Financial Services & Markets Act 2000. In the event of insolvency of a CMC, consumers’ protection is conflicted by the intermediary supply process. While an insurer may have authorised a claim through a CMC, the CMC will not have settled a repairer’s account by the time the consumer collects their vehicle following repair. In the event of an insolvency of a CMC, the repairer may seek to exercise lien on the repaired vehicle leading to friction, requests for payment (even though the claim may have already been settled by the consumer’s insurer with the CMC) and delays in returning the customer’s repaired vehicle.

The most recent example of this has been illustrated by the collapse of the CMC, Drive Assist where some consumers were left without their vehicles for several weeks. There have been several other high profile CMC collapses within the past five years resulting in identical consumer detriment.

### **ToH 2 Underprovision of TRVs**

NAB considers this to be work in progress and has no further comments to add to these findings at this stage

### **ToH 2 Analysis of the results of the non-fault survey in relation to underprovision**

NAB has no further comments to add to these findings



### **ToH 2 Horizontal concentration in PMI providers in Northern Ireland**

NAB is seeking further information from its Northern Ireland members but has no further comments to add to these findings at this stage

### **ToH 3 Horizontal concentration in PCWs**

NAB has no further comments to add to these findings

### **ToH 3 Horizontal concentration in repair cost estimation systems**

NAB suggests CC's closure on this part of the investigation is premature; NAB suggests that the very fact that the CC has identified how Audatex can be used to control refinish paint pricing is a clear indicator of how the system could be potentially used and abused within the subrogation process by any dominant party or colluding parties.

This includes aspects of Audatex relating to:

- i) Parts usage and pricing
- ii) Materials usage and pricing
- iii) Repair processes times and pricing

In the case of the latter, NAB highlights a recent incident where, in open discussion, an Audatex senior employee referred to the system being adapted to provide functionality to select or deselect components (and therefore time taken to undertake repairs) relating to the replacement of **safety critical** items. NAB argues this functionality is an area of potential consumer detriment brought about by pressure from dominant interests and should not be used as an opportunity to promote a subject of option debate or conjecture between repairers and engineers representing insurance companies. NAB says non-replacement of safety critical parts is detrimental to consumers.

Further, while NAB accepts that price values attached to data provided by Audatex can be the subject of agreement between repairers and individual mandators/specifiers of the system (as identified by CC), it suggests that price values can also be the subject of collective manipulation by mandators of Audatex and suppliers of data and that data/repair methods and processes can be the subject of individual or collective abuse by dominant mandators/specifiers.

NAB seeks guidance from CC as to how, given Audatex's dominant market position, the three areas referred to above can be prevented from abuse by dominant, mandating parties (either singly or collectively) in the future.

Meanwhile, NAB argues that despite the shortcomings of the current AZT paint data embedded within Audatex, it would be naïve and commercially reckless to challenge one particular aspect of the Audatex database without a thorough investigation and understanding of the entire database and how ALL data can be subject to abuse by any dominant party or parties.

### **ToH 4 Obstacles to switching**

NAB has no further comments to add to these findings

#### **ToH 4 Analysis of add-ons**

NAB has no further comments to add to these findings

#### **ToH 5 Vertical relationships involving PCWs**

NAB has no further comments to add to these findings

#### **ToH 5 Impact of MFN clauses in contracts between PCWs and PMI providers**

NAB has no further comments to add to these findings

#### **ToH 5 Analysis of potential foreclosure as a result of vertical relationships**

[8][9] Page 3 and [40] Page 13

NAB would draw CC's attention to the recent acquisitions made by LKQ Corporation, the largest provider of aftermarket and recycled collision replacement parts and the second largest distributor of auto refinish paint in the US and Canada. It has acquired 5 UK paint distributors from their private owners, representing 26 locations nationwide, via its subsidiary LKQ Euro.

The companies are:

Bee Bee Refinishing Supplies Halstead Ltd - 3 branches in Eastern England

JCA Coatings Ltd - 9 branches in South / South West England and South Wales

MKPE- 5 branches in South East England

Premier Paints Ltd - 1 branch in Romford, Essex

Sinemaster Motor Factors Ltd - 8 branches in Midlands / North England and Scotland

Resulting from these transactions, LKQ Euro has also gained a 100% shareholding in the sales and marketing specialist for refinishing distribution, IRIS. This provides LKQ with a market share.

Based on industry surveys, the 5 distributors acquired by LKQ Euro (Eurocarparts/Autoclimate) had a total turnover of £85.2m – giving them a market share of around 25%.

This would make them the largest UK paint distributor; currently Morelli is no 1 with £35.0m.

£30.5m - JCA

£24.0m - MKPE

£22.3m – Sinemaster

£5.5m – Bee Bee

£2.9m – Premier Paints

IRIS has a paint supply arrangement with WNS among others which then requires repairers to use its materials.

## **ToH 5 Analysis of vertical agreements for the supply of paint (excluding foreclosure)**

Appendix 1 Page 25 1.

Following the recent acquisition of IRIS and a number of IRIS distributors by LKQ Euro, the table of PMAs is no longer current.

### **Additional matters:**

#### **Avoidance of VAT**

NAB contests that the avoidance of paying VAT is detrimental to all consumers and therefore this matter should be considered by CC.

The majority of the work undertaken by NAB members is covered by the vehicle owner's insurance company. In recent years several insurers – notably Aviva, Direct Line/Churchill (formerly RBS), Markerstudy and RoyalSunAlliance have opened their own bodyshops to which they channel their own at fault policyholders' repairs and also undertake other repairs for which at fault policyholders' insurers pay. Some have secured delegated authority status with bodyshops with which they have a special arrangement.

In doing so, they are exploiting a VAT tax loophole which not only impacts on NAB members' ability to be competitive, but also impacts other insurance companies whose lack of scale prevents them from opening their own workshops.

NAB is aware that specific advice in respect of VAT avoidance/evasion has been provided by Sherwood Compliance to larger insurers such as RoyalSunAlliance.

<http://www.sherwoodcompliance.co.uk/>

The Office of Fair Trading is aware of recent multiple invoice cases being put forward for payment by RoyalSunAlliance that have been inflated and have included unsupported charges causing significant subrogation issues. An example of this is case number was 1UC62538 Kevin Fallows v Harkers Transport before his Honour Judge Platt on 2nd September 2011.

<http://www.bailii.org/ew/cases/Misc/2011/16.html>

The methodology behind Royal Sun Alliance's protocols can be found at [8] onwards.

When NAB members invoice an insurance company, they are forced to charge VAT on the total invoice. When an insurer's own bodyshop undertakes the equivalent repair, because their workshop staff are their own employees, VAT on labour is not paid. As labour is a significant element of most repairs (over 40%), a direct VAT saving of approximately £100 on every £1200 average job is made. The more labour used to carry out a repair (as opposed to using replacement parts), the more these

insurers avoid paying VAT. Couple this with the additional VAT loss on the sale of the parts and paint materials and NAB estimates the total VAT advantage to be in the region of 8% to the insurer. In other words, through a loophole in VAT legislation, insurers' own bodyshops, or those with whom they have a delegated authority relationship, have an unfair competitive advantage over independent bodyshops **and the Exchequer loses VAT revenue.**

Previous complaints by NAB members have been met with stonewall defiance by various governments who have retorted: "the insurers' investment in productivity through their own body repair operations helps the competitive development of the car repair market".

NAB suggests that the current challenging economic climate coupled with the government's intention to highlight detrimental tax avoidance issues requires that this matter is revisited as a matter of some urgency.

On a level playing field, NAB members more than match prices charged by insurer-owned bodyshops - in fact some insurers who pioneered the use of these facilities, have closed their outlets because they could not compete with local bodyshops - despite the VAT advantage. We have evidence by way of internal reports, for the largest insurer owned repair group, that the cost of repairs are actually higher in their own shops compared with their other approved repairers where no coverage is available via their owned repair facilities. This evidence we have already supplied to CC.

Others who are more persistent appear to pursue loss-leader methods to impose an artificial 'cap' on the repair market in their locality – because they control the first notification of an accident, they can 'cherry pick' certain types of work and control work volumes available to the local market. These artificial trading conditions are driving some independent repair shops out of business and if this process continues then ultimately consumers will find their choice for repair restricted in certain areas.

As mentioned previously, the Exchequer forfeits a significant amount of VAT revenue. **Last year VAT on repair labour costs ran to several hundred million pounds.**

The independent body repair sector provides vital local employment. They play a particularly important role in giving job opportunities to young people. Through no fault of their own, they are under threat from major suppliers, who are utilising an unfair tax advantage and market suppression to the detriment of our members' businesses. NAB members are not asking for special treatment, but merely a level tax playing field, to allow them to continue to provide a quality service for customers and enable their businesses to develop.

If CC fails to address this loophole, we would like to see a situation where independent bodyshops (and other insurers) enjoy the same VAT mitigated benefit as insurer-owned garages through delegated authority status ie labour on repairs provided without attracting VAT; however should that be granted the VAT loss to the Treasury would be significantly greater than at present. NAB would appreciate guidance from CC as to the most appropriate government departments to discuss our members gaining delegated authority (and therefore VAT-mitigated) status.

### **Cash in Lieu of Repairs**

Some insurers are opting to settle claims on a cash basis rather than having the vehicle repaired. In a number of cases certain insurers are not offering policyholders the actual cost of indemnity by failing to calculate the full cost of repair including VAT as no transaction has taken place. NAB suggests this is detrimental to consumers and suggests customers are offered cash in lieu of repairs with a cash amount that reflects the full cost of the repair.

Some insurers encourage their claims staff to seek to settle claims on a cash in lieu basis with instructions to keep costs below the cost of providing indemnity. This is often achieved by taking advantage of the Policyholder's financial situation by enticing them with offers of cash lower than the estimate provided by an insurance approved bodyshop. This is detrimental to the consumer and can lead to fuelling the black economy as vehicles are repaired by private individuals without qualifications or appropriate equipment qualifications.

### **Charges for "Retail" Repairs**

NAB notes that following the case of *Fallows v Harkers Transport*,

<http://www.bailii.org/ew/cases/Misc/2011/16.html> ,

RSA UK chief executive Adrian Brown was interviewed by *Insurance Times* in June 2012 and was asked what his firm's High Court victory could mean for repair costs in future subrogation cases. His response to the question: *In the case, it was pointed out that some believe your additional repair charges are higher than those of other insurers. What is your response to this?*

His answer was: *"There will be a second stage of the hearing dealing with quantum [of charges] – is what we are charging reasonable.*

*"We have looked at retail rates out there, and have used guidance from people like **Auto Bodyshop Professionals Club [a repair industry trade body]. We have used industry data to get a view of what 'reasonable' is.***

*"In the same way that I was confident that we would be found to be legally correct in what we were doing, I am also confident that it will be seen that the costs that we are charging are reasonable as defined by what the judges said would be reasonable.*

*"There have always been disputes between insurers about quantum, whether on credit hire days, repair costs or whatever.*

*"I'm sure there may be cases out there where somebody may have a legitimate challenge to us on quantum in the same way as we challenge other people. However, within the judgment that was given down I remain confident that what RSA has charged will be deemed to be reasonable."*

NAB feels the Auto Body Professional's Club (ABP) Guide (shown below) could provide a level of transparency and could remove some of the current friction between parties if adopted by the insurance industry as a means of subrogating non-fault and "retail" charges made by repairers.

NAB would appreciate guidance from CC as to how the ABP Guide (shown below) could be used by the industry.

See end of document

## **Summary**

Throughout our work on this investigation, we cannot escape the conclusion that the underlying market dysfunction in the Private Motor Insurance Market, identified by the Office of Fair Trading (OFT) and CC, has arisen largely as a result of the insurance industry's failure to do what it was originally configured to do: to provide indemnity to policyholders by receiving insurance premium income and generating profit from investing that premium, but not to make gain from resultant claims.

NAB suggests that the straightforward subrogation process has become considerably distorted in the past 25 years through the many diverse and imaginative workarounds introduced by the insurance industry to shore up insurers' inadequate premium and investment income.

This has encouraged the innovation of intermediary forces that have led to much of the unnecessary friction, cost and consumer detriment that NAB and others have outlined.

Throughout NAB's various submissions to CC we have offered a number of conclusions and recommendations. NAB does not suggest these represent the total solution; we are acutely aware our output largely addresses matters relating to our members and the body repair industry as a whole.

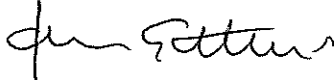
In order eradicate market dysfunction, NAB suggests that it will be necessary to have a complete root and branch reform of the subrogation process, otherwise if a piecemeal approach is adopted, the creativity that has led to the OFT and CC spotlight being shone on the insurance sector will continue to flourish.

As previously suggested perhaps a return to the basic principles of insurance born out of Lloyd's Coffee House [http://en.wikipedia.org/wiki/Lloyd's\\_Coffee\\_House](http://en.wikipedia.org/wiki/Lloyd's_Coffee_House) would not go amiss?

Dated 4<sup>th</sup> September 2013

**REGULATION 28: REPORT TO PREVENT FUTURE DEATHS (1)**

	<p><b>REGULATION 28 REPORT TO PREVENT FUTURE DEATHS</b></p> <p><b>THIS REPORT IS BEING SENT TO:</b></p> <ol style="list-style-type: none"> <li>1. The Association of British Insurers, 51 Gresham Street, London EC2V 7HQ</li> <li>2. DVLA Longview Road, Morrison, Swansea SA6 7JL</li> <li>3. VOSA Berkeley House, Croydon Street, Bristol BS5 0DA</li> </ol>
1	<p><b>CORONER</b></p> <p>I am JOHN ADRIAN GITTINS, senior coroner, for the coroner area of North Wales (East and Central)]</p>
2	<p><b>CORONER'S LEGAL POWERS</b></p> <p>I make this report under paragraph 7, Schedule 5, of the Coroners and Justice Act 2009 and regulations 28 and 29 of the Coroners (Investigations) Regulations 2013.</p>
3	<p><b>INVESTIGATION and INQUEST</b></p> <p>On 24<sup>th</sup> of July 2012 I commenced an investigation into the death of Sadie Ann Jane McGrady aged 6. The investigation concluded at the end of the inquest on 13<sup>th</sup> of August 2013. The conclusion of the inquest was Accidental Death and the medical cause of death was Blunt Force Head Injury as a result of a Road Traffic Collision.</p>
4	<p><b>CIRCUMSTANCES OF THE DEATH</b></p> <ol style="list-style-type: none"> <li>1. On the 22<sup>nd</sup> of July 2012 Sadie was a rear seat passenger in a Vauxhall Corsa Motor Vehicle Registration Number SE06 LSN driven by her mother Katryn Barlow. Her mother drove this vehicle out of a junction and across a dual carriageway into the path of an oncoming vehicle which then struck the vehicle in which Sadie was travelling, colliding with its offside.</li> <li>2. The collision resulted in a significant intrusion of the "B" pillar and rear quarter wing into the vehicle impacting with Sadie's head causing severe head injuries which resulted in her death.</li> </ol>
5	<p><b><u>CORONER'S CONCERNS</u></b></p> <p>During the course of the inquest the evidence revealed matters giving rise to concern. In my opinion there is a risk that future deaths will occur unless action is taken. In the circumstances it is my statutory duty to report to you.</p> <p>The <b>MATTERS OF CONCERN</b> are as follows. –</p> <p>(1) Evidence was given by Mr Gary Owen Roberts, Advanced Police Vehicle Examiner indicating that the Vauxhall Corsa was the subject of a category D, total loss insurance claim in May 2008, the insurance claim relating to (inter alia) a crumpled rear offside sill member and adjacent quarter panel and a dented driver's door. Various repairs had</p>

	<p>been undertaken to the vehicle and the examiner was concerned by the quality of the repair to the rear offside quarter panel. He noted that it did not comply to the recognised industry repair method and was substandard as there had been unnecessary removal of the complete spot weld resulting in the separation of all 3 panels forming part of the laminated "B" pillar structure and inadequate quality and insufficient mig welding to attach the replacement quarter panel compromising the integrity of the "B" pillar structure.</p> <p>(2) The consequence of this substandard repair undoubtedly resulted in greater intrusion into the passenger cell when the vehicle was subjected to a severe broadside impact, which in turn may have increased the likelihood of the occupants sustaining serious injury.</p> <p>(3) The evidence of Dr Brian Rodgers, Home Office Forensic Pathologist, indicated that the head injuries sustained by Sadie were the result of her head impacting against the intruded rear quarter panel and had this not intruded so much as a result of the collision then it is possible that she may not have sustained such severe head injuries and may well have survived the collision.</p> <p>(4) Forensic Collision Investigator William Gordon Saynor indicated in his evidence that in circumstances where there had been a category D write off, there were no independent checks undertaken on repaired vehicles before they returned to the road and that the MOT process would be unlikely to establish that the structure/integrity of a damaged vehicle had been compromised by a substandard repair.</p> <p>(5) The above matters give rise to a concern that there exists the uncontrolled sale and repair of insurance write offs as a result of which future deaths may occur when previously written off vehicles are back on the road and involved in collisions.</p>
6	<p><b>ACTION SHOULD BE TAKEN</b></p> <p>In my opinion action should be taken to prevent future deaths and I believe your organisations have the power to take such action.</p>
7	<p><b>YOUR RESPONSE</b></p> <p>You are under a duty to respond to this report within 56 days of the date of this report, namely by 11<sup>TH</sup> October 2013]. I, the coroner, may extend the period.</p> <p>Your response must contain details of action taken or proposed to be taken, setting out the timetable for action. Otherwise you must explain why no action is proposed.</p>
8	<p><b>COPIES and PUBLICATION</b></p> <p>I have sent a copy of my report to the Chief Coroner and to the following Interested Persons – John McGrady and Katryn Barlow (parents of the Deceased) and to the LOCAL SAFEGUARDING BOARD. I have also sent it to David Cresswell, Chariman of the Auto Body Professionals Club) who may find it useful or of interest.</p> <p>I am also under a duty to send the Chief Coroner a copy of your response.</p> <p>The Chief Coroner may publish either or both in a complete or redacted or summary form. He may send a copy of this report to any person who he believes may find it useful or of interest. You may make representations to me, the coroner, at the time of your response, about the release or the publication of your response by the Chief Coroner.</p>
9	<p>[DATE] 16<sup>th</sup> AUGUST 2013      [SIGNED BY CORONER]</p> <p style="text-align: right;"></p>





# UK BODY REPAIR INDUSTRY GUIDE TO RETAIL CHARGES 2012-2013

Bodyshop Labour Rate	£40.50 per hr	Technical data/method sourcing fee (compilation and application of correct repair methods)	£20.00 per repair
Bodyshop Labour Rate (Prestige & LCV)	£48.00/£52.50 per hr	Older Vehicle Allowance	1.00 hour per repair
Bodyshop Labour Rate (Upper Prestige & Aluminium)	£52.50/£60.00 per hr	Road Test	0.50 hour per repair
Parts supplied at manufacturer's list price		Wash / Clean	0.75 hour per repair
Mechanical Labour Rate	£55.00 per hr	Final Inspection	0.50 hour per repair
Auto Electrical Labour Rate	£51.50 per hr	Sill Dressing (per side)	0.75 hour per repair
Smart Repairs Labour Rate	£47.50 per hr	De-nib / Polish (per panel)	0.25 hour per repair
Estimate / Assessment Charge	£45.00	Anti-corrosion (per panel)	£9.50 (max £45)
Environmental Charge	£17.50 per repair	Coolant / Antifreeze* per litre	£7.95
Storage Charge (Secure)	£24.00 per day	Engine Oil* per litre	£8.45
Air Conditioning Recharge**	£125.00	Synthetic Engine Oil* per litre	£14.75
Steering Geo / 4 Wheel Align. Check**	£110.00	Brake Fluid* per litre	£5.85
Valet (after major accident damage)	£82.50	Tyre / Wheel Change**	£25.00
Specialist Weld Charge (Boron etc)	£60.00	Sound Deadening Pad (small)	£7.50
Delivery and Collection to Dealer	£57.50	Sound Deadening Pad (large)	£12.25
Yard Charge***	£58.00	Boron Drills (8mm) or Boron Grinder	£47.50 (10mm +£10)
Statutory Fine Administration	£44.00	Headlamp / Spot Bulbs	£12.50 (or RRP)
Coachlines (per panel not inc any removal)	£19.50	Other bulbs	£4.40 (or RRP)
Windscreen Bonding Kit (small)	£38.50	Number Plates	£12.50 (per plate)
Windscreen Bonding Kit (large)	£43.50	Door Foils	£9.25
Windscreen Moulding Lifting Tape (front & rear glass)	£10.00	Door Bonding Kits	£19.50
Windscreen Moulding Lifting Tape (side glass)	£5.00	Bead Sealers	£13.95
Paint and upholstery protection reinstatement (up to 3 panels + £30.00 per additional panel)	£145.00	Car Care Kit	£5.00
		Screenwash	£4.50
		Sundries / Clips / Fixings 3.5% of parts total	

\* General Products – Special manufacturer's products to be charged by part number at list price.

\*\* or Audatex time at mechanical labour rate.

\*\*\*Yard charge based on two men assisting salvage agent to remove vehicle from site. LCV = vehicles up to 3.5 tonnes.

## SPECIALIST CHARGES

Recovery / Collection / Delivery: + £1.50 per mile travelled over 30 miles..... £110 Minimum Charge.

(Note: Specialist Recovery Charges will be charged at Contractor's Rates + 17.5%)

Tyres / Batteries /Exhausts / Audio / Special Decals / Glass: ..... As agreed on a retail basis.

Diagnostic Reset (safety reinstatement): ..... £90 or Specialist Charge + 15%.

Airbag Reset (including seatbelts): ..... £145 or Specialist Charge + 15%.

Courtesy Car Charge / Insurance Transfer Cost / Admin Charge:..... £35.

Thatcham BSI Kitemark (PAS125): A compliance charge of £25 per repair may be made for bodyshops who have achieved, or are in the process of achieving the operational standard.

Damage Vehicle Allowance to be added for vehicles which, due to the extent of damage sustained, require additional time to be moved / loaded / worked upon.

**Note: All the above values exclude VAT.**

The values are provided for guide purposes only and may require adjustment to suit a repairer's individual requirements, geographic location and market conditions. An uplift on labour rates and storage charges of approximately 15% will be required to reflect regional cost variations in London and the South East of England.

Effective from 1st OCTOBER 2012

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