

2019 NBRA Insurer Attitude Survey

An investigation into insurer treatment of the body repair industry



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1. Introduction

Welcome to the 2019 NBRA Insurer Attitude Survey.

The survey was conducted in Q3 2018, with the results collated in Q4. The survey was open to all Bodyshop's across the UK. Overall, those repairers that responded completed all the questions for their primary insurer partner/s (based on volume of work). The individual insurer/s were named at the start of each survey response.

It is well understood that many of the insurers listed in this report have their repairs managed through intermediaries such as Fix Auto, Vizion, NARG, WNS, Innovation Group etc. Rather than ask repairers about their relationships with the various repair management companies, we felt it best to rate the individual insurer brands through the lens of the repairer. However good or bad the results, inevitably it will be as much a reflection of these companies as the insurers themselves.

In total we received over 400 complete sets of insurer feedback, albeit some repairers chose to provide feedback on more than one insurer. For the first year of completing this we believe this is a good response and we thank those who participated in the survey.

The purpose of this survey was to provide a baseline position for where the body repair industry within the UK currently stands regarding its relationship with the insurance sector and highlight areas of high priority and potential improvements to be made. We have very much taken a collaborative approach to this survey and all insurers mentioned within the results have been given the opportunity to view their respective results and feed back to the NBRA as desired.

In order to "add colour" in some areas, we also conducted several face-to-face interviews with repairers. The survey also allowed for direct comments and some of these comments, specific to the response section, have been included throughout the report.

I do hope you enjoy this, the first of our Insurer Attitude Surveys, and it provides some value in helping the industry to continue to evolve in a positive nature.

Should you have any feedback or wish to discuss any specific areas within the document please do not hesitate to contact me on 0345 305 4239

Many thanks for your continued support.

Kind regards
Chris Weeks

2. Exec Summary

This first insurer attitude survey has been an interesting exercise and one that has already brought the repair world a little closer to the insurer world. I have had many open conversations with insurers who in most instances have a very good understanding of the current challenges the industry faces, but due to competitive pressures, most also are not in a strong position to change things significantly alone. There is a recognition that a wider cross-industry conversation needs to be had and there is an appetite now for it to happen.

Ageas / Tesco was the 2018 contract that overall our survey respondents valued the most. Their network team appear to have worked harder than anyone else to build a high degree of trust and working efficiency with their repairers and this shone through in the results and comments.

Compensation for fault mobility was the lowest overall area of satisfaction with repairers clearly wanting to see a change or an end to what is often described as a “free” service” that is in fact expensive for repairers to absorb.

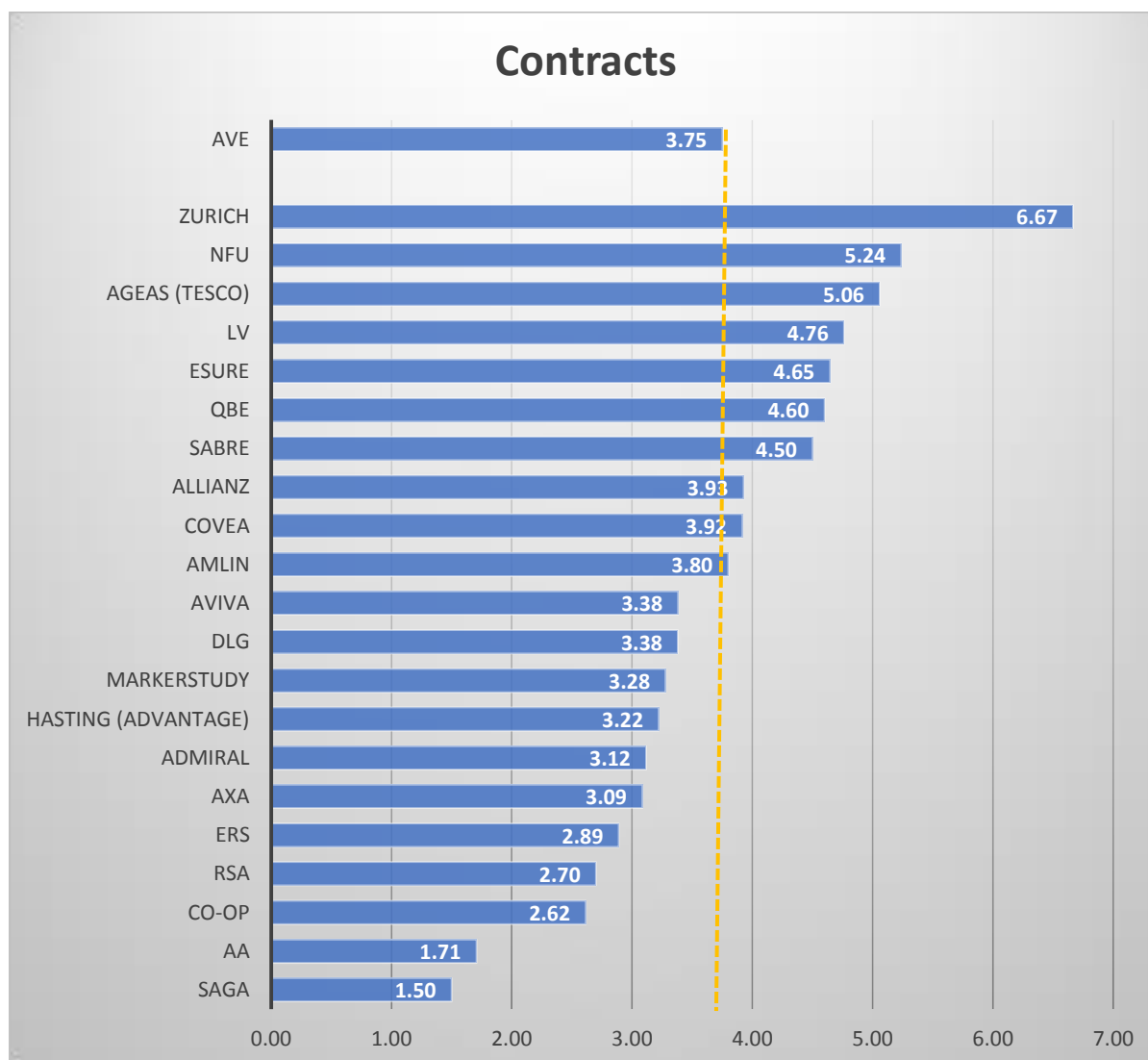
Seeing as there has been very little positive movement on overall contract terms over the last decade or so, the second lowest area of satisfaction amongst repairers was the regularity of review of terms to reflect inflationary cost pressures on Bodyshop’s. NBRA will be calling for an annually agreed inflationary “standard” that should be applied to all contracts as well as accelerated improvement to address a long period of growth stagnation.

Of the twelve areas we surveyed, repairers next lowest area of satisfaction was profitability. Whilst repairers always have the opportunity to say yes or no to contracts, there is a real frustration that margins have been eroded through increased services, increased inbound costs and the need to surrender greater discounts. NBRA would like far greater transparency and for a repairer to never lose money on a repair. An end to the “swings and roundabouts” especially where parts are concerned.

On a positive note, repairers do recognise that almost all insurers do value their customers highly and do have a real concern for consumer safety. However, the pressure that most repairers are under financially means that investment in equipment and training is a challenge and a reduction of that pressure would make future safety issues less likely.

3. Contracts

How well does this insurer alter their rates to meet inflationary pressures on your business?



Summary

Relatively, this question with an overall average of 3.75 was the second biggest area of repairer dissatisfaction. It would indicate very few insurers have a clearly perceived methodology for regularly reviewing and adjusting contractual rates and discounts to ensure that the normal inflationary pressures on body repairers such as rent, labour costs, utilities, and training can be absorbed without adversely affecting margins. Zurich and NFU fared better than most here whilst AA and Saga were clearly less favoured.

Observations

- There is a lack of regularity (if at all) in reviewing rates. The general approach seems to be reactionary to overcome isolated areas of repair capacity shortage
- Discounts in many cases are at a level where it is not uncommon for a repairer to make a loss on essential parts sales
- Where rates move up, they are often accompanied by increased commissions/discounts resulting in marginally improved terms if not a deterioration in some cases
- Those running fixed cost schemes do review the terms with greater regularity
- There are concerns that competition between repair management companies to keep insurer work may well be inadvertently suppressing inflation of overall repairer terms
- When terms are moved there can be unclear methodology behind it
- Terms do not consider necessary investment such as ADAS training / equipment

NBRA recommendations

1. Regardless of the construction of terms in place between a repairer and an insurer or repair management company, these terms would be adjusted annually at a minimum, collectively across the whole industry in order that no insurer loses competitive advantage. This adjustment should be linked to an agreed “market anchor” or index
2. NBRA Insurer Advisory Board to be formed to develop some transparent guidelines for review of terms that all insurers would be happy to sign up to for future market sustainability
3. Insurers to collectively accelerate any annual increase to account for recent inflationary stagnation

4. Profitability

In terms of your overall profitability, how would you rate this insurer?



Summary

This was a big area of dissatisfaction. Over the last 10 years, the overall retail price index (RPI) UK rate of inflation has been 31.8% and there is an argument to say that due to a shortage of skilled labour, Bodyshop’s have seen even greater cost inflation. Over the same period labour cost on repair has increased by just 17.3% and that is before any overall invoice discount has been applied. Whilst 2018 was thought to be an improvement on 2017 (source: ABP), there is a strong feeling that some correction is necessary, or the rate of positive change needs to be accelerated to safely sustain the industry.

Observations

- Profitability was the 3rd lowest scored question in terms of relative satisfaction

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- Low profitability generally appears due to multiple areas of cost inflation, increased service provision and stagnated inflation of terms
 - Reasonable visibility of rates and margin made by insurers on non-fault repairs in some instances heightens the industry frustration with suppressed terms
 - Covea was singled out for praise in written feedback
 - Overall discounts surrendered on parts lead to losses in some cases and are considered unreasonable
 - Lots of repairer activities / costs are not changeable (e.g. estimating)

NBRA recommendations

1. Insurance industry professionals to help address this concern by collaborating with NBRA on collectively calculating what realistic terms are allowing for real costs, future investment, training and a minimum (sustainable) profit margin
2. Insurance industry professionals to collaborate with NBRA on a strategy, mechanism and timescales for industry adjustment

5. Supplier Service Levels

How flexible is this insurer with you when it comes to delivery of SLAs – especially in times of high demand (such as snow/ice/flood etc.)?



Summary

Surprisingly, this was the 4th lowest average satisfaction scores overall. Broadly speaking, repairers believe the whole concept of controlled service levels needs a rethink as in many cases it is fundamentally flawed unless work provision can be adequately controlled as well. Those insurers who communicate well and show common sense in times of high demand are respected and highly valued. Repairers would welcome more freedom to manage the customer and far fewer metrics to try and deliver.

Understanding that insurers place a high value on customer policy renewal there is a lot of focus on the service delivered by repairers in the event of a claim. Whilst there is no doubt a correlation between high customer satisfaction and retention there is a feeling amongst repairers that there is not always a strong correlation between the service level agreements

(SLAs) they are managed to and a great customer experience. Whilst on average it may be true, it is felt a more discretionary approach to allow flexibility to accommodate consumer needs may well drive better results

Observations

- Generally, service levels have a lack of flexibility
- Very little set procedure to flex SLAs at times of high demand
- Contracts around service levels are heavily weighted on repairer service delivery with almost no volume guarantees in return
- Frustration that SLAs are fixed, but volumes not guaranteed making it impossible to deliver all the time without carrying an inefficient surplus of resources
- Too many SLAs to realistically deliver on simultaneously and consistently
- Linking of terms to performance only works if solus or good volume controls in place

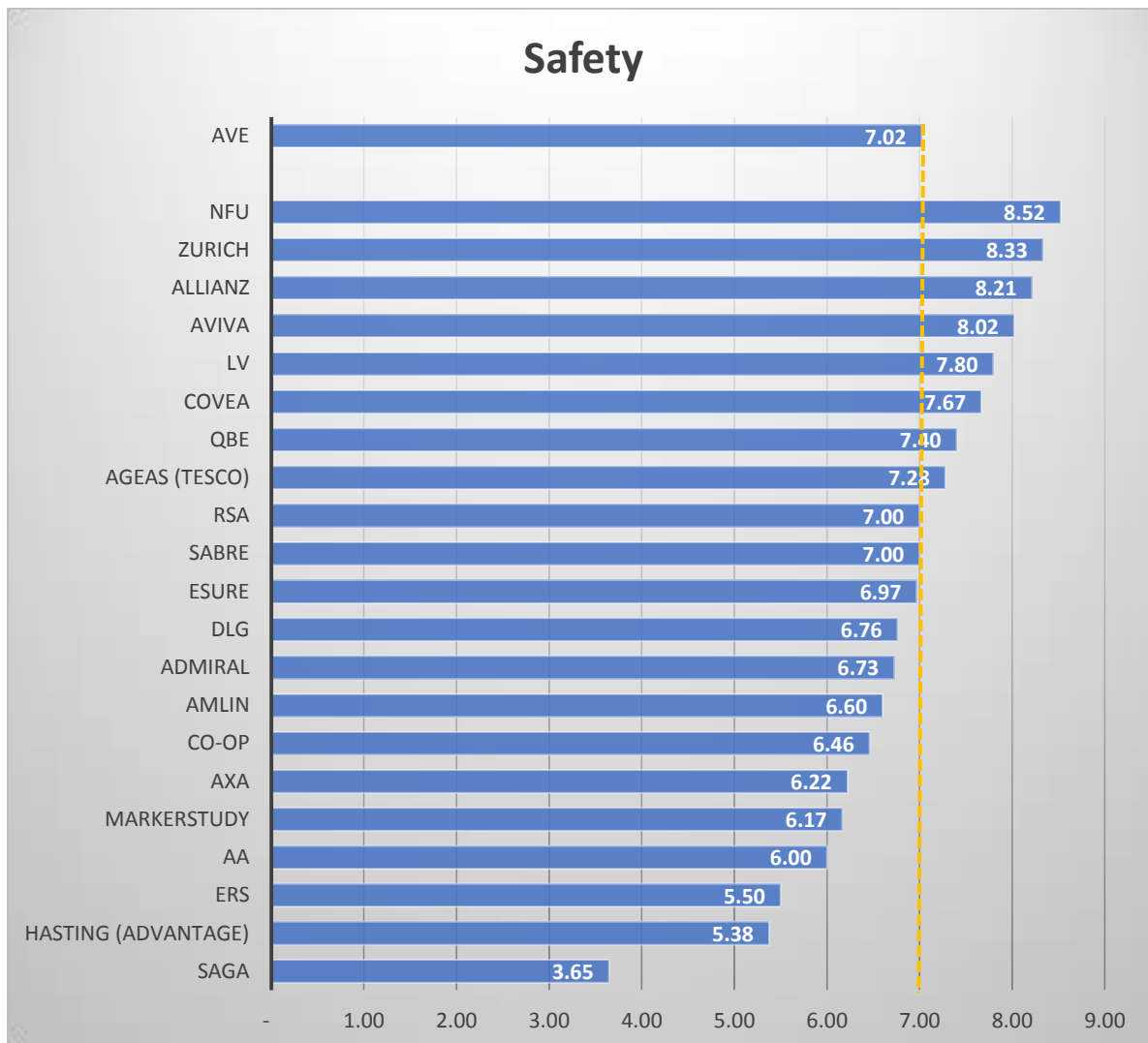
NBRA recommendations

1. Freeze for rates and performance indexes in times of surge or extreme scenarios i.e. potential Brexit knock-on effects
2. Repairers would like the opportunity to not waste time and effort achieving service levels that are a proxy for customer service – but be given the freedom to manage the consumer experience directly and be measured on the outputs and not the inputs
3. A significant reduction in the number of key performance indicators (KPIs) that repairers are measured on
4. Greater consideration given to the dynamics of supply and demand and a premium attached to speed and priority given at times of peak demand

6. Safety

How highly does this insurer value safe repair?

With 1 being price driven and 10 being safety driven.



Summary

Of all the questions posed, repairers were most satisfied on average that insurers value safety above cost when it comes down to decisions. There are concerns however that the explosion in technical development of safety systems and driver aids requires significant Bodyshop investment in training and equipment to maintain the industry’s excellent record for delivering safe repair.

Observations

- NFU is considered the best for putting safety ahead of any other aspect of the repair
- Insurers take safety very seriously and, in general, do the right thing
- The common focus on speed of repair which often is not valued by the consumer does put safety at some risk

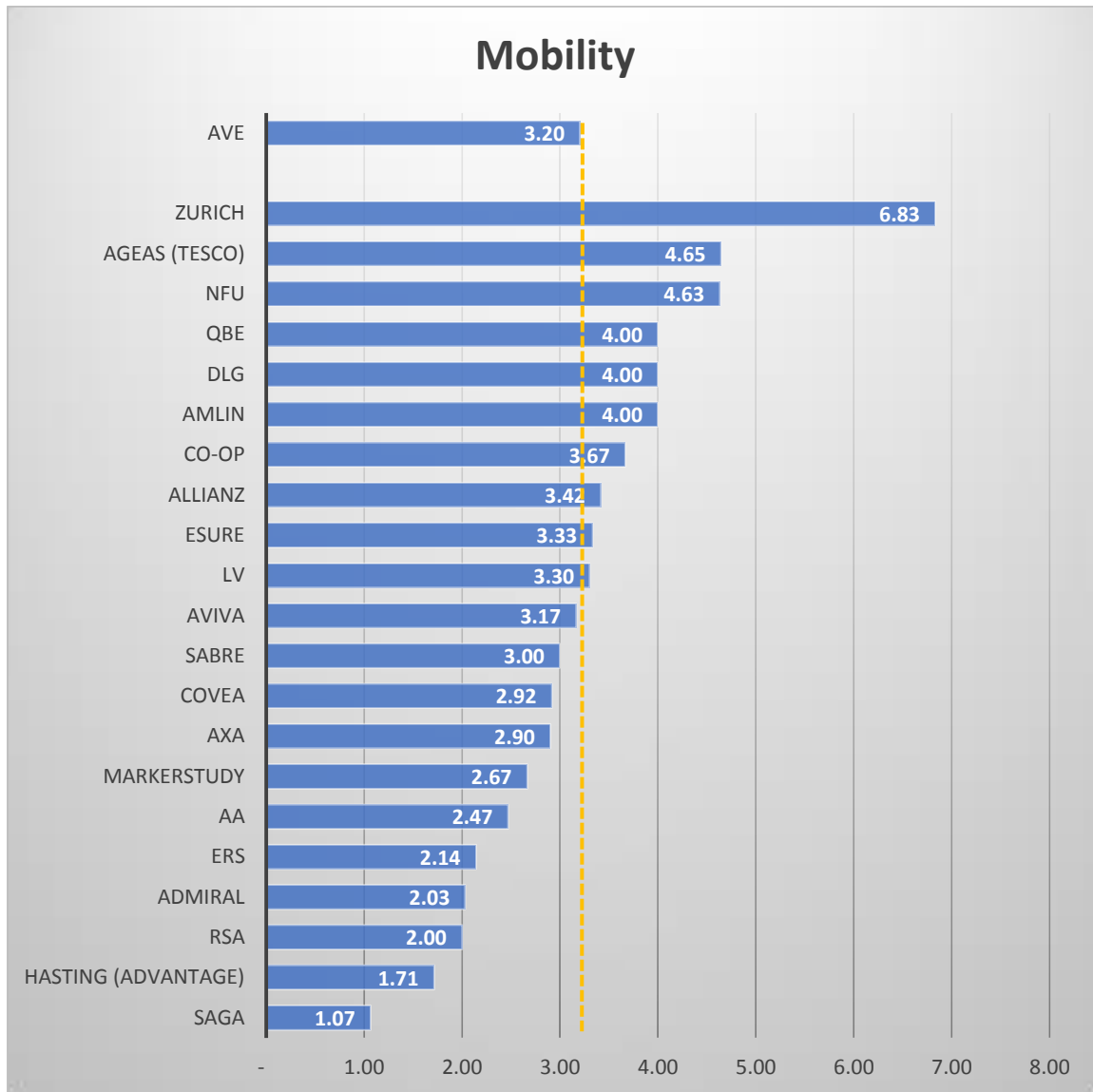
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- Low labour rates drive technicians to work at high speed to earn a decent living increasing the potential risk for mistakes
 - There can be conflict due to cost challenges by engineers, but sense tends to prevail
 - Repairers themselves are responsible for consumer safety and ensure the car is right even if they feel they have not been compensated adequately
 - Aviva and LV singled out for praise in comments

NBRA Recommendations

1. Consideration given to a new standard for safe recalibration of ADAS technologies to provide improved compensation for those who have invested in the certified capability

7. Mobility

How well does this insurer compensate you for providing their fault customers with mobility?



Summary

What was a benefit once introduced by repairers to attract customers prior to insurer direct repair programme (DRP) schemes has now become an expected contracted norm? This topic had the lowest satisfaction score of the whole survey on average and is almost certainly a priority for cross-industry review

Observations

- For the most part, provision of mobility on fault repairs is not paid for by insurers
- Direct line was praised for their mobility policy on fault claims
- Where compensation for mobility is provided it is deemed way too low

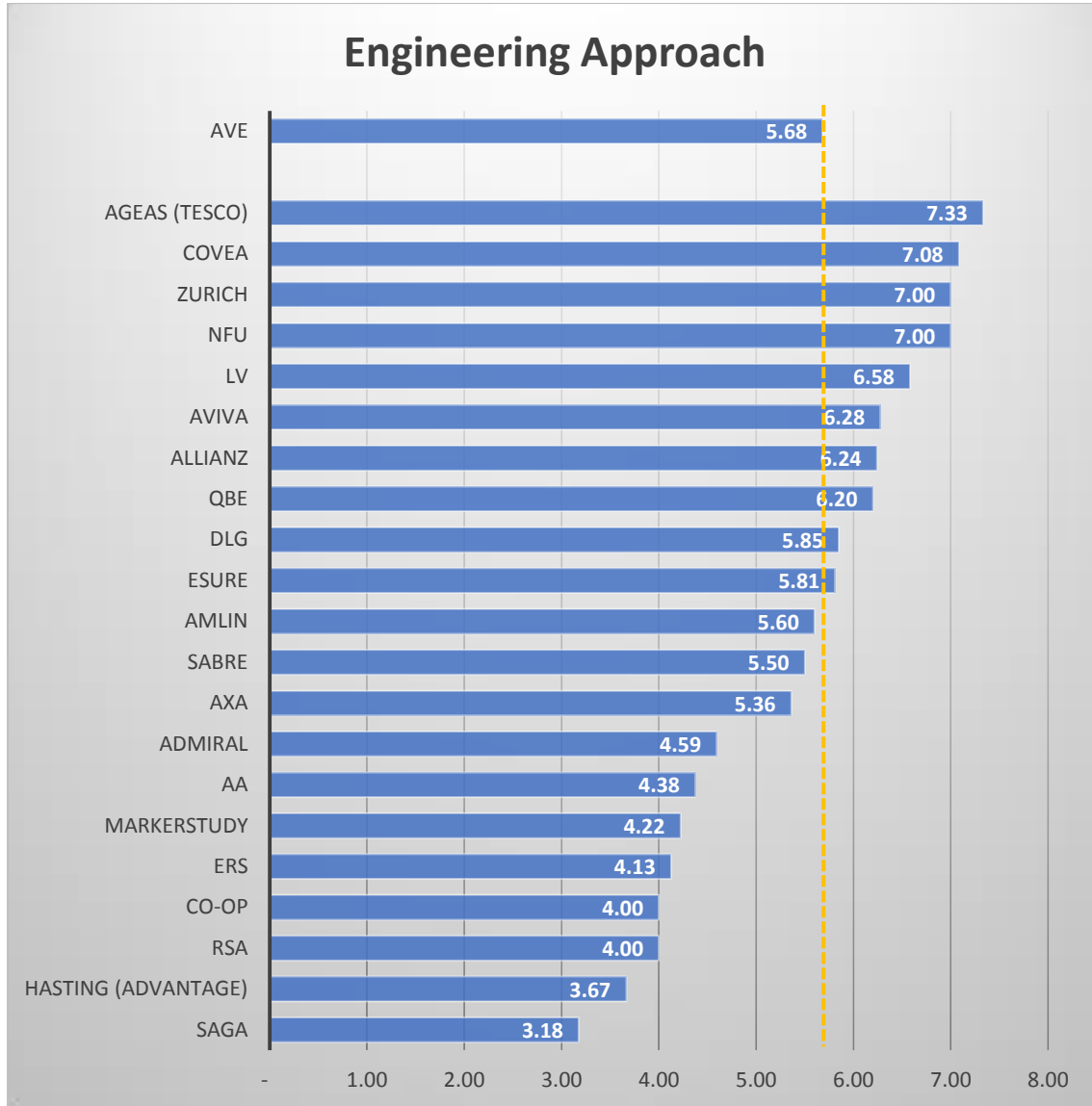
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- The hire of a vehicle by insurers when a courtesy car is unavailable makes repairers very upset, especially when they have been given more work that they can handle
 - The requirement to provide a courtesy car on a likely total loss a real area of friction

NBRA recommendations

1. Mobility for a fault accident is marketed by most insurers as a benefit to consumers albeit it is often described as “free.” NBRA would like to see this as the first area for the Insurer Advisory Board to collaborate on and find a way to collectively agree how fault mobility will be fulfilled and funded in the future. This would be an extremely positive first step.

8. Engineering Approach

How would you rate this insurer for repair approval speed and fairness?



Summary

Engineering approach is something that is less consistent across insurers than it once was. Many different methodologies are experienced at the repairer coal face with varying levels of efficiency and effectiveness. Broadly, the repairer message is that the more mature the approach of being well trusted and provided autonomy to do the right thing benefits both parties and fosters a more powerful relationship.

Observations

- There is still a tendency for engineers to try and reduce repair cost which arguably, at times, compromises the correct method

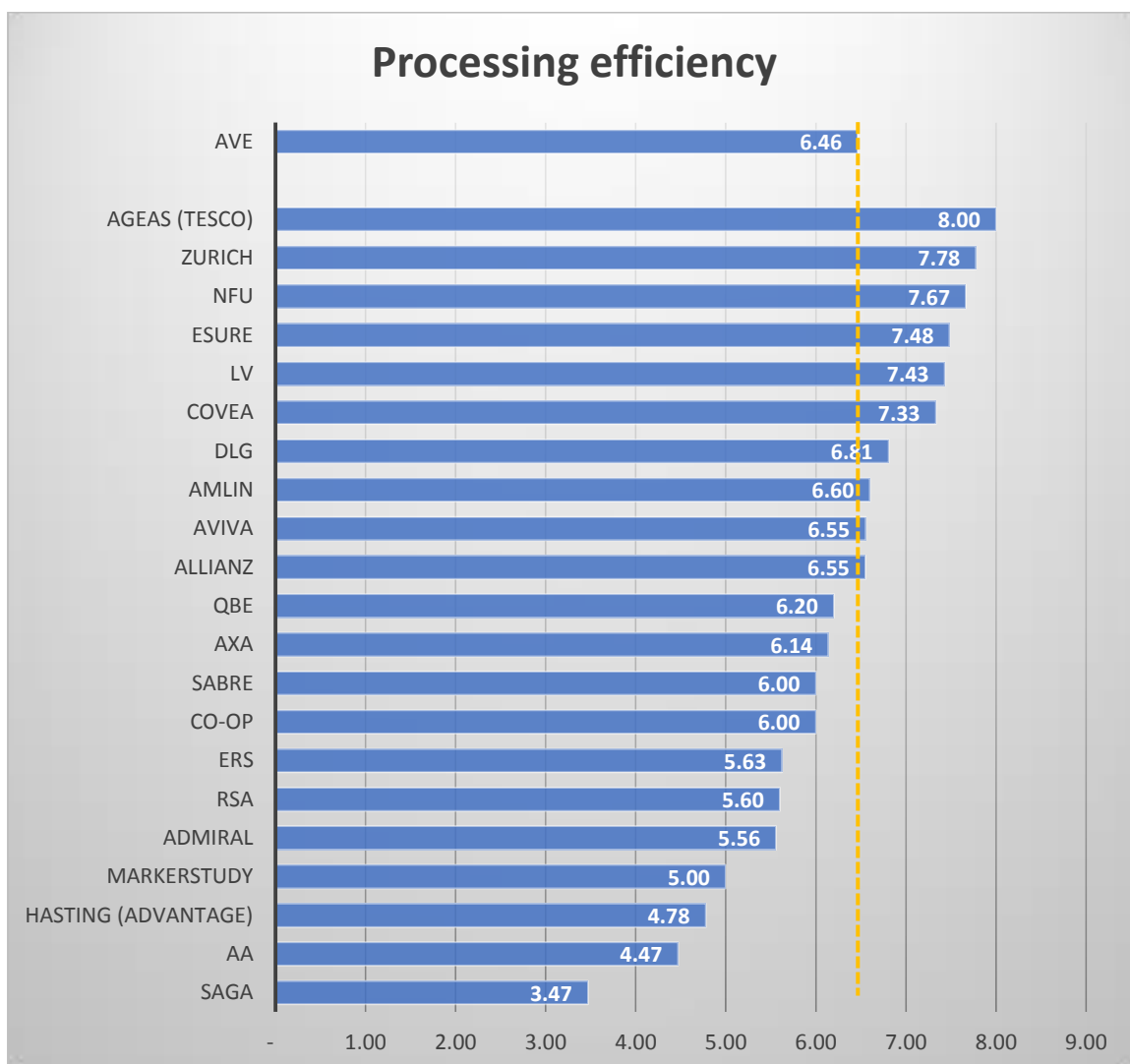
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- Where elements of the repair are not authorised as part of the claim, Bodyshop's are often left to have the awkward consumer conversation creating conflict before the repair has started
 - Repairers observe that there are still many instances where decisions resulting in a lower repair cost must surely increase the overall claims cost
 - The cost of software to produce an assessment, together with shouldering most of the administration burden, is considered an area for urgent review
 - overall, those insurers who advocate self-authority are considered most progressive/admired due to the inbuilt efficiency
 - "Open" audit approaches with balanced feedback are welcomed and build trust – Ageas was praised for this. Audits initiated with a brief to find fault/leakage as a primary objective are considered not conducive to a "partnership" relationship

NBRA recommendations

1. We would urge insurers to share their objectives with their body repairer partners and commit to working with them until they find an engineering approach that is more trusting and beneficial to all parties. There is good evidence to suggest that a relationship built on trust, respect and mutual understanding (supported by sensible rates) delivers some of the best mutual outcomes in the market currently
2. Random post repair audits, as opposed to engineering, is a good solution
3. Allowing repairers to charge for the costs associated with estimating

9. Processing efficiency

From start to finish, how easy is it to process a repair for this insurer?



Summary

Generally, the feedback here was positive. Ease of processing a claim with an overall average satisfaction of 6.46 was the third least concerning area of this survey. Feedback here suggests that the potential benefits of scale generated through collective processing via a repair management company (RMC) in fact, on average, makes for a lower process efficiency than dealing directly with an insurer. Whilst this may be a generalisation rather than an absolute rule, from the repair community’s perspective there are some merits to an old-fashioned one-to-one repairer insurer relationship.

Observations

- Typically, the higher scoring insurers in our survey were those which dealt directly with the repair community rather than through RMCs
- The communication of complete and accurate information at the outset is crucial to an efficient repair process

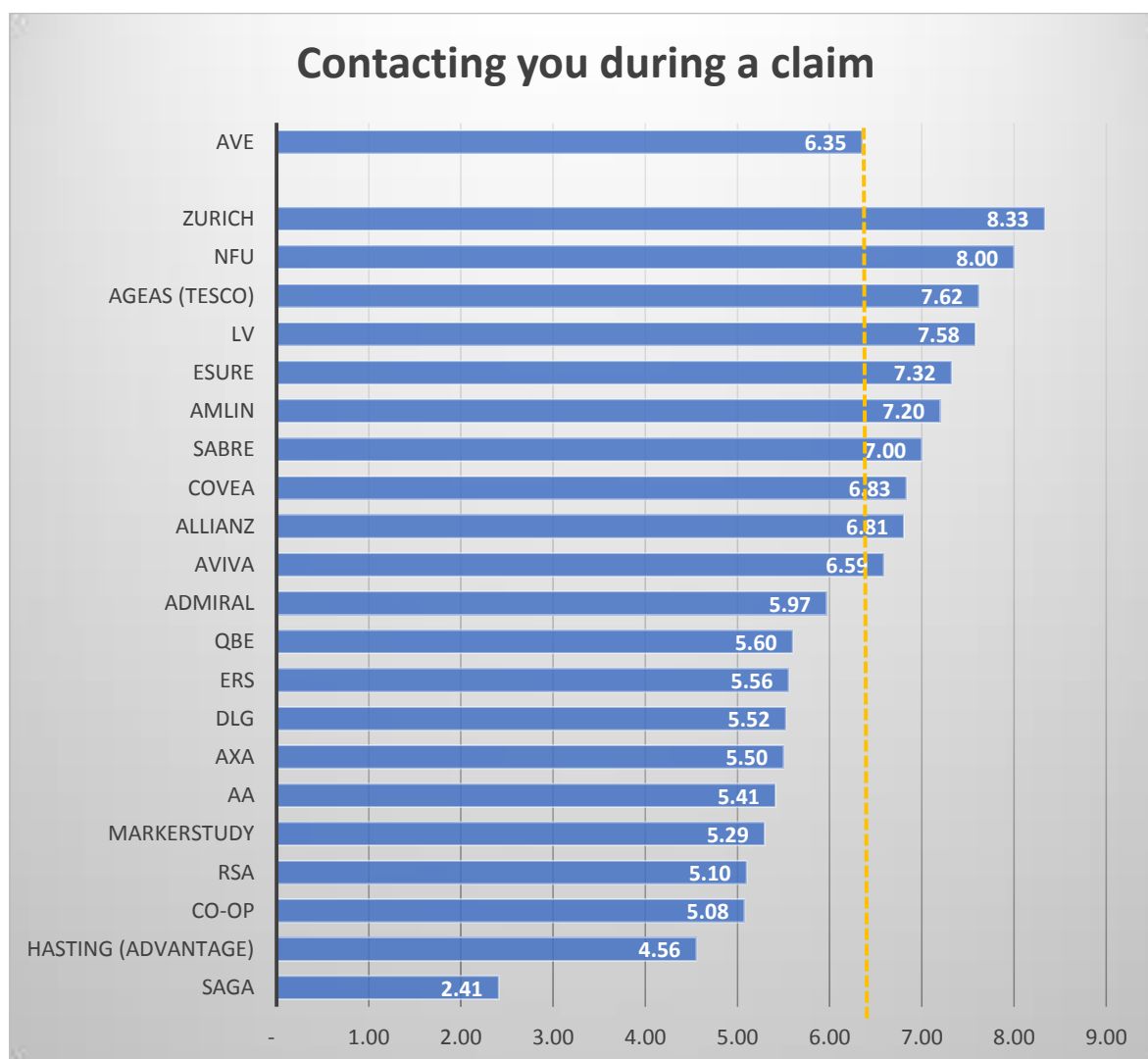
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- Normally repairs run smoothly, but when things deviate from the norm, the process can be highly labour intensive (e.g. VAT status or Excess incorrect)

NBRA recommendations

1. Where insurers outsource repair management to RMCs, give consideration to the relative merits of self-managing at the point of tender as there is unqualified opinion that this can be more cost efficient and frictionless for both parties
2. Where things go wrong because of insurer mistakes, we would like to see the principal take responsibility without quibble as a matter of course, rather than asking the repairer to absorb the cost of failure even if the disreputable cost on a claim is relatively small

10. Contacting you during a claim

How would you rate the professionalism of their staff?



Summary

With an average of 6.35 this is an area of lower priority in the opinion of repairers. Overall, we find a good level of professionalism and respect from insurance claims handlers or their appointed representatives. Inevitably there is the odd bad experience from random employees. Insurers that deal directly with their repairer's fare better on average.

Observations

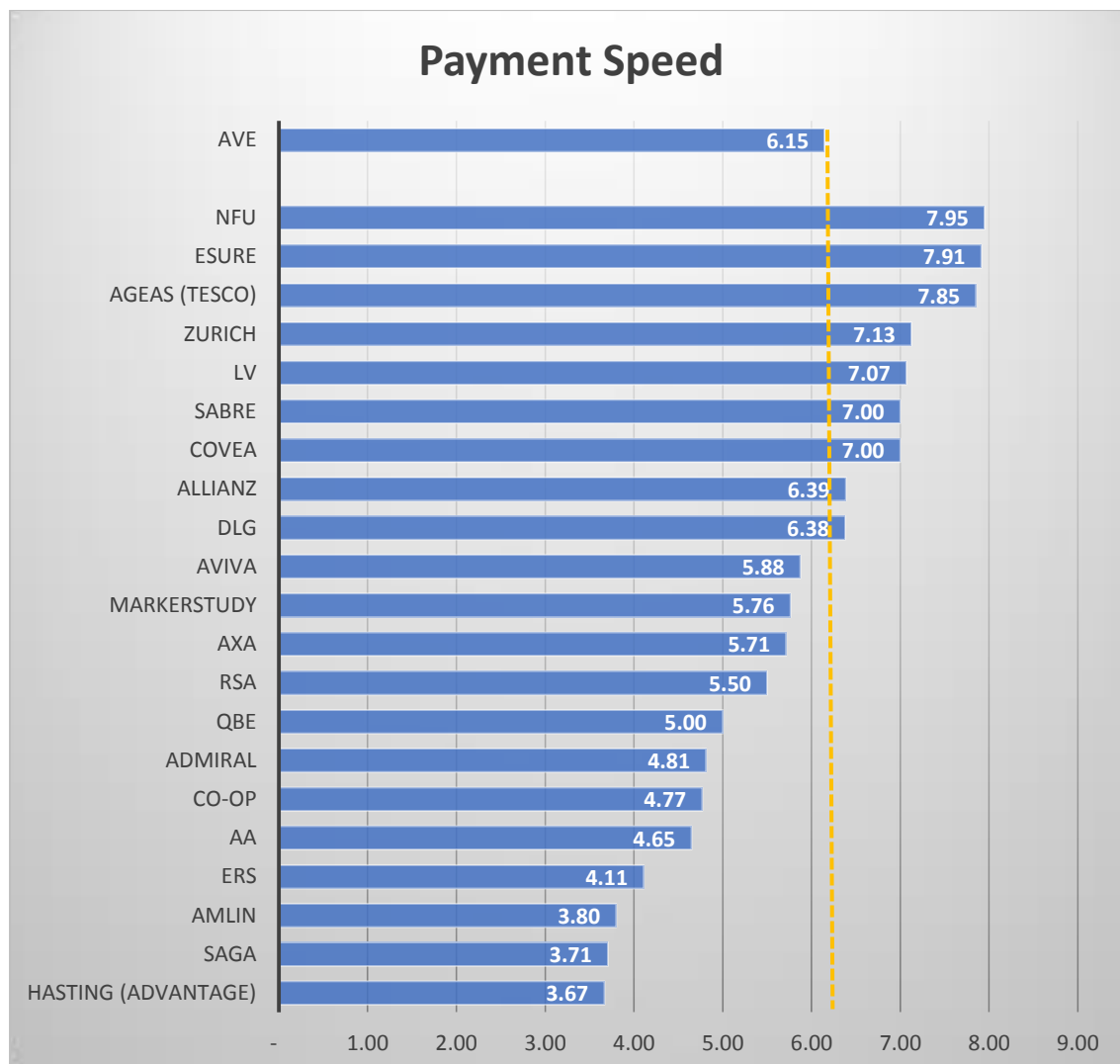
- Getting through on the phone is still an area of frustration
- Sometimes there is a disconnect between a management level seeking to build repairer relationships and handlers quoting contracts due to tight individual objectives (e.g. network conversion)

NBRA recommendations

1. Provide dedicated contact numbers for repairers where not currently in place
2. Seek to fully integrate in-house technology with Bodyshop management systems (BMS) to mitigate unnecessary calls
3. Provide repair handlers with as much training as possible on the repair process
4. Provide handlers with the autonomy and flexibility to “do the right thing” or use common sense when the situation lends itself rather than being forced to quote a contract term
5. Allow repairers to celebrate and recognise the professionalism and initiative presented by the best claims handlers to highlight the best behaviours and to promote best practice
6. Where it is necessary to update insurers by phone, consider banishing premium rate numbers

11. Payment Speed

How satisfied are you with the speed of payment from this insurer?



Summary

Years ago, this would have been a massive topic of discussion and low satisfaction, but with an average of 6.15 it is clearly far less of an issue than it once was. Insurers have realised that the cost of keeping a claim open, waiting for payment, probably outweighs the short-term investment income derived from holding the cash. There are still some pockets of problems though. When an invoice fails for some reason at first presentation there is a tendency for payment of these to be significantly delayed. Likewise, total loss charges seem to be quite problematic as do recovery charges.

Observations

- Some pay as quickly as 7 days
- Audainvoice has clearly improved the speed of payment generally

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- We missed an opportunity here to ask specifically how fast each pays – an update for 2019
 - Feedback is that some RMCs have slowed the process down
 - Surprisingly there are still some insurers paying by cheque
 - Several challenges were noted about specialist charges (ADAS/geometry checks)
 - A real feeling that there are still some payment delaying tactics that are used

NBRA recommendations

1. Work provision contracts to provide some commitment from the principal as to how discounts will be affected if payment terms are not observed

12. Supply Chain management style

How would you describe the style of management towards you by this insurer, with 10 being highly collaborative?



Summary

Relatively speaking alongside payment speed is an area that has progressed a long way in recent years. Where management of repairers was once very much a “we say – you do” the lower availability of repair supply or capacity has brought about a willingness to have dialogue with repairers and to listen to concerns. Ageas again have been singled out for praise in interviews and most insurers either directly or via their RMCs are now trying to collaborate via repairer boards or conferences.

Essentially there is still something of a gap where the principal is “listening”, but change is not so evident. In most cases talking to insurer heads this is because of internal commercial pressures that are hard to overcome independently. One insurer’s approach to its repairer management style was mentioned more than once for being somewhat heavy handed. This concern is noted and will be fed back to head of supply chain.

Observations

- This question is more representative of the entity which manages the repair on behalf of the insurer where it is not a direct relationship
- There is reasonable differentiation between some insurers using the same RMC to manage their network suggesting other factors might cloud this response
- Mostly the response to this has been quite positive
- Through interviews, insurers (or their RMCs) are judged on area and regional manager relationships
- Feedback provided that local network managers will often be required to bend the rules to keep their repairers and senior managers happy

NBRA recommendations

1. Our members would like to see a set of guidelines written for repairer or network relationships, essentially a “code of practice” which would represent best practice for both parties
2. Repairers would like NBRA to offer a “whistle blower” line to help them escalate unreasonable area manager behaviour to a senior level at the principal

13. Mandating Supply Chain

How satisfied are you with the level of influence this insurer has over your choice of suppliers?



Summary

In general, repairers do not like their work providers mandating elements of the supply chain they must use to continue receiving work. It is both inconvenient as in certain scenarios it is necessary to have several paint schemes and, ultimately, erodes the repairers' overall ability to favour a supplier and gain better commercial terms. Some understand that through a group deal (such as via Fix Auto UK) they would get a better discount than they would as a standalone entity however in our view this practice ultimately delivers very little overall gain as a benefit to a work provider and is often an erosion of margin at the supply chain end.

Resoundingly repairers would wish to have complete autonomy over the selection of suppliers to their businesses as they ultimately have full responsibility for the quality, safety and durability of the repair. There is also an understanding that lost margin from one element of the repair only means another element of profit margin (such as labour) needs to compensate for the loss.

Observations

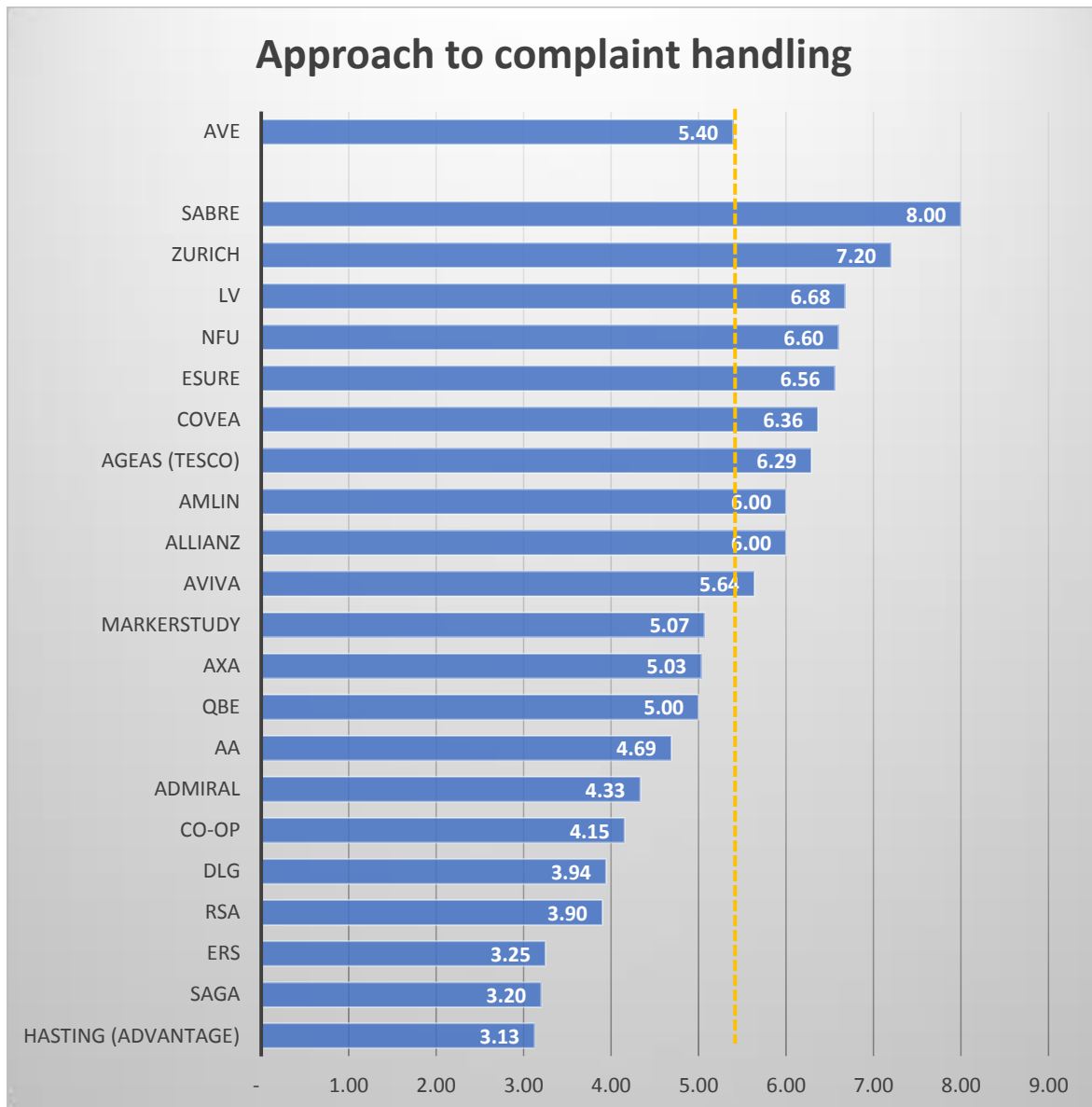
- It is not uncommon for insurers/RMCs to enter deals with the supply chain to extract a degree of the margin which was once enjoyed by the repairer
- Multiple work providers can often mean multiple mandated parts/paint/other suppliers
- At an extreme, failure to adopt a certain supplier can mean the end of a work contract
- Repairers see this infiltration of their supply chain as an inconvenience and something of a “stealth tax” in the worst cases
- Ageas and Esure again praised for, in general, not mandating any supply chain deals

NBRA recommendations

1. Our members would like to see an open discussion with the insurer community to debate the relative benefits of supply chain management and to consider if similar benefits can be derived from simpler models that allow the repairer more choice of the goods and services it needs to purchase in the process of vehicle repair

14. Approach to complaint handling

In the event of an unjustified customer complaint, how well does this insurer support you?



Summary

Complaint handling was the 5th lowest satisfaction area on average, but clearly several insurers or their representatives are well regarded for how they manage the repair industry given a problem. In talking to repairers this has much to do with the network manager (often local or area) and can be described in terms of either a) I will deal with the complaint as much as I possibly can, you stay focussed on looking after our customers' repairs or b) I do not care how you do it – but this problem needs to disappear.

Observations

- Unreasonable consumer bias – customer is always right
- Repairers feel unsupported and can be exposed to very high complaint costs that wipes out the profit margin made on many repairs
- Repairers will argue they are assumed to be at fault unless they can prove otherwise, which they accept, but again there is a significant cost attached to comprehensive defensive checks

NBRA recommendations

1. Pay for full pre- and post-checking of the vehicle
2. An industry agreed method of mitigating costs because of rectification
3. A fund to be set up for repairers “caught up” in an unjustified piece of rectification. This affects insurers too at times.

15. Value their customers

In your opinion, how highly does this insurer value their customers?



Summary

The relatively high average score for this question is evidence that, overall, the repair community genuinely believes that nearly all insurers value their customers highly. There is little, or no evidence of insurers cynically taking premiums and not being bothered about how the customer is treated. However, as a part of the supply chain delivering a key service to the consumer, repairers overall do not feel nearly as well loved or valued.

We asked a repairer why NFU fared so well in this question and the response was interesting. Whilst most insurers value their customers, the key is in the word value. When

looking after the needs of the customer is paramount most insurers will overly lean on the supply chain to deliver on that promise, in the case of NFU there is an opinion held by repairers that NFU are prepared to put their money where their mouth is. This attitude is more attributed to the underwriter than whoever manages their claims as the reputation is long standing and has spanned more than one intermediary managing repair claims on their behalf.

Observations

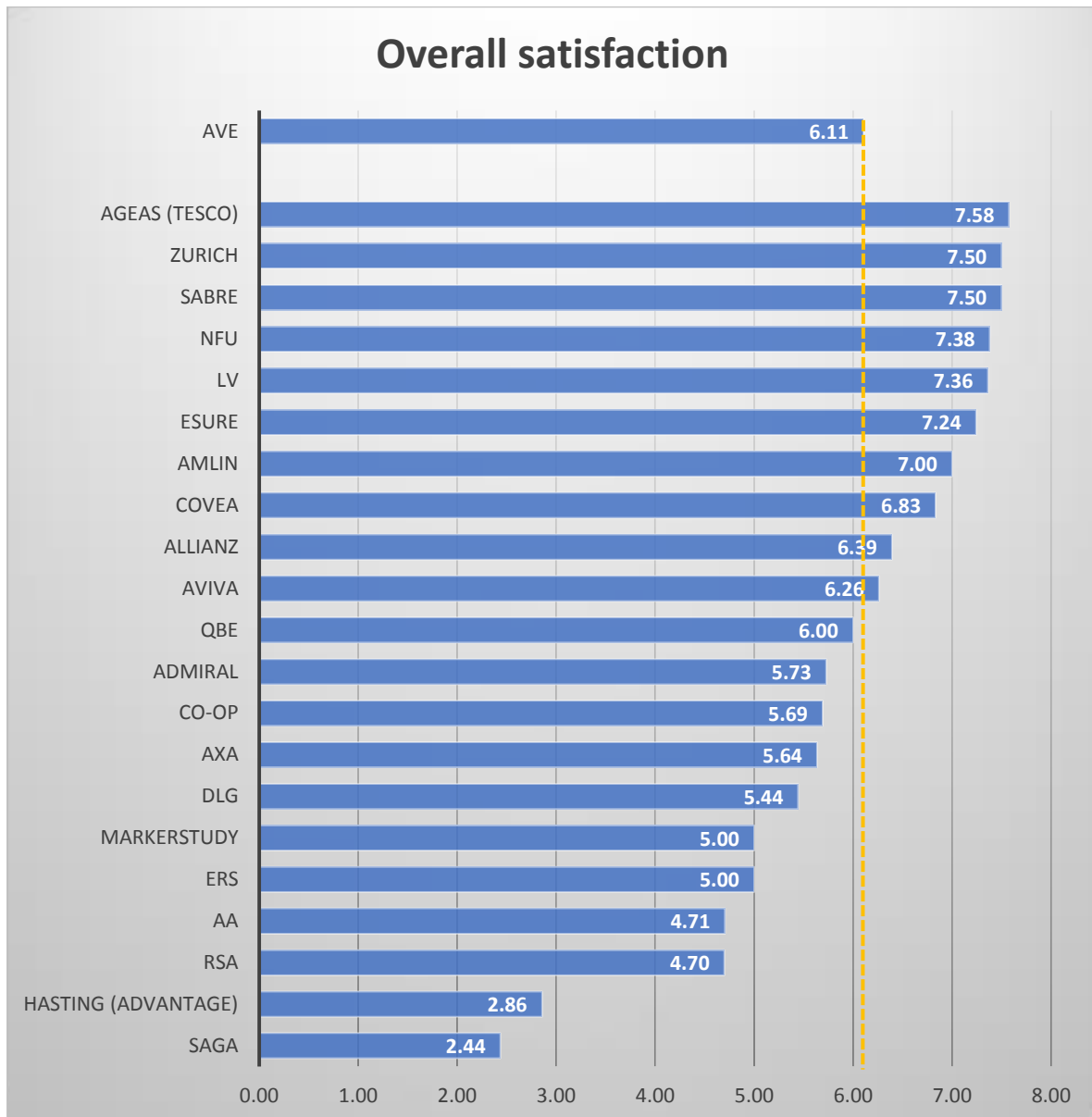
- An insurer brand who builds a strong relationship with repairers does have a positive effect on the end consumer experience

NBRA recommendations

None

16. Overall satisfaction

How strongly do you feel about retaining the (insurer) contract, with 10 being very strong?



Summary

The highest overall satisfaction insurer on average was Ageas (Tesco) who scored a creditable 7.58 out of 10. Clearly there is still room for improvement across the board with no insurer attracting an 8/10 overall. For those in the upper quartile, whilst the insurer network management teams or those who manage claims for them can be proud of their efforts, there is no obvious tangible benefit to coming near the top of this list other than perhaps the

assumption that if the repair industry feels well loved by the insurer, there is a strong chance they will love their customers a bit more as they value the business so much.

More interestingly, with several UK geographical areas suffering with capacity issues now (not least London and the surrounding boroughs) being placed near the bottom of the repair industry's list of favourite work providers should certainly be cause for concern as these might well be the first to have their work or contracts rejected should a repairer be forced to choose whose work to keep.

NBRA recommendations

None