

News for motoring editors from Trend Tracker Limited

August 2006

For immediate release

New report highlights dangers of repair cost saving by motor insurers

As new cars become significantly more complex requiring new advanced repair equipment and manufacturer-specific repair methods, attempts to reduce repair costs by insurance companies could result in increased risk of injuries or fatalities if repaired cars are involved in any subsequent accidents, according to a new research study on the car repair industry. It says independent bodyshops need to invest in new equipment and techniques, but many are not making enough money to do so.

Report co-author and Trend Tracker Limited director Robert Macnab explains:

“Motorists who choose a bodyshop themselves should ensure that it’s competent for the job, and insurers could be in breach of their duty of care obligations if repaired cars are involved in subsequent accidents involving injuries or loss of life, particularly where an insurer has intervened and prescribed a cost-saving alternative repair method to that specified by the manufacturer.”

Insurers, adds Macnab, will increasingly need to employ specialist, manufacturer-approved bodyshops capable of repairing specific types of car or specific types of damage.

These are just some of the findings from a new wide-ranging research study* into the future of the car body repair market in the UK published by Trend Tracker under its MFBI market study brand, which notes that manufacturers under pressure to produce lighter, stronger and safer cars are using new materials including high strength and ultra high strength steels, aluminium and plastic composites which cannot be repaired properly with traditional techniques. As well as using new materials, vehicles are being designed to perform (or deform) in specific ways that protect both their occupants and pedestrians.

Phase 2 of the EU pedestrian safety legislation to be implemented by 2010 will require significant changes to vehicles’ front-end design and construction. And as vehicle construction becomes more complex, both in terms of the vehicle structure and the use of more active-safety electronic systems, vehicle manufacturers are increasingly stipulating make- or model-specific repair methodologies to maintain structural and systems integrity.

Over the next few years, bodyshops will need to invest in new equipment and training to repair the latest-generation vehicles, but many are making too little money to afford that investment – with annual net profits as low as £28,000 on sales of over £1.2m. Already a growing number of car repairs placed within insurers’ approved networks have needed remedial work or specialist attention from the vehicle manufacturers’ approved repairers.

Unless the bodyshop members of insurers’ approved repair networks are able and willing to invest in new techniques, insurers will need to place more accident-damaged cars with the relevant manufacturer’s approved repair network, to avoid any potential duty of care liabilities. At present, a high proportion of insurers’ approved bodyshops comprises independent rather than manufacturer-approved bodyshops.

Carmakers require their own franchised dealers with bodyshops to make the necessary investments as part of their franchise agreement, but the MFBI report shows that bodyshops are typically paid only £23.50 per hour for insurance repairs, whereas a dealership’s service department can charge a labour rate almost twice as high at £44.50.

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If insurers are forced to place a higher proportion of repairs with manufacturer-approved dealer bodyshops, these are likely to seek higher labour rates for approved body repairs, which could help drive up insurance premiums.

The risk is greatest when cars suffer structural damage during an accident. The MFBI study shows that structurally damaged cars currently account for up to 40% of all current repairs, after allowing for a rising proportion of total losses. The study recommends that repairs should be assessed for damage severity and then sent to a specialist repairer capable of carrying out the correct repair.

The study suggests that pre-repair assessment centres will be needed to establish the type of repair needed *before* a car is sent to a bodyshop for repair, and not after, as tends to be the practice at present.

Overall, the MFBI study shows that the repair of vehicles is experiencing a step-change in terms of technology and expertise, and insurance companies will have to respond with care to avoid an increasing liability risk – and motorists would be well advised to ensure that they do so. **The Car Body Repair Market in the UK, published August 2006, info@trendtracker.co.uk*

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Notes for editors

Details of the contents of this MFBI report, *The Car Body Repair Market in the UK*, priced at £795, can be downloaded from www.trendtracker.co.uk, or obtained via email to: info@trendtracker.co.uk or by calling Charles Oakham on +44 (0)870 421 4350.

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About Trend Tracker Limited

Trend Tracker conducts qualitative and quantitative research for a wide range of automotive clients, besides publishing Trend Tracker and MBFI brand studies on the vehicle, motor finance, aftersales, body repair and other automotive segments. The company also assists clients in implementing performance improvement through training and development programmes.