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Louise Ellman MP
Chair of the Transport Committee
House of Commons
London
SW1A 0AA

27th January 2017

Dear Louise

Thank you for your letter (dated 18th January) and for the opportunity to comment in advance of your forthcoming evidence session.

The ABI agrees that it is important that information that could help identify an underlying safety issue with vehicles is made readily available. The primary responsibility for ensuring vehicles are safe rests with manufacturers. As such, it is unlikely that insurers would identify any defects in the design of individual vehicles before a manufacturer is aware of them.

However, the insurance industry does maintain a record of vehicles that have been 'written off', which indicates when this is a result of fire. The DVLA has access to this database in order to give consumers transparency about the history of second-hand vehicles they are considering buying. We would be willing to consider how this information could be used in conjunction with data held by government agencies or vehicle manufacturers to identify underlying trends.

The role of insurers when a vehicle catches fire is to ensure consumers receive an appropriate settlement so they can get back on the road in a timely manner. Insurers therefore inspect the vehicle to determine the scale of the damage and suitability for repair, but the engineers who perform these assessments would not typically be expected to determine the underlying causes of a fire.

I have provided more information on the three specific issues you raise in your letter below, which I hope will be of use to you in advance of your forthcoming evidence session.

Insurance industry data on vehicle fires

As I explain above, an insurer will perform an inspection in order to determine if a vehicle should be declared a 'total loss' (often known as a 'write off'), meaning it is either too badly damaged to repair or the cost of repair would be disproportionate to the value of the vehicle.

The ABI's voluntary Salvage Code of Practice specifies that vehicles which have been severely damaged are unsafe and must be crushed by an authorised dismantler. Where the damage is less severe, the vehicle would normally be passed to a salvage agent, who would either make use of recoverable parts or, for a less badly damaged vehicle, may repair it and return it to the road.

ABI members record information on the nature of the damage for all 'total loss' vehicles on MIAFTR (the Motor Insurance Anti-Fraud and Theft Register) – a database maintained by the Motor Insurers' Bureau.

The purpose of this database is to allow consumers to check whether a second hand car they are considering buying has previously been declared a 'total loss' after an insurance claim and receive an indication of the scale of the damage. As part of this, the MIAFTR database will record when the cause of the damage is a fire.

The DVLA has access to this database and it would therefore be possible to extend this to other Government agencies if necessary. Although the primary purpose of MIAFTR is to ensure that consumers can have transparency, the ABI would be willing to consider allowing other stakeholders the option to make use of this database (subject to data protection requirements).

In addition, there are ongoing discussions within the insurance industry over Thatcham Research using this data to identify trends with individual vehicle models. We would, however, emphasise that this data does not give any indication to the underlying causes of an individual vehicle fire, so it is likely to be of use only after a clear pattern emerges.

ABI members are currently working with Thatcham Research to update the Salvage Code during 2017. This will extend further the information available to consumers by confirming whether the damage to the vehicle was structural or non-structural (i.e. largely cosmetic). We believe this will significantly improve transparency for drivers who wish to purchase a second-hand car that has been repaired after being declared a total loss.

This process will remain voluntary and will therefore apply only to insurers. In 2015, the ABI made representations to the Government that consumer transparency would further improve if this process was a statutory obligation and applied to any organisation handling vehicle salvage. Unfortunately, Ministers rejected our proposal as they did not want to impose additional regulation on this sector.

We would encourage the Committee to consider whether this is an area that merits legislation, given the safety implications for drivers. In the specific case of vehicle fires, it would mean that any vehicle severely damaged by fire would be classified and recorded consistently. This would allow trends with particular vehicle models to be identified earlier.

Access to vehicles for inspection

The priority for insurers will always be settling a claim so that their customer is able to get back on the road as quickly as possible. The only circumstances the ABI can foresee where a manufacturer's request to inspect a vehicle could be turned down is if this would delay or disrupt the settlement of a claim and therefore place a consumer at an unfair disadvantage.

However, were such a request be made after the claim has been settled, it may simply be the case that the insurer has already passed the vehicle on to a salvage agent or dismantler (who would at that point become the legal owner of the vehicle). In these cases, the vehicle is likely to already have been crushed or scrapped.

Insurance industry analysis of vehicles

Insurers will always arrange for an inspection of any vehicle that has is to be declared a 'total loss'. The engineers who conduct these inspections are trained to assess the scale of the damage and the suitability of the vehicle for repair. Their role is not to determine the underlying cause of the damage.

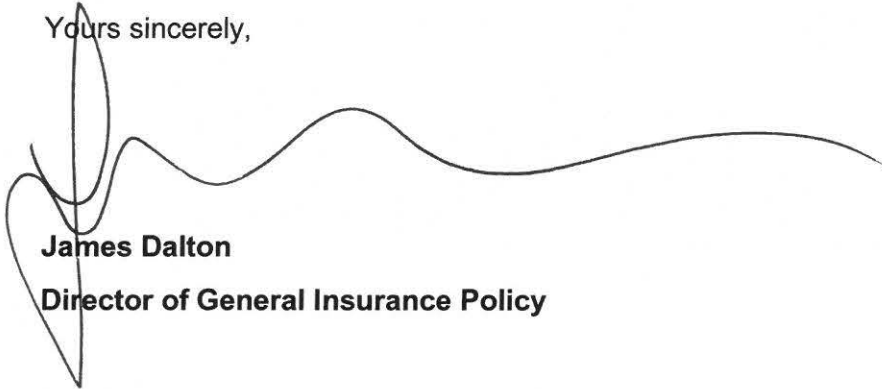
If insurers suspect that the cause of the damage is a fault that lies with the manufacturer, they do have the option to pursue the manufacturer for costs. In these cases, we would expect a more detailed inspection to be carried out to substantiate this and also for evidence provided by the driver, witnesses and, in some cases, the emergency services to be taken into account.

The manufacturer would then be notified in order to pursue this. The ABI does not hold information on how often this happens or how many referrals of this kind have been made.

The other circumstances where an insurer would look to inspect a vehicle that has been damaged in a fire would be when they suspect arson or fraud.

I confirm that I am content for you to publish this response.

Yours sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned above the printed name and title.

James Dalton

Director of General Insurance Policy