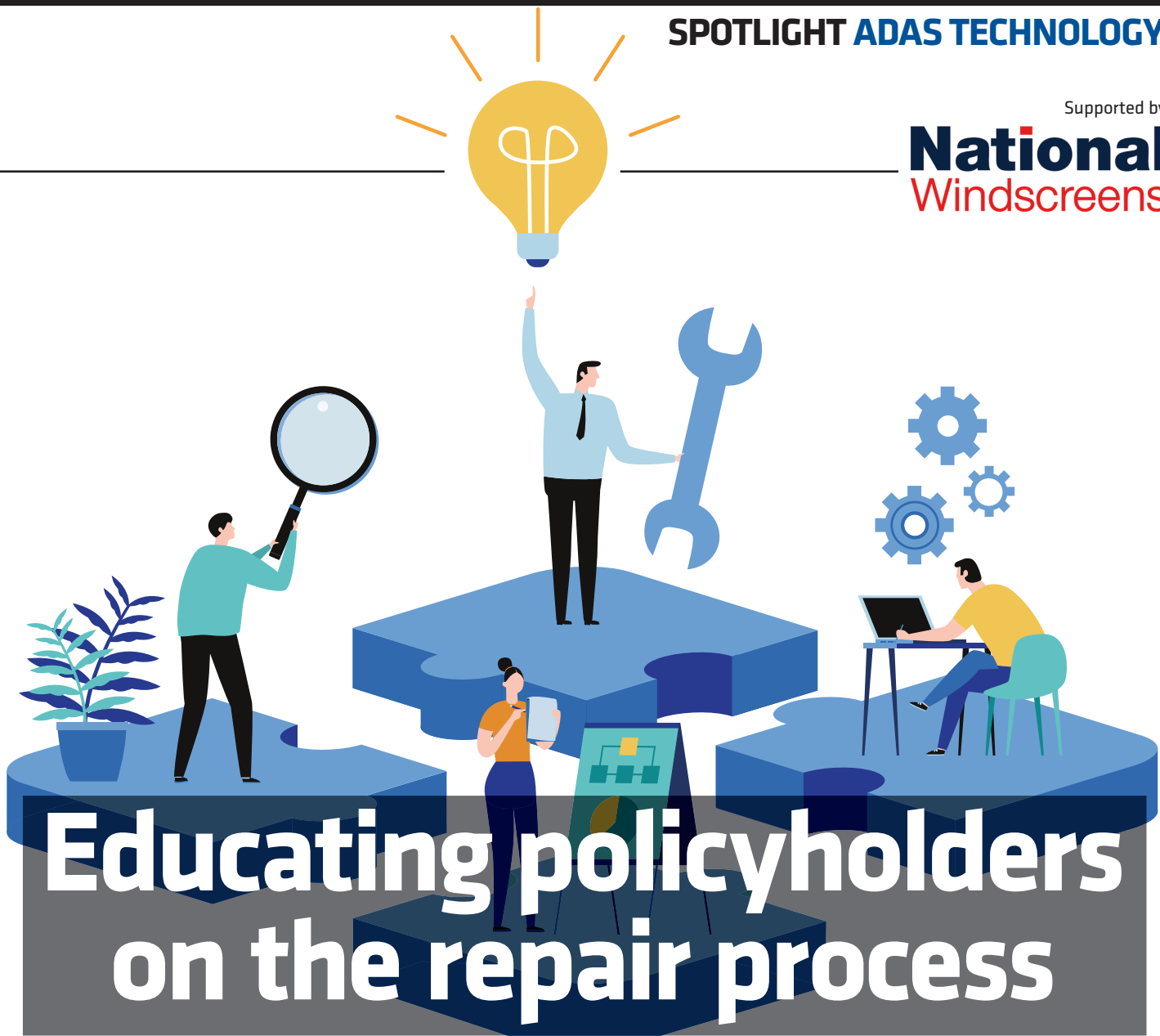


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# Educating policyholders on the repair process

By 2022 the European Union will make some advanced driver assistance systems mandatory for new cars. **Ed Murray** asks how the market is preparing for this and how it is keeping up with the current Adas equipped cars in the car park

**A**dvanced driver assistance systems are now part and parcel of everyday motoring. In association with National Windscreens, *Post* surveyed a range of private and commercial motor market specialists to find out if the industry is keeping up with the fast-moving technology.

Opinions varied on the impact Adas are having on motor premiums and claims costs. But there was general consensus on the need for a more granular understanding of the technology if the market is to get the best out of what it has to offer.

Adas features such as autonomous emergency braking have been available for more than 10 years and were first introduced by Volvo in 2009. But Adas introduction has been slow right up until 2020, when the market started to see an acceleration in the number of Adas-enabled vehicles. According to the

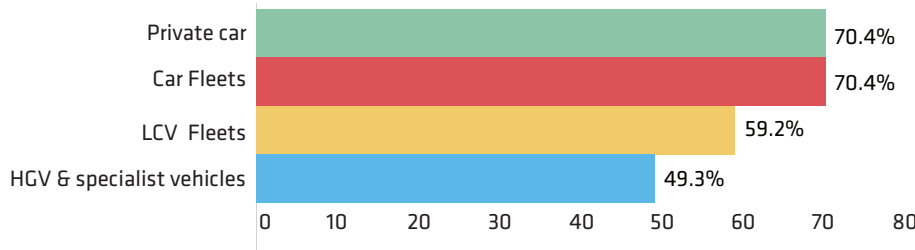
survey, 56% of those asked said 0% to 20% of the vehicles they insured were Adas enabled. A further 30% said the proportion of their book with the technology was between 20% and 40%.

These findings tie in with National Windscreens' experience. Simon Hunt, head of sales and marketing for the company, says: "In 2017/18, 18% of the jobs we undertook for insurers required Adas calibration. This went up to 25% in 2018/19 and that was exactly the trajectory we would expect."

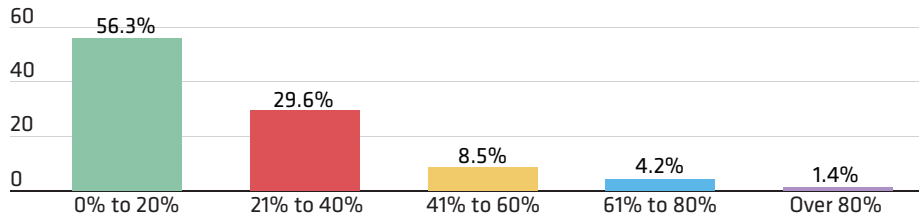
Hunt says there was a bit of a surprise in the 2019/20 figures as they plateaued on 25%, but he comments: "Changing driver behaviour during the pandemic combined with greatly reduced fleet traffic, where the percentage of ADAS enabled vehicles tends to be much higher, has slowed the trajectory but we are already seeing this pick up again. With so many new vehicles being introduced >28

# SPOTLIGHT ADAS TECHNOLOGY

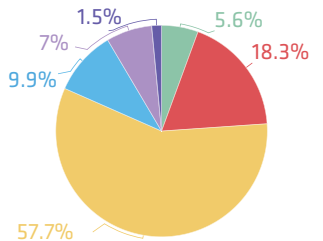
## 1 What types of motor vehicle do you insure?



## 2 What proportion of the vehicles you currently insure are Adas enabled?

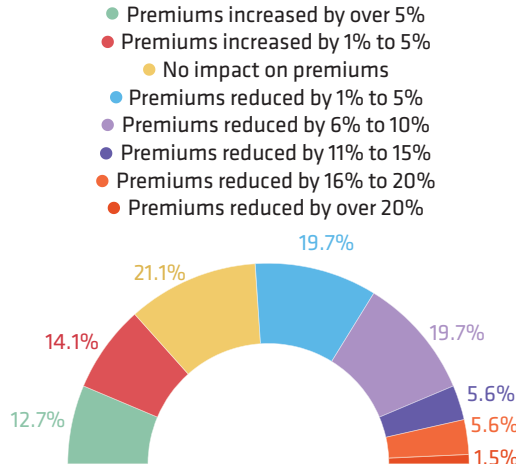


## 3 Are you currently seeing an impact on overall motor insurance premiums because of Adas?



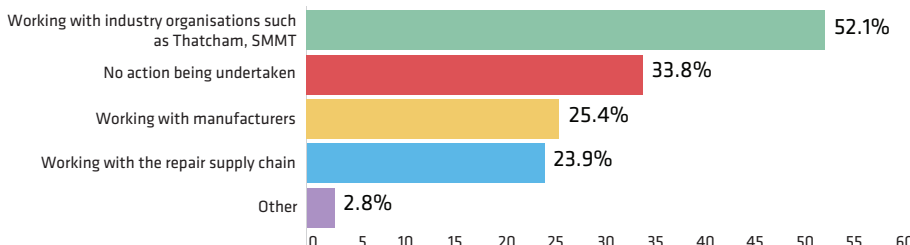
- Premiums increased by over 5%
- Premiums increased by 1% to 5%
- No impact on premiums
- Premiums reduced by 1% to 5%
- Premiums reduced by 6% to 10%
- Premiums reduced by 11% to 15%

## 4 How do you think overall motor premiums will be affected by 2025 because of Adas?



- Premiums increased by over 5%
- Premiums increased by 1% to 5%
- No impact on premiums
- Premiums reduced by 1% to 5%
- Premiums reduced by 6% to 10%
- Premiums reduced by 11% to 15%
- Premiums reduced by 16% to 20%
- Premiums reduced by over 20%

## 5 What are you doing to identify if Adas is fitted to a vehicle so you can take account of it in the premium?



< 27 during 2021 with ADAS as standard and even more offering it as an option, this figure will now accelerate rapidly."

Indeed, come 2022, the European Union is going to make certain features mandatory for new cars such as lane-keeping assistance and advanced emergency braking. The UK may no longer be part of the EU, but the move will see a step-change in the Adas features fitted to vehicles as standard.

This will be welcome news for insurers because identifying exactly what technology is fitted to any given car is a massive headache for the market.

The problem was reflected in the survey where one-third of those asked said they were taking no action to identify Adas features for underwriting purposes. Just over half (52%) said they were working with industry bodies such as The Society of Motor Manufacturers and Traders and Thatcham to find a solution, although it is unclear just what this engagement entails.

In short, insurers seem content to wait until vehicle specific data relating to Adas is available on industry databases, because the current alternatives are not commercially viable.

### Managing data

Derek Henry, managing director of broking at Brightside, comments: "Right here, right now and certainly on the aggregator journeys, which is where nearly all the data comes from, they are not asking what Adas features a car has. Those questions are not asked at the moment."

There are a number of reasons for this approach. First is the cost of accessing this data, which is not widely available.

David Williams, managing director, underwriting and technical services at Axa, explains: "We can find out, but at quite a substantial cost, which at this point in time makes it unrealistic. You are talking about £60 a time."

Given the millions of motor quotes provided by the industry, such a fee is simply not sustainable.

Second, insurers are not keen to make their question sets longer in a market that is continually pushing to simplify the customer experience. And even if they did, would they get accurate information?

Norrie Erwin, managing director at Carrot Insurance, is not so sure. He says: "Consumers

are interested in the safety capabilities of their car and will have a general idea of how highly rated their vehicle is from a crash safety point of view. But in terms of the exact technicalities of the systems they tend to leave it to the experts.”

So, instead of asking customers directly, the market seems settled on waiting for the information to become available on industry databases. This will happen as Adas features increasingly become standard on the new cars rolling off production lines.

The fact underwriters do not have details on the systems fitted to each car means they cannot use the technology as an individual rating factor.

This issue was also reflected in the survey and there were mixed views on just how Adas are impacting premiums.

The majority of those surveyed (58%) said they believed Adas had not affected premiums. But 18% said they had pushed premiums up by between 1% and 5%. On the other side of the fence, 10% said Adas had reduced premiums by 1% and 5%.

### A clearer picture

Looking ahead to 2025, the picture becomes clearer and by that time just a fifth of respondents (21%) felt Adas would have no impact on premiums. There were still 27% who thought the technology would increase premiums, but the majority (52%) felt they would fall as a result of Adas features.

It is clear that until the technology becomes more prevalent, and its impact more obvious, opinions will remain divided.

It will also take insurers time to assess exactly what reduction Adas delivers in claim frequency and severity, and how this plays out against the increased cost of parts and the additional time and complexity of completing repairs on vehicles with Adas features.

Motoring safety specialist Thatcham Research is in no doubt about the potential benefits of Adas. It says research shows autonomous emergency braking leads to 38% reduction in real-world rear-end crashes. It also found third party injury claims on the Golf VII (with autonomous emergency braking) were 45% lower than its equivalent in its analysis of UK insurance data.

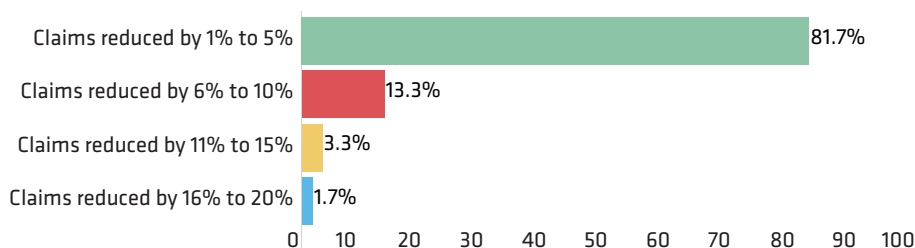
Williams says the insurer did not initially see an impact on claims frequency due to Adas, but believes things are now changing.

He comments: “We are beginning to see a > 30

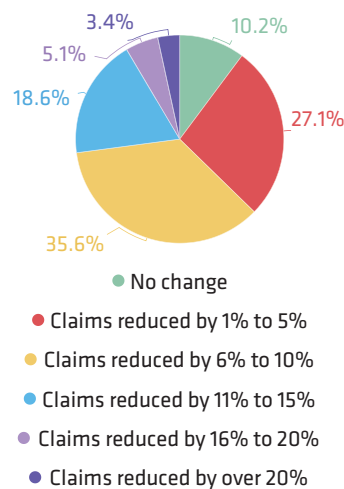
## 6 What do you consider to be the main benefits of using Adas systems? Please rank (1 to 5) the below factors in order of importance

| Option                           | Rank | Score |
|----------------------------------|------|-------|
| Reduce accident frequency        | 1    | 307   |
| Reduce whiplash claims           | 2    | 210   |
| Improve safety awareness         | 3    | 199   |
| Reduce cost per individual claim | 4    | 197   |
| Reduce premiums for customers    | 5    | 137   |

## 7 Are you currently seeing a reduction in the volume of motor claims because of Adas?



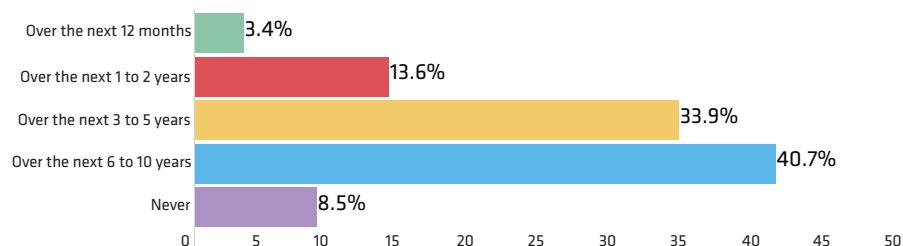
## 8 How do you think motor claims volumes will be affected because of Adas by 2025?



## 9 Are you currently seeing an increase in motor claims costs as a result of Adas?



## 10 When do you see a reduction in motor claims volumes more than offsetting the increased repair costs of Adas technology happening?



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< 29 small reduction in the number of accidents because of the technology.

“We are also at a time, because it is new technology which is not yet universal, when the cost is still quite high. So, there is almost a balance between the frequency reduction and the substantial increase in the cost of repairs and that is mainly due to parts, but also in areas like calibration and testing which adds time and stages to repairs.”

### Cutting claims

Across the market there is little doubt that Adas will cut the number of claims and reducing frequency came out in the survey as the top benefit offered by the technology. In second place was its ability to reduce whiplash claims, underscoring its efficacy as a safety feature.

The vast majority (82%) of those questioned by *Post* said they were beginning to see the benefits filter through into claims numbers and said the technology was delivering a reduction of 1% to 5%.

Looking to 2025, 90% said further reductions in claims numbers would be delivered by these safety systems over the next five years.

So, there is no doubt about the direction of travel, it is just a matter of waiting for that future reality to be fully reflected in the everyday experience of claims departments up and down the land.

And as more Adas enabled vehicles hit the roads and require repairs, insurers will have to assess the practicalities of fixing them quickly, effectively and in line with customer expectations.

The more sophisticated nature of the technology is putting pressure on repairers to improve their own capabilities and on insurers to get the job done correctly at the first time of asking.

Henry cites the example of one vehicle that had the windscreen replaced, but then needed the work to be repeated because the original repair did not calibrate all the integrated safety systems back to full functionality.

He comments: “If you have a supplier in your network that is costing insurers too much money, they will soon tell you to stop using them or they will increase your rates off the back of the issue. It is really important you have someone who can do it right first time.”

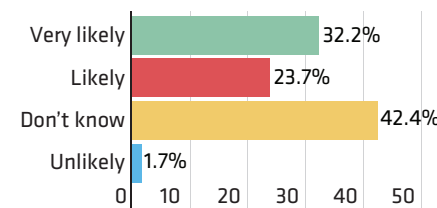
Williams confirms the importance of the issue and says: “With our approver network,

### 11 When it comes to the replacement process for Adas enabled vehicles, what factors have the biggest impact on the customer experience?

Ranked (1 to 6) in order of importance. 1 = most important 6 = least important.

| Option   | Rank | Score |
|--|------|-------|
| Early identification of ADAS fitted on a vehicle   | 1    | 267   |
| Calibration at the same time as repair   | 2    | 252   |
| Ensuring the customer appreciates the safety being delivered and the extra time required | 3    | 214   |
| Allowing the choice of location for the repair   | 4    | 213   |
| A simplified digital journey   | 5    | 189   |
| The environmental impact   | 6    | 104   |

### 12 How likely is it that you will insist on repairers being signed up to the Thatcham Insurance Industry Requirement for Adas calibration?



we provide a guarantee on the work done and so we cannot allow any Tom, Dick or Harry to do things in any way that they want.

“By using networks, rather than trying to deal with individual repair shops some people would argue that it does not help customer choice, but from our perspective we need to know that if a piece of work needs to be done then it can be done properly.”

It is also true that as the nature of some repairs changes, so too does the customer experience. This is particularly an issue for windscreen repairs. Hunt explains: “Over the years, there has been an expectation built up that windscreens can be replaced, quickly and easily in virtually any location.”

He adds: “It used to be that to replace a windscreen took 45 minutes to an hour, but now with more sophisticated glass and recalibration it takes between an hour and 90 minutes.”

It is also the case that mobile windscreens repairs might become less prevalent going forward as completing technically complex recalibration after fitting the glass is better done in a workshop.

Hunt says: “For us there is an education piece around the fact that the windscreen is part of these really complex safety systems. It is not just the glass technology, but the technology it is linked to and the overall connectivity of the vehicle.”

The survey showed that identifying Adas features early and completing required calibrations of the technology at the same time as the repair were the top two priorities when it came to delivering a good customer experience during the repair process.

### Seamless and convenient

How much of that repair process needs to be explained to customers is a decision for each insurer. For windscreen repairs that have historically been done on a customer’s driveway, they will want to know why this is no longer possible. But for bodyshop repairs, will they want to know?

Williams thinks not: “Rather than worrying about explaining the complexities of the repair, we should be doing more to make sure it is all as seamless and convenient as possible.”

A final thought for insurers grappling with the increasing prevalence of Adas technology is the impact it will have on the pricing and availability of their reinsurance contracts.

Ruta Mikiskaite, head of client solutions for UK and Ireland at Swiss Re, comments: “We recognise that the industry needs to better reflect vehicle characteristics in their pricing models as well as improving claims management and portfolio management actions.

“Adas features impact loss experience across the geospatial landscape and further challenge our clients to develop testing and deploy best insights at a greater speed and scale for a sustainable portfolio development.”

She adds: “The winners will be those who best manage their operational processes across the entire life cycle of customers’ experiences.”

The next few years will see Adas features build on their foothold in the market and become standard in a much broader range of vehicle makes and models. The more the market can prepare for that reality today, the quicker it will be able to reap the rewards offered by the technology. ■