



BUSINESSSENSE

Intentionally deceptive? Or deceptively intentional?

By Tim Kelly

This article looks at the relationship between consumers, insurers and “green” parts. For the record, I am not against the use of reclaimed parts when they’re used with the consent of the owner of the vehicle and not in relation to an insurance claim.

Insurers and anyone providing reclaimed parts will often use the term “green” because it is a nice-sounding word and suggest these parts are better for the environment.

The fact is that reclaimed parts generally come from Cat B vehicles – that is, cars that have been written off by the insurance company and a decision has been made that they can’t be repaired. These are cars that are having their shells “scrapped”, so I would suggest the term “scrap parts” would be fairer.

Each of these terms present a very different image to the consumer. Intentionally deceptive? For the purpose of this article, I’ll be generous and will refer to them as “second-hand parts”, for that is what they are.

As stated in the introduction, I am not against the use of second-hand parts in repairs. They have their place and can be beneficial when not used in relation to an insurance claim and are only used with the full consent of the consumer.

Insurance claims

The contract of insurance is the provision of “indemnity” for the financial loss that

has occurred. It has nothing to do with repairing vehicles as insurers would have you believe. Having the paymaster act as the “agent” of repair is, in my opinion, in conflict with a consumer’s lawful and contractual entitlement.

Can you also imagine the effort required for the ABI and Thatcham to apply new Group Ratings for every single vehicle? Especially having gone through the effort of seeing what bearing the cost of parts has on the Group Rating. Imagine having to do the same, pricing up the cost of second-hand parts?

The Group Rating system

Over half of all money paid out in motor insurance claims goes on repairing cars. The cost of spare parts and the time taken by repairers are therefore major factors in pricing motor insurance.

The factors used to calculate group ratings are:

- Damage and parts costs – the likely extent of damage to each car model and the cost of the parts involved in its repair. The lower these costs, the more likelihood there is of a lower group rating.
- Parts prices – a standard list of 23 common parts is used to compare one manufacturer’s parts costs to another. The lower these costs, the more likelihood there is of a lower group rating.

It is clear that the cost of parts has a direct effect on group ratings and the higher the group rating the higher the premium you pay. Yet Insurers want to use second-hand

parts that save them money but do not want to reduce the premiums paid and pass those savings on to the consumer.

Why is this?

A Ford Ka, Fiat 500 and an Alfa Romeo Mito are based on the same shell but have different group ratings – the Ford being the lowest and the Alfa the highest due to increased parts cost. The difference in insurance premiums between the three is around £50-100, for me as an example.

If you operate dual policies, one stipulating that only new parts are used, and the other allowing second-hand, the savings to the consumer is “minimal” at best.

For the sake of £50-£100 I would suggest most people with newer cars would opt for the guarantee of having new parts used in any collision repair.

However, the potential savings for insurers is HUGE.

I would argue that if insurers want to use second-hand parts because they are “green”, “eco-friendly” and “better for the environment”, they should pay the consumer the full cost of repairs for the fitment of new original parts and let the consumer have the savings if they then choose to have second-hand parts fitted.

And, if the argument stands up that “green” parts are in fact better for environment, then why wouldn’t insurers make that choice?

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the Group Rating system.