

# “ Take it from this green cross man ... it’s a con ”

BUSINESS SENSE by TIM KELLY

You have given them the profit on your labour, then your paint, then your parts discounts, and now they want you to use second-hand parts to save them money.

They are taking your profits and you are letting them get away with it. When I say “they” I of course mean insurers. Now, the next big “con” is how they are tricking everyone into believing that second-hand parts are “green” and good for the environment. But are they?

The government provides clear direction on whether or not something is genuinely “green” and offers guidance on permitted “green” claims. Scan the QR code on the right to read more.

If insurers truly wanted to be “green” they would be repairing vehicles to their full market value, rather than trying to constructively total-loss them. In fact, to be truly environmental we should be repairing everything rather than buying a completely new product.

I am aware of some insurers advising that vehicles are total losses at 50% of the market value due to “greater returns on the salvage”. Which is no surprise, as they are not total losses and are worth more on the used car market.

But what about the customer in this? They might want their vehicle repairing. There is the argument that a manufacturer will now have to produce a whole new car to replace the one that is a “total loss”. What is better for the environment? Manufacturing a brand-new car? Or making the parts to repair a damaged car?

What is also happening is that the used car market is shrinking as volume is reduced, increasing used car values as a result. This then increase’s salvage demand, which I will get back to in a second.

So that’s the first part of the “green con”.

I am not against using second-hand parts, I am against them being used by insurers as part of insurance claims.

Why, you ask? The contract of insurance, contrary to what anyone may say, is not about repairing vehicles. It is a financial product that provides “indemnity” for the “financial loss” that occurred at the point of the incident.

In law, this is “the diminished value of the chattel”. Which to you or me is “the cost of repairing your vehicle” (which can be completed by whichever bodyshop you choose to repair it), or the “market value of the vehicle” if it’s a total loss.

When an insurer provides a premium, it bases the calculation for that premium on the Thatcham group rating of the vehicle. Part of the calculations for that group rating is cost and repair viability for certain types of damage using new parts. It is clear that if the parts were cheaper (such as using second-hand parts, for example) it can be argued the group rating would be lower, and as a result the premium cheaper. To take a “full” premium from a customer, but then fit second-hand parts in the repair process is the “con”.

Insurers at this point will try and point out about parts shortages, and they “care” about the customer, and don’t want them to wait months to get their cars repaired. A fair point, you might think.

If insurers want to use second-hand parts and call themselves “green” then there is no reason why they cannot refer to their own terms and conditions on lack of availability and provide a cash-in-lieu settlement on these specific parts. The consumer could then source these parts themselves from the same place as the

insurer, the repairer would still repair the car – and the consumer might end up with some spare cash.

Insurers won’t do this because they want the cash, not hand it over to consumers. Make savings, keep the shareholders happy.

Getting back to salvage? We have now seen an increased amount of “salvaged” vehicles being “repaired” (and I use that term very, very loosely) and then sold via car traders to innocent members of the public due to the increase in demand for second-hand cars. But where are the parts coming from to repair these vehicles that the insurer could not source the parts for? It is no longer anecdotal evidence but fact that more and more vehicles are being stolen for their parts. Thereby creating a greater loss to other insurers via another claim ... and potentially for that customer to go and buy another new car.

How can that be seen as “green” or “good for the environment”?



Scan the QR code or visit <https://www.gov.uk/government/publications/green-claims-code-making-environmental-claims/green-claims-and-your-business> to read the Green Claims Code checklist.