

Motor Trade and Fleet Newsletter

Client Edition

October 2015

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The impact of noise induced hearing loss claims

In recent years, our customers have seen a dramatic rise in the number of compensation claims being pursued for Noise Induced Hearing Loss (NIHL). In the vast majority of these cases, it is alleged that negligent exposure occurred with more than one employer, resulting in solicitors being able to recover additional legal costs at the conclusion of a successful claim.

Although regarded as a historical problem, the claims presented today range from exposure in the mid 60's to the present day. This can make life very difficult, as defending these claims will often come down to the availability of historic documentation and witness evidence.

300%
increase



notification of NIHL claims over the last five years.

£15,000
Average



average cost of each claim exceeding £15,000.

Records have shown that in recent years claims have come from every possible industry imaginable including allegations from library workers. With this in mind, it is difficult to find a customer who has not been impacted by the rise in NIHL claims. To compound the problem further, when a genuine claim is paid, other employees will often be targeted by Claims Management Companies (CMC) in an attempt to convert more people into making a claim.

The tactics of some CMCs have been called into question, with poor practices that have focused on local advertising campaigns and cold calling activity simply aimed at increasing the volume of NIHL leads. An example of which was highlighted by the regulator recently when, under new laws, The Hearing Clinic was fined £220K for making millions of cold calls.

Over the last 5 years the notification of NIHL claims has increased by 300%*. Recent reports suggest 80,000 NIHL claims are now being intimated each year, with the average cost of each claim exceeding £15,000**, the impact is clearly being felt by all.

The rise in NIHL claims is directly associated with large sums that solicitor firms can recover in legal fees. For every £1 paid in damages, £3 will be paid in legal fees.

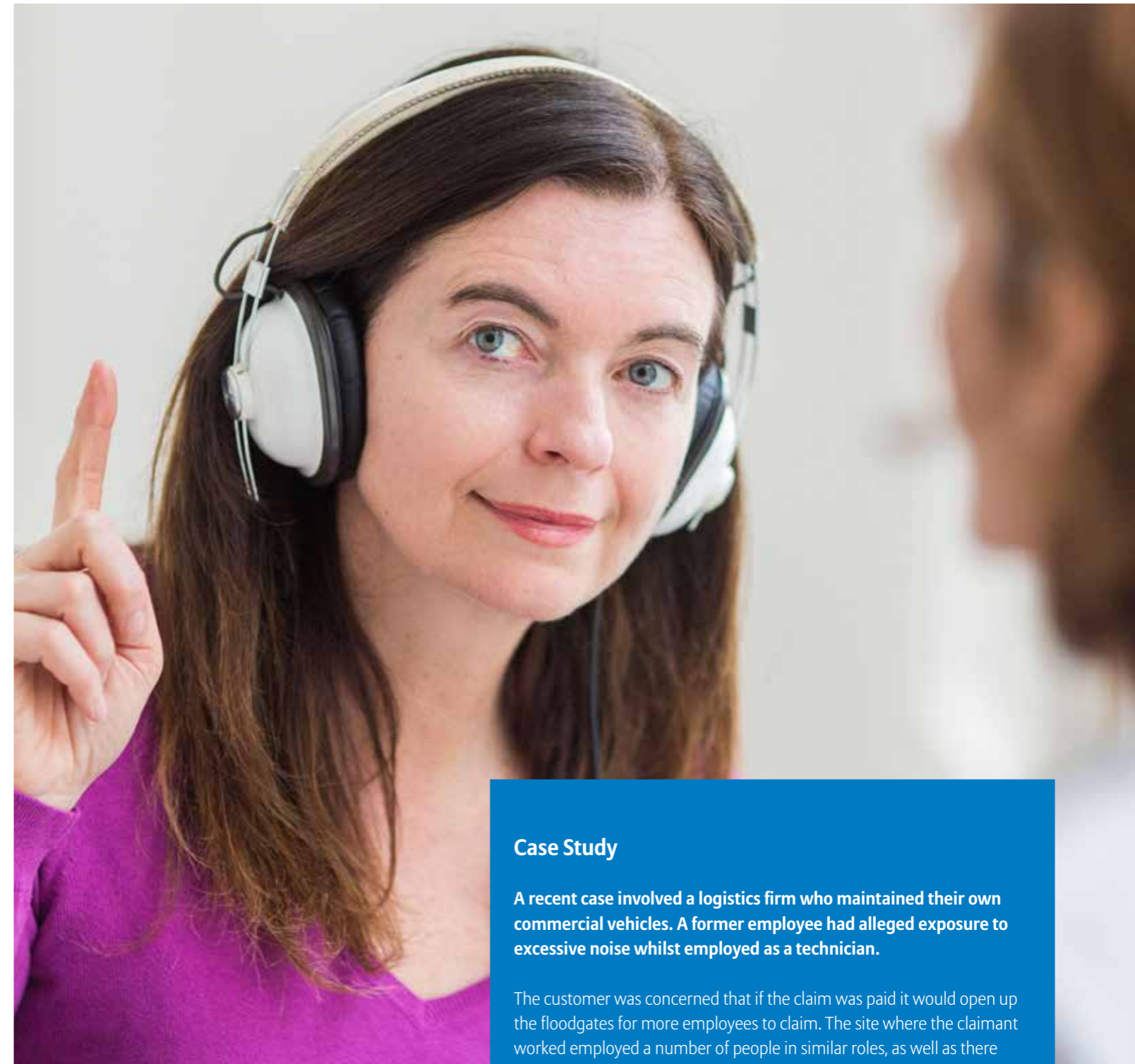
The problem has been compounded by the changes brought about by the Legal Aid Sentencing and Punishment of Offender Act 2012 (LASPO). In an attempt to reduce legal costs in other areas, LASPO introduced a fixed fee matrix for both liability and Road Traffic Act claims. However, NIHL claims were excluded where the negligent exposure was alleged to have occurred with more than one employer, which accounts for approximately 90% of claims.

As a result of LASPO, solicitor firms soon turned their attention to NIHL claims as the vast majority of cases involved multiple defendants, leaving them free to continue to charge on an hourly basis, resulting in a flood of new NIHL claims to the market.

There are many possible responses to the surge; these include introducing fixed legal costs for all NIHL claims, implementing an agreed panel of experts who can correctly assess causation and the introduction of a minimum threshold for damages, where a loss only becomes compensatable above a specific decibel (dB) level. Progress in the latter is already making ground following the rejection of a claim at trial early this year where the hearing loss was assessed at less than 3dB.

Allianz continues to work with the Association of British Insurers (ABI) to lead the push for reform. A positive step forward in the fight to reduce legal spend and control volumes is the Government recently asking the Civil Justice Counsel (CJC) to explore the introduction of fixed costs for NIHL claims. Until further reform is implemented, our expert disease handlers will continue to work closely with our customers to reduce the impact that these claims are having. We are one of the few general insurers that have retained the handling of all NIHL claims in house, investing in our people to manage the increase in volumes and delivering the best result for our customers.

As a result of this strategy, our customers are benefiting from one of the highest repudiation rates in the industry. With 86% of Allianz NIHL claims being settled without any form of compensation payment being made, we are doing all we can to protect our customers from those disingenuous claims.



Case Study

A recent case involved a logistics firm who maintained their own commercial vehicles. A former employee had alleged exposure to excessive noise whilst employed as a technician.

The customer was concerned that if the claim was paid it would open up the floodgates for more employees to claim. The site where the claimant worked employed a number of people in similar roles, as well as there being additional sites in the UK which perform similar tasks.

Allianz met with the firm and as a result of the meeting, agreed to instruct an engineering expert to prepare a report assessing the relevant noise levels. The evidence obtained was favourable and has been used to raise a defence to the claim. Sharing the report with the customer also enabled future risk management improvements.

This is a great example of how working collaboratively with our customers can improve the long term relationships between our companies.



DVLA driver check

In our last edition of the motor newsletter, we spoke about the changes that were happening to driving licences, which came in to effect from the 8 June 2015. Since then, the Driver and Vehicle Licensing Agency (DVLA) has issued guidelines on how to check customers' driving licence history.



If you need to check your customer and employees counterpart for entitlements or endorsements, you can use the Check Driving Licence service to review their licence information, using the code they provide. Once the driver has given their consent, you'll be able to view their full driving licence details, as well as convictions, fines and bans. A screenshot will need to be taken to record these items, as they are not present on the PDF download or print.

You can also make a check by phone if you can't use the online service. You'll need to ask the driving licence holder to call the DVLA on 0330 790 6801 and provide permission for you to run the check. You can then call the DVLA on 0906 139 3837 (calls cost 51p per minute) to check the driver's details.

To help you with the process when redeeming a licence code, the DVLA's user guide for checking a customer's driving record is available [here](#). Remember, the code is only valid for 21 days, and once redeemed, cannot be used again.

Future of Mobility white paper available now!



The next 10 to 20 years is expected to bring advances in technology which will change our relationship with motor vehicles, leading to what is being widely heralded as the future of transport – the autonomous, or driverless, car. These technological advances may have far-reaching effects, with major implications for society, the economy and the insurance industry.

To address some of these, we've published 'The Future of Mobility – Changes in vehicle technology' white paper in partnership with DAC Beachcroft. This assesses how mobility is likely to evolve over the next couple of decades and what the subsequent improvements to vehicle safety are likely to mean for the insurance industry.

If you would like a copy of The Future of Mobility whitepaper, please speak to your insurance intermediary.

Deregulation Act

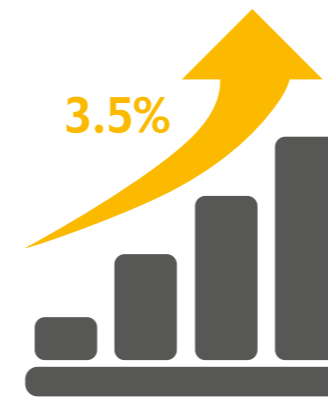
On 30 June 2015, the Deregulation Act 2015 came into effect as part of the Government's Red Tape Challenge, introduced to simplify the regulatory process. From a Motor Insurance perspective, it changes the Road Traffic Act 1988 requirements around the return and recovery of motor insurance certificates. To summarise:

- Insurers are still required to send and deliver certificates to the policyholder, but the delivery of the certificate is no longer a requirement for cover to be effective. For Commercial risks, cover is effective from the time and date shown on the certificate or temporary cover note.
- Where a policy is cancelled mid-term, policyholders will no longer have a legal obligation to return the certificate or make a statutory declaration that the certificate has been lost or destroyed.
- Cancellation of cover will take effect from the agreed or notified date and will not be dependent on return of the certificate. Insurers are no longer required to retrieve the certificate after policy cancellation in order to avoid an ongoing liability.
- Insurers' ongoing liability will cease once the Motor Insurers Database has been updated with the policy cancellation transaction.

To find out more please contact your insurance intermediary.



Insurance Premium Tax (IPT) Changes



In the Summer Budget, announced 8 July 2015, the Chancellor confirmed an increase of 3.5% in the standard rate of IPT. This increase will see the standard rate move from its current 6% to 9.5%. The new 9.5% rate will be effective from 1 November 2015.

Our approach to the IPT charges is based upon the effective date of a transaction, rather than the date the transaction is processed. For Commercial policies, we will be adopting the Special Accounting Scheme transitional period which will run 1 November 2015 to 29 February 2016.

For more information on the new IPT rates, please contact your insurance intermediary.

Hailstorms in the UK

On the night of Wednesday 1st July 2015, a severe hailstorm hit the North of England causing a considerable amount of damage. The day had been the hottest this year, but 'golf balls' of ice smashed windows and dented cars in a freak hailstorm that evening. The storm stretched from the Bradford area across to the North East with Durham being the most severely affected.

Over 540 of our customer's new and used vehicles were damaged. To help get them up and running again, we worked with our expert partners and secured a location situated near to the centre of Durham to set up a 'repair centre' to carry out damage assessments and repairs using a specialist repair technique. For those customers who had a large amount of vehicles damaged on one site, we undertook repairs on location.

The Durham centre is still open evenings and weekends, offering flexibility for car collections and repairs. All of this is done to meet customers' expectations and cope with demand.



"I would like to put on record our sincere appreciation for the manner in which you have handled our claim following the recent hailstorm, which damaged most of our used vehicle stock.

We contacted Allianz to report the incident and we were very surprised when you arrived at our garage the following morning to inspect all of the damaged vehicles, and arrange for the repairs to be carried out immediately. The technician has done a first class job repairing all of the vehicles so quickly, and we are delighted at the quality of the repairs carried out.

We had expected lengthy delays; but thanks to the professional and efficient handling of the claim by all of the Allianz team involved, it has kept the disruption to our business to a minimum. Thank you once again to all of your team."

**Mike Patrick, Managing Director,
M&D Patrick Motor Co. Ltd.**



Smoking in Vehicles

The law on smoking in cars and other vehicles with someone under 18 changed from 1 October 2015, to better protect children and young people from the dangers of secondhand smoke.

Following this date, it will be illegal for a person of any age to smoke in a private vehicle with another person under 18 present. It will also become an offence for a driver (including a provisional driver) not to stop someone smoking in these circumstances. The fixed penalty fine for each offence is £50, although enforcement officers are able to use their discretion in issuing a warning, penalty notice or court referral. The rules apply to any vehicle wholly or partly enclosed by a roof, so a car with the sunroof or windows open would be included whereas a convertible roof completely down and stowed would not be.

Secondhand smoke is dangerous for anyone, but children are especially vulnerable to its effects, which include increased risk of serious conditions such as meningitis, cancer and respiratory infections.

[Click here for the guidance on new rules about tobacco, e-cigarettes and smoking.](#)



Roadworthy Eyes

Adequate eyesight is essential for safe driving, hence the UK government's minimum standard of vision for driving.

Recent survey data from the driving charity Brake highlights a worrying number of drivers failing to regularly test their vision and more than 1.5million never having had an eye test. Furthermore, many admit to driving without their required lens or glasses.

In the UK, drivers must be able to read a modern number plate (post September 2001) from 20 metres away. This is only tested at driving tests or roadside by police if they suspect an eyesight problem, meaning drivers - once passed - may never need to evidence roadworthy eyesight again. It's estimated that up to five million drivers in the UK would fail the 20 metre test if they had to take it



again. From a commercial perspective, lorry and bus drivers are required to meet higher standards.

The Health & Safety Executive (HSE) states that health and safety laws apply to all aspects of work activities. This means that employers have a responsibility to ensure that their employees are fully fit to drive, whether the employee is driving a company car or their own vehicle. More information on employers' responsibilities can be found in the HSE's [Driving at work publication](#).

To find out more about the courses offered by Allianz in conjunction with RoSPA, please speak to your insurance intermediary.

Terrorism - time to review your cover

Recent terrorist attacks in Paris and Tunisia are a stark reminder of the threat of a similar incident on UK soil. And, with the current UK threat level for international terrorism severe, now is a good time to review the cover you have in place.

Adverse selection

For starters, it's essential to check you aren't inadvertently in breach of the rules. One area where this can happen is the adverse selection rule. This states that where a policyholder extends their insurance to include terrorism cover, they must do this for all the property they insure and not just the sites they believe are at a higher risk.

This agreement was put in place to protect insurers, and ultimately the government, by ensuring a diverse risk pool including low as well as high risk properties. As such it applies to all of an organisation's insured properties, whether they're covered by one or multiple insurers or insurance intermediaries.

Breaching the rules

Failure to comply with this rule will result in any existing terrorism cover being discontinued as soon as practicable. This means it's imperative to review existing cover arrangements and ensure you are not in breach.

The rules do allow for a couple of exceptions. For example, where a joint venture insures separately from the parent company, it is free to decide whether or not to take out terrorism insurance, regardless of the decision taken by the parent company. In addition, if a contractual obligation is in place, for instance lease conditions or lender requirements insisting on terrorism insurance, this can be

accommodated providing cover is extended across all properties subject to the contractual obligation.

Scheme modernisation

When reviewing your cover it's also important to note the changes that are being made to Pool Re. In the past, many smaller businesses and those in less risky areas have found cover prohibitively expensive, creating a book of business concentrated towards higher risk properties.

The changes, effective from 1 October 2015, include the introduction of an SME discount for businesses with less than £2m material damage sum insured; some changes to rates along with changes to postcode allocation; recognition, through discounts, of the value of large deductibles and loss limits; and a move to more risk reflective pricing.

Rewarding risk management

A good example of how Pool Re is embracing risk reflective pricing is through the introduction of a loss mitigation credit for businesses that take part in the Government's Crowded Places programme. This is a programme run by the National Counter Terrorism Security Office (NaCTSO) which provides practical advice and guidance to help reduce the risk of a terrorist attack at busy sites such as shopping centres and sports grounds.



Although the programme has been running at around 400 of the largest sites, it is now being expanded to around 4,000 sites, with organisations engaging in it able to benefit from a loss mitigation credit, set at 2.5%, to reduce the cost of their terrorism insurance.

Time to review

With these measures helping to modernise the scheme and make cover attractive to a more diverse audience, it is a good time to review your terrorism insurance, making sure cover not only complies with the rules but that you are taking full advantage of the changes to Pool Re.



More information

For more information on the changes to Pool Re or on the Terrorism cover we can provide, please speak to your insurance intermediary.



A sudden bang when parking

An Allianz research initiative on accidents show that around 40% of vehicle accidents incurring physical loss or damage occur during parking or manoeuvring. The vast majority of incidents happen when reversing (amounting to more than 70% of motor liability claims and around 85% of full physical damage claims). In eight out of ten cases, the accident happens when manoeuvring out of a parking space (84%); incidents rarely occur when driving into a parking space (16%). Older drivers, aged 65 and above, cause a third more accidents during parking or manoeuvring than those aged between 25 and 64.

These are the findings of a joint research project carried out by the Allianz Center for Technology (AZT) and Continental AG. This extensive project, analyzing almost 3,500 traffic accidents, was supported by Munich's Hochschule and Technische Universität.

Most accidents during parking and manoeuvring occur when reversing

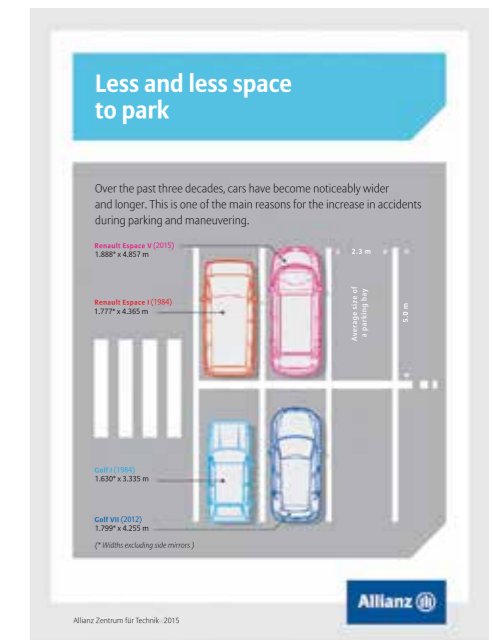
Almost half of all liability claims (41.7%) resulted from a vehicle hitting another stationary vehicle when reverse parking, and one out of every five driving manoeuvres (20.1%) involved two cars bumping into each other as they were both reverse parking. "The frequency of accidents occurring during parking and manoeuvring has increased by more than 30% over the past ten years. These accidents make up 44% of motor liability incidents with physical loss or damage, and 39% of full physical damage collisions," says Rüdiger Hackhausen, Head of Claims at Allianz Versicherungs-AG, emphasising the importance of the topic. The average liability claim for these accidents totals approximately €1,700, and the average full physical damage insurance claim €2,100.

Accidents during parking and manoeuvring can cause serious injury!

The proportion of parking and manoeuvring accidents which cause motor liability bodily injury claims is, at 4%, considerably less than that for motor liability physical loss or damage claims. However, accidents involving pedestrians or cyclists can still lead to serious injuries. Particularly notable is the study's finding that these accidents were exclusively caused by reversing. Older pedestrians aged 65 and above were particularly heavily affected (two thirds).

Changes in vehicle shape is the main cause of accidents

The main cause behind the increase in accidents during parking and manoeuvring is attributed to changed vehicle shapes and the continual growth of urbanisation. Over the past decades, cars have tended to become wider and longer, whilst the size of parking spaces has stayed the same. Analysis showed that vans and SUVs are most frequently involved in accidents during parking and manoeuvring. They are responsible for around 30% more of these accidents than small or compact vehicles.



In addition, drivers' visibility has been considerably reduced, particularly through the rear and side windows, as a result of changed structure and designs.

Parking assistance systems can help avoid accidents in the future

The study showed that many parking warning systems currently installed in vehicles are only of limited use when it comes to avoiding accidents during parking and manoeuvring. These systems do not cover the sides of the vehicle, thus missing many hazards. Many drivers rely too heavily on their parking assistance system, and often fail to act quickly enough. "The first intelligent driver assistance systems like automated parking assistants and autonomous emergency brake systems for manoeuvring will help to significantly reduce this risk in the future," said Wolfgang Fey, Head of the Surround View segment in the Driver Assistance Systems area of Continental.

Source: Allianz SE

For Allianz UK Motor customers, in conjunction with RoSPA, we offer a Driver Development course designed to assist drivers in minimising risk in the driving environment. To find out more, please speak to your insurance intermediary.



The importance of early claims notification

Whether you or your insurance intermediary report claims, early notification after a motor accident has occurred is essential. The sooner we are notified, the quicker we are able to assist with the claim and get the vehicle back on the road or replaced. Whether a damaged windscreen, vandalism or a road accident, we capture all the information we need in one call or email to enable a fast response and get a claim

We also know that the earlier a claim is notified, the less impact there is on a customer's claims experience. For example, if the insured driver hits the rear of a stationary third party vehicle at traffic lights and moderate damage is caused, as well as the third party driver suffering whiplash, the cost of the claim if notified on day one is estimated at £5,000. This is compared to £11,500 if notification occurs on day 15, and if a client waits until 30 days to notify us of a claim, the original figure quadruples to an estimated £20,000.

Not only can prompt claims notification assist with ensuring claims cost and experience against policy records are contained, by gathering information from our customers first hand, we are best placed to make enquiries, offer the third party to use our approved repairer network and act on our customers' behalf if liability is contested.

Our pro-active claims service includes:

- **24/7 claims reporting** – flexible and fast reporting options
- **nationwide approved repairer network** – five year guarantee on repairs and work carried out to BSI kitemark PAS 125 accreditation
- **autoRestore** – local on-site repair to minimise the time the vehicle is off the road
- **24/7 access to Autoglass** – windscreen repair or replaced
- **rehabilitation specialists** – medical professionals to assess the injured parties needs
- **quick decisions and payments** – for vehicles beyond repair
- **Specialist counter fraud teams** – to protect the interests of our policyholders.

To notify us of a claim or for general enquiries, you can contact our specialist motor claims handlers on;

Motor Trade customers: 0344 4129996
Email: motortradeclaims@allianz.co.uk
Open: 8am-6pm Monday to Friday.

Motor Fleet customers: 0330 1021998
Email: claims.start@allianz.co.uk
Open: 8am-8pm Monday to Friday;
 8am-4pm Saturday.

Please note Motor Fleet claims can be reported outside these hours on the same number

Extra staff perks but who pays the bill?

Employee personal vehicles and other vehicles not intended to be covered, are finding their way on to the Motor Insurance Database (MID). **This is commonly via delegated access provided to commercial motor customers. Evidence shows an increase in the number of private vehicles added to the MID for commercial policies.**



The causes range from a lack of understanding of what can and cannot be added to the MID to clear and deliberate abuse of the MID. The specifics of the case will determine whether claims will fall on the insurer, or the Motor Insurance Bureau (MIB) to deal with, but the industry is seeing more claims where the insurers of the commercial policy are retaining involvements with claims as the Article 75 insurer, for vehicles wrongly added to the MID.

what can you do?

Ensure clarity around the extent of authority around the MID, what vehicles can and cannot be added and covered by the policy and the importance of monitoring and controlling use of the MID by your employees, will help protect you and your drivers.

Whether the insurer is left with an Article 75 involvement or not, the driver might still effectively be uninsured and could be charged with an offence. Article 75 involvement leaves insurers with right of recovery against the driver. Not all drivers will be able to settle those claims, which will then remain on the customers' claims experience. Where the customer has been complicit in misuse or abuse of the MID which leads to claims, they might also be pursued for the cost of those claims.

Article 75(2)(d) states ***"Where a record is held on the MID, the existence of such a record covering the dates of an accident, shall unless there is documentary evidence to the contrary, be sufficient to establish the existence of 'insurance' for the purpose of this Article"***. Article 75 status is determined by MIB's Technical Committee.

A few basic questions can help address these risks:

- Do you understand what vehicles are covered by your insurance policy and how to deal with employee owned vehicles (when they are covered, when they are not covered and when they should be added to the MID)?
- Do you know how to contact your insurance advisor if you are unsure or require clarity?
- Are you aware of any requirements to record and report vehicles added to the MID to your insurance intermediary?
- Have you communicated details of cover to relevant employees and family members? Including cover is NOT provided when commercial vehicles are used for private jobs.
- Do you know who is updating the MID and what vehicles have been added to your policy?
- What training and auditing is carried out on the MID?



Industry Increase

In recent years, the industry has seen an increase in the number of MID related claims falling on the insurers to deal under Article 75. This is illustrated in the following case studies:

Case 1

An employer arranged to insure "any motor vehicle [being]... the property of the insured or in their custody and control for motor trade purposes". An employee was added as a named driver on the policy, specifically excluding vehicles owned by employees. This employee had delegated access to the MID and added their privately owned vehicle to the policy. The employee was subsequently involved in an accident, for which the vehicle appeared on the MID.

The policyholder admitted that he had used the car himself from time to time. That limited use of the vehicle by the policyholder, even though the vehicle was not being used by the policyholder at the time, nor was it being used for business purposes at the time, was enough for the insurer to be involved under Article 75.

Case 2

A Motor Trade policy was taken out. The Motor Trader was given delegated access to the MID. His son worked for the business but the son was covered for business use only. At the time of the accident, the son was driving a vehicle that had been added to the MID by the Motor Trader but the son was driving for social, domestic and pleasure purposes.

The investigation revealed that the car added to the MID and being driven by the son was in fact the son's privately owned vehicle. In view of the family connection and as the vehicle is likely to have been used for motor trade purposes at some point, the insurer retained an involvement under Article 75.

Case 3

A company director shared his MID delegated access log-in details to a hire company that provided the insured company with vehicles. The hire company proceeded to add multiple vehicles to the MID under the client's policy which were never hired out to them. The company director never checked the MID and vehicles remained on cover for a year.

This example did not involve any accidents but demonstrates MID abuse outside of the customer's knowledge but not outside of the customer's control.



Buying into greater efficiency and safer driving (Telematics)

Telematics is nothing new but as technology has matured, its price and the size of the equipment required has reduced. It is now possible to deliver multiple solutions via more traditional fitted black boxes, 'self-install devices' or apps on smart phones. This, along with rising business expense, has led to an increase in the number of fleet managers recognising the benefits and efficiency savings vehicle technology can bring.

Case Study:

£255k
 Reduction in Fuel costs per annum

20%

 Saving with accident repair costs

Every business is different and therefore each company will not use telematics in the same way. However, most businesses will at least use the technology from a duty of care perspective to influence safer driving to reduce accidents and lower insurance premiums.

Whilst reducing insurance cost is a welcome saving, this only forms a small part of the overall benefits telematics could bring. One of the knock on effects of highlighting driving behaviour is that by correcting bad habits it can lead to substantial fuel savings through improved driving and reduced idling times.

Outside of driving behaviour, even the simplest of solutions can lead to fleet management savings, such as accurate mileage capture compliant with the HMRC to save both time and expense. Asset protection through theft tracking or even just recognising vehicle faults at an early stage will reduce vehicle down time and added cost. Some of our clients are utilising the information in a wider context to enhance their customer service through understanding how long employees are spending on site with customers, by tracking vehicle routes to ensure deliveries are made on time and through optimising how their vehicles are used.

To enable our customers to take advantage of this technology, Allianz has partnered with FMG to offer their market leading telematics product, Ingenium Dynamics,

at a discounted rate. FMG offers a fully supported and interactive service to clients alongside insurance intermediaries and Allianz to maximise the benefits of the Ingenium Dynamics system in reducing accidents, lower operating costs, optimising fleet and route usage as well as increase fuel efficiency and savings.

A recent Ingenium Dynamic's fleet client with 300 vehicles benefitted in cost savings of £463k per annum, resulting from:

- Fuel costs cut by £255k per annum
- Additional private mileage declared, saving £120k
- Accident repair costs down by 20%, saving £44k
- Lower operating costs, saving £44k.

For more information about how FMG's Ingenium Dynamics product can improve fleet efficiency and driver safety please speak to your insurance intermediary.