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Remember the vultures who used to spill oil on the road to cause car crashes? They might be back, so watch out.

What has happened over the past few years is a baffling mystery: there are victims but no logical motive.

We're talking about annual billion-ringggit fraud claims in the motor insurance business and a Bank Negara Malaysia-initiated programme to minimise losses to motor insurance companies.

It seems like these efforts between BNM and motor insurance companies grouped under the General Insurance Association of Malaysia (PIAM) to establish an ethical standard to the crash repair business have come to zero at the hands of the Malaysia Competition Commission (MyCC).

MyCC last year won a court judgment that penalised PIAM and 22 insurance companies for a total of RM174 million for offences against the Competition Act.

On that note, MyCC is also in the process of amending the law so that it can rule on mergers and acquisitions as it notably couldn't when Grab and Uber merged in Malaysia a few years ago.

Let me tell you the story and see if you can solve the who-done-it question:

Like most progressive nations, Malaya went through a motorisation phase after the First World War when tin miners and rubber plantation owners were so rich that they bought British, French and American cars and rubber tappers without electricity bought fridges to store their food.

Cars were getting fast and heavy enough to cause damage by that stage. The compulsory car insurance scheme was first introduced in the UK with its Road Traffic Act 1930.

This ensured that cars, their owners and nominated drivers had to be insured so that their insurance company could reimburse their liability for injury or death to third parties while their vehicle was being used on a public road.

After Germany enacted similar legislation in 1939, motor insurance gradually became compulsory worldwide.

In Malaysia, insurance companies formed PIAM. Individually and as an association, the companies complained that, without exception, they were losing hundreds of millions of ringgit annually in their motor insurance business.

They pointed their finger at insurance fraud as well as the fixed tariff policy by BNM as the cause of their woes.

Insurance

companies want their motor insurance business to be deregulated so that they can determine for themselves what they want to charge for premiums using modern risk-based and user-based methods.

BNM then initiated an insurance fraud control programme in conjunction with PIAM and its members, the Workshop Association of Malaysia and the police-based Vtreks anti-car theft association.

They adopted the Thatcham system and later on, in October 1998, PIAM appointed MRC to localise the data set of the Thatcham Parts System and the Thatcham Times System.

To backtrack, facing huge fraud losses, UK insurers in 1969 established an automotive research centre named Thatcham Research with the aim of containing or reducing the cost of motor insurance claims while maintaining safety standards.

As a not-for-profit insurer-funded research centre, Thatcham acquired data about hours of work for specific car body repairs across all car brands and models. For example, two hours to change a Toyota Yaris bonnet, and the cost of spare parts.

This data set was collated in cooperation with car makers, franchise holders, body and paint workshops, law enforcement agencies and a data set compiled for use across the participating industries.

The Thatcham System was so effective at minimising motor insurance fraud that it was largely franchised. The US and Japan have their equivalent to the system.

Besides corporate financial losses, there are implications for motorists as a result of MyCC's order against PIAM and its members. Especially when we shouldn't regard motor insurance fraud as a victimless crime:

Motor insurance companies will lobby BNM to deregulate the tariffs or to subsidise the tariffs because insurance fraud will rise again.

Higher premiums will creep into the economy and raise prices because cargo transporters and bus operators have to cover their increased cost of insurance coverage due to loadings.

Honest workshops will lose money because the unethical workshops can pay higher incentives to tow truck operators for every crash repair car they bring in.

There is cruel loss of life and incurrence of permanent disabilities when auto crashes are caused by some unscrupulous tow truck operators.

We must also appreciate that BNM has officially registered its dismay with the judgment against PIAM and insurance companies.

According to a statement issued on Sept 20 last year:

◆BNM regrets MyCC's decision as the arrangement was put in place through the facilitation and direction of BNM to the general insurers to address disputes between workshops and general insurance companies that had adversely impacted consumers. This was due to protracted delays and disagreements over insurance claims payments for motor

repairs.

◆The resulting arrangement was implemented after discussions between PIAM and the Federation of Automobile Workshops Owners Association of Malaysia. As a result of BNM's regulatory intervention, delays in settlement of claims arising from motor repairs had reduced significantly and policyholders were better served by a more efficient claims settlement process.

For example, the average turnaround time from date of notification of an accident to the completion of repair works had reduced by 55% since 2010.

◆The decision by MyCC may unravel the positive outcomes from past and ongoing initiatives by BNM and the industry to curb fraud and improve efficiency in the motor claims process. This in turn will have wider ramifications for access to and the cost of motor insurance for Malaysian consumers.

◆In light of the decision by MyCC, BNM will follow due process and review its options to safeguard the interests of the motoring public. If any policyholder experiences undue delays in the repair and release of your vehicles, please contact your respective insurers for advice. For general enquiries and complaints, policyholders can also contact BNMTELELINK at 1-300-88-5465 or [bnmtelelink@bnm.gov.my](mailto:bnmtelelink@bnm.gov.my).

For its part, the domestic trade and consumer affairs ministry may also have an agenda to pressure BNM to deregulate the motor insurance industry faster and to modernise with telemetry of cars and Internet of Things.

Usage-based insurance (UBI) and risk-based insurance (RBI) are based on the premise that the theft- or crash-prone motorist will pay more for insurance.

BNM on the other hand may not want UBI or RBI because it fears that these will disadvantage young motorists and motorcyclists just starting to build a track record.

But if you observe MyCC's previous decision disallowing the Malaysian Automotive Association's sharing of disaggregated monthly sales data, it's as confusing.

Because, monthly motor sales data for car models and brands is published for a nominal price if not free in almost all car producing nations.

In Australia, a country of sportsmen who live by rules of fair competition, monthly car sales data in granular form are published monthly by VFACTS, a not-for-profit entity under the Federal Chamber of Automotive Industries.

Established in 1992, VFACTS breaks down monthly sales statistics to reveal how new cars are selling, by brand and by model.

Like the MAA, VFACTS works on cooperation of its members including car franchise holders and distributors.

They pool their respective sales information at the end of each month. The data is collated by a company appointed by the FCAI ◆ currently IHS Automotive in Melbourne. A full

## Beware of motor insurance vultures

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report, with a media release supplied by the FCAI is issued three working days after the end of the reporting month.

So, what's your verdict about the baffling judgements which fly in the face of global standards?

A face-off between the finance ministry and the domestic trade and consumer affairs ministry?

Whatever it is, motor insurance fraud could well cost taxpayers their lives.

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