

## Improving the Motor Claims Process

Motorists involved in accidents often cite the time taken for insurance and takaful claims to be paid – and the opacity of the claims process – as major pain points. On average, own damage claims take two months to be paid from the point of notification. Third-party property damage claims often take even longer to be paid. For motorists whose incomes and livelihoods depend on access to a properly functioning vehicle, delays in processing a claim can mean significant hardship, and a delay in getting much needed relief.

### Why does it take so long to process a claim?

The claims process is made up of several stages, involving various parties (see Table 1). This entails a number of checks and controls to ensure that only claims with merit are paid. For example, a police report is required to serve as an official record of the accident. Meanwhile, loss adjusters provide a professional assessment of the damage sustained and related repair cost estimates submitted by workshop operators to ensure overall reasonableness. Adding to delays are missteps which motorists themselves might make along the claims process. For example, a motorist might not be aware of what needs to be done after experiencing an accident. He may unwittingly engage a tow truck provider or workshop not recognised by his insurer or takaful operator.

Each stage of the claims process involves some amount of paperwork, and any error or discrepancy in documentation contributes to delays. While these steps serve to establish fault and curb abuse that would lead to escalating motor insurance premiums, they have also contributed to the issue of slow payouts.

Table 1: The motor claims process

	Stage 1: Accident	Stage 2: Police Report	Stage 3: Loss Adjusters Assessment	Stage 4: Claims Submission	Stage 5: Repairs	Stage 6: Settlement of Claims
<b>Stage of Claims Process</b>	<ul style="list-style-type: none"> <li>Accident victim notifies insurer/ takaful operator</li> <li>Tow-truck dispatched</li> </ul>	<ul style="list-style-type: none"> <li>Police report to be made within 24 hours</li> </ul>	<ul style="list-style-type: none"> <li>Assess damage and review repair costs submission</li> </ul>	<ul style="list-style-type: none"> <li>Workshop operators submit claims to insurer/takaful operator</li> </ul>	<ul style="list-style-type: none"> <li>Workshop operators procure parts and commence repairs</li> </ul>	<ul style="list-style-type: none"> <li>Claims are settled and reimbursed to parties respectively</li> </ul>
<b>Issues Encountered</b>	<ul style="list-style-type: none"> <li>Lack of consumer awareness on next steps</li> <li>'Call men' misdirect accident victims</li> </ul>	<ul style="list-style-type: none"> <li>Police burdened by high volume of reports required for all accidents, including those without bodily injury</li> </ul>	<ul style="list-style-type: none"> <li>Subjectivity and variations in claims estimates among workshops, insurers, takaful operators and loss adjusters</li> </ul>		<ul style="list-style-type: none"> <li>Subjective quality and cost (labour and parts) of repairs</li> <li>Instances of alleged collusion, and inflated and fraudulent claims</li> </ul>	<ul style="list-style-type: none"> <li>Delay in receipt of claims if issues in Stages 1-5 materialise</li> </ul>

### Making the claims process more efficient

Given the need to ensure that only claims of merit are paid, it is unavoidable that the claims process involves checks and controls. Without appropriate controls, motor insurance premiums could increase significantly and become unaffordable for segments of the population. As motor insurance is compulsory, this in turn could have broader implications for society and public safety.

There are a number of strategies that can be pursued to make the process more efficient. First, motorists should be better equipped to navigate the claims process. The Bank requires insurers and takaful operators to provide motorists with a standardised guide on the appropriate steps to take when involved in an accident together with

their motor policies. These guides are also available on the websites of insurers and takaful operators. In 2013, the industry came together to establish Accident Assist (1300-22-11-88), a helpline that provides around-the-clock roadside assistance. Callers are also able to pose questions on coverage and claims procedures.

Second, the industry must continue to simplify and rationalise internal processes for managing claims. The Bank is reviewing its existing standards on timelines to be met by insurers and takaful operators in processing claims. The aim is to reduce the time taken by leveraging on better information and disclosures. In this regard, the Bank backed efforts by the industry to establish a central database on the costs of motor parts and repair times, and to promote consistency in the quality of repairs. The Bank also continues to provide a regulatory environment that encourages the industry to adopt digital solutions to further shorten claims turnaround times. For example, the use of video-calls and drone technology allows loss adjusters to inspect damaged vehicles remotely and estimate damages in real-time without needing to be physically present at workshops.

Third, public sector agencies involved in overseeing the transportation and motor sectors in Malaysia also have a critical role to play. Effective regulation and enforcement to promote professional conduct and prohibit fraud and abuse are key to protecting the integrity of motor repairs, treatment of injury and the claims process. For instance, setting and enforcing clear minimum standards for repairs will elevate the overall level of professionalism of workshops, increase consumer confidence and minimise the scope for disputes during claims settlements.

There is also scope for a more fundamental rethinking of the accident and motor claims process. To illustrate, some countries have removed requirements for certain classes of accidents to be reported to the police. Instead, cases are reported to designated centres that function not only as workshops, but also as accident reporting centres linked up with insurers. These arrangements are supported by industry agreements and legislative changes, which define responsibilities of relevant parties to conduct pre-inspection of the damaged vehicle(s) prior to repairs, and govern the apportionment of liability to the parties involved in an accident. An effective dispute resolution mechanism involving independent arbiters to resolve any grievances is also critical. For claimants, this means quicker claims processing, trustworthy repairs, and swift financial relief in the event of injury.