



2 April 2014

The Committee,  
Select Committee on the Motor Vehicle Repair Industry  
Parliament House  
Macquarie Street Sydney NSW 2000

Dear Committee,

**RE: Inquiry into the Motor Vehicle Repair Industry**

I refer to the hearing on 17 March 2014 and the question of Mr Doyle taken on notice.

Mr Doyle asked:

**Mr BRYAN DOYLE:** Can you give an example of when the policy does provide for some choice of repairer, do you get any complaints in relation to being steered in a particular direction?

When Insurance Law Service responds to a consumers inquiry, the first step is to look at the policy wording and what an entitlement such as "choice" really means in context, as it is rarely an unfettered choice of a consumer and is often limited or restricted, or may carry certain disincentives within the wording itself.

As such, I have set down some examples of the relevant policy wording as an attachment to this answer to demonstrate that "choice" needs to be considered in context of the policy wording, and that how a consumer may be steered in a particular circumstance can be both through action of the insurer and consequences of the wording.

I have reviewed the ILS advices and make the following comments:

1. Where a policy may provide a consumer to choose their own repairer, many consumers are not cognisant of this right, generally due to unfamiliarity with their product disclosure statements. In our experience it is not until we are dealing with their inquiry and reading through their policy that they become aware of this right.

To many insured's their "right" to choose the repairer has been a surprise. One explanation is the default position of the insurer will be to refer the consumer to their preferred repairer and the insured will not be aware they can ask for the repair to be undertaken by their own repairer. In effect it is steering by omission.

2. "Steering" can also be effected by:
  - a) a settlement on less advantageous terms, such as using the clause allowing the insurer to reduce a claim by "determining the fair and reasonable cost" of repair and not authorising the repairer of choice if it costs more than their authorised repairer.

Consumers report feeling trapped or obligated to use the repairer even where they are ostensibly provided a choice. As to assert their "right", they need to proceed through a lengthy dispute in internal dispute resolution and then often on to the Financial Ombudsman Service; often resulting in lengthy delays. If they have no hire car benefit the consumer will be left without a car. Consumers also report difficulty in getting evidence that the repair quote provided by the insurer is an underestimate as their repairer does not want to affect their ongoing relationship with the insurer to obtain work. See Case Study 1 below.

- b) Consumers are told the car needs to be assessed by the insurer and then moved to their chosen repairer. ILS often receives inquiries as to who bears the cost of towing. The uncertainty often leads insured's to choose the least path of resistance.
- c) Insurers commence repairs without asking, or at worst against direction (see case study 2 below).

Kind regards,

  
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#### **Case Study 1 - Client inquiry 8 from the 14/02/14 submission**

Client has a disability and in urgent need of my car for repairs. The car was damaged in a hit and run in september 2013. She lodged a claim with her insurer under the policy and she's been told she can choose her own repairer, and she's not covered for a substitute vehicle. The catch is that once her repairer gives a quote the insurer's assessor can make their own adjustments to it and offer a lesser amount than what is quoted by her own repairer. She's had it quoted by 2 of her own choice of repairers but the INSURER's assessor has adjusted the quote significantly reducing it by about \$15,000 from about \$70,000. She disputes their assessment based on the 2 quotes she has. She lodged in internal dispute resolution on 25/10/13 and is waiting for a response. She wants to know how long does insurer have to finalise the claim as she is concerned how long it is taking. She hasn't read the PDS. She is borrowing husbands car sometimes. She has been without her car for 6 months

#### **Case study 2 - Choice of Repairer – request ignored**

Mrs A's car was parked outside of her house, and a P Plater doing wheelies smashed into it. The police notified her of the damage and she was advised the other driver was also insured. Mrs A was very distressed and contacted her insurer immediately. Her insurer was also the underwriter of the at fault parties insurer. Her insurer sent a tow truck to take it to their assessment centre. Mrs A left strict instructions she did not want repairs undertaken as she wanted to repair it at her car's dealership by an authorised repairer of her make of car. She told them very clearly they could look

at it but not repair it. Later that day she spoke to the assessor who advised her parts had been ordered, they had commenced the repairs and had dismantled the car. Mrs A was extremely distressed.:

She had not yet decided if she would

- a) pursue her claim through her insurer or proceed against the at fault insurer;
- b) she wanted her own motor dealer to assess the damage to determine whether the car could be repaired to the standard.

Mrs A also felt her insurer was not acting in her interests but as they were both the insurer for her and the other party, they were not acting in her best interests but in their own interests.

GIO Choice of Repairer – only if they agree if they have assessed it at their assessment centre and the quote is reasonable and cost effective.

#### **If your car is safe to drive**

We will arrange a time with you to bring your car into one of our assessment centres or repair facilities, or to another location nominated or agreed to by us.

#### **If you allow us to arrange the repairs**

- ▶ we ordinarily obtain two competitive quotes from our recommended repairers (where available) and select the most appropriate quote;
- ▶ we authorise the repairs based on the most appropriate quote and manage the repair process with the repairer;
- ▶ we will keep you informed of the progress of the repairs **and** will advise you when your car is ready for collection.

#### **If you choose your own repairer, which may include one of our own recommended repairers:**

- ▶ after you obtain a quote from your repairer, we will arrange a time with you to drive your car (if it is safe to do so), or you must let us move it, to one of our assessment centres or repair facilities, or another location nominated or agreed to by us;
- ▶ we will authorise the repairs if we agree your repairer's quote is reasonable and will result in your car being repaired safely and in a cost effective manner.

#### **If we don't authorise repairs**

If we don't authorise repairs, we will pay you what it would have cost us to repair your car and the lifetime guarantee will not apply. The amount we pay is normally determined by obtaining a quote from a repairer we choose.

Coles Insurance – choice of repairer if the total repair cost do not exceed the quoted repair by the authorised repairer

#### **Choice of licensed repairer**

If we assess that your car can be repaired, you can choose to:

- use our authorised repairer, or
- use and authorise your own licensed repairer, if the total repair costs do not exceed those quoted by our authorised repairer for comparable repairs.

You will only be entitled to the Lifetime Repair Guarantee described in the Additional Benefits section below if you choose to use our authorised repairer.

We reserve the right to:

- determine the method of repairs,
- make sure that the repairs are carried out satisfactorily, and make sure that the parts used for repairs are new or are consistent with the age and condition of your car.

Shannons – choice of repairer allows for adjustments made by the assessor including the method of repair.

#### **CHOICE OF REPAIRER**

Comes with: **Comprehensive**

Applies to: **All Vehicles**

- ✓ Following loss or damage covered by this policy, if we decide to repair your vehicle or replace any part of it, the choice of repairer is yours.

We will pay the amount we assess to be reasonable by considering your repairer's quote with any adjustments made by our assessor. We reserve the right to determine the method of repair that your repairer uses. We may decide to replace damaged parts with new parts or used parts of a similar condition to those being replaced.

If you do not have a preferred repairer of your own, we can arrange to tow your damaged vehicle as well as handle the entire quote and repair process on your behalf. Please contact us on 13 46 46 and we will make the necessary arrangements.

Youi – choice of repairer – will pay the fair and reasonable costs of repairs as determined by their assessor

#### **Choice of repairer**

If your claim is accepted and the damaged car can be repaired, at our option, we will arrange repairs with a repairer who is acceptable to us.

Wherever possible, we will offer you a choice of repairer from our network of recommended repairers. If we choose and authorise repairs with a repairer, we will guarantee the quality of those repairs for as long as you are the owner of the insured property.

You may choose another repairer, however we may not authorise repairs. If we do not authorise repairs we will pay you the fair and reasonable cost of repairs as determined by us, considering a number of factors, including comparison quotes from an alternate repairer we choose and our Quality guarantee will not apply.

If you decide to choose another repairer, they must be appropriately licensed and authorised by law to conduct the required repairs.