

MOTOR VEHICLE REPAIR INDUSTRY

Name: Name Suppressed
Date Received: 12/02/2014

Partially Confidential

To the committee of the Government inquiry into the smash repairer and Insurance company industry,

I am the owner of a smash repairs business. My company was established over 30 years ago and is currently a 3rd generation, family owned business. The business currently employs 18 people.

Over the past 3 years, I have witnessed a significant change in the operation of the repairs industry. Insurance companies are increasingly dominating/controlling repair rates, times and volume of work. As such, my business has endured vast implications through a significant decrease in volume of work and profit. If these changes are not rectified, my business may not survive. Due to these changes, many of my colleagues have already been forced to close their business down.

Below I have discussed these change in detail:

Consumer:

When the consumer is purchasing a policy, the insurance company uses choice of a repairer as a positive selling point

However, when lodging a claim, consumer's are persuaded to use their insurance company's preferred repair by the insurer offering benefits, such as:

- Life time warranty on repairs
- Free taxi fare and vacuum wash
- Repairs to start straight away experiencing no waiting period

Consumer's are then inconvenienced when opting to use their choice of repairer policy, such as:

- Not being advised when lodging a claim that they have choice of repair inbedded in their policy.

- Insurance companies are not clear and transparent in their PDS regarding choice of repairer policy (as per 9.1 of code of conduct)
- Wait longer for assessment
- Drive to assessment centres to have their car assessed (sometimes being forced to take leave from work to do so as assessment centres do not open after hours). The Insurance company will not allow the repairer to drive the vehicle on the customers behalf.
- Not being entitled to a life time guarantee on repairs
- Asking the customer to drive around in an unsafe and damaged vehicle to acquire a second quote from their insurance companies preferred repairer. Often, the Insurer then only pays the cheaper amount to repair the car
- Miss out on benefits (as aforementioned)
- In some occasions, Insurance companies will pay the customer direct instead of paying the repair (cash settlement)
- As such, repair time is also lengthened.

The consumer should be aware that when their car is repaired by the Insurance companies preferred repairer it is often repaired under a cost model (in some occasions, a set price or average repair price). However, the customer is often not aware of this fact.

The consumer should be aware that the Insurance company may sometimes use after market parts on their vehicle, such as radiators, air cores, windscreens. This can occur, even when the car is still under manufacturers warranty.

The Insurance company should inform the consumer that some preferred repairers are partly owned by the Insurance company

Repairer (not considered a preferred repairer):

Receive delays in

- Payments
- Assessment
- Authorisation

Repairers are significantly disadvantaged by Insurance companies steering the consumer towards preferred repairers, in areas such as work flow

Repairers are forced to quote in times and rates that are outdated (FTFM)

Repairers must reject certain customers (customers have policies with no choice, XXXXXXXXXX)

At times, repairers must drive to assessment centres to quote their customers vehicle

At times, repairers must tow non-drivable cars to assessment centres for assessment.

Repaires are often forced to repair vehicles under assessors unnegotiated adjustments to quotes, these differ from paint manufacturer SPECS. If these adjustments are not enforced, Insurance companies threaten to get a second quote and possibly cash settle the claim

Sometimes forced to second quote when their customer does not have choice of repairer.

Repairers (Preffered repairer)

Have the luxury of constant work with insurance companies recommedations. In return, they repair the vehicles to a strict cost model. In some occasions, this may cause retifications of work.

Forced to drive to assessment centres to competitive quote vehicles (Often these cars are not dismantled). If the repairer does not have a average success rate they run the risk of their contracts being terminated. This system is designed for cheap repairs and in occasions may lead to rectifications.

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As suggested, our industry is in turmoil and requires strongly enforced regulations. I hope this enquiry can assist our industry in enabling small businesses to have a long and successful future.

My suggestions for improvement are as such:

- All Insurance policy must offer a true choice of repair element
- They must be clear and transparent within the PDS
- Insurance companies must not own repair facilities
- Preferred repairers should not exist to enable true choice of repairer. This will also assist small businesses to compete at a level playing field.
- Insurance companies should not implement a two quote model and should enforce the current RTRM method to enable consistency across the industry
- Insurance assessors should be independent of insurance

company

- The code of conduct is the **KEY**. When the code of conduct is not adhered to, strong consequences should apply.

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