

**Submission
No 28**

MOTOR VEHICLE REPAIR INDUSTRY

Name: Name Suppressed

Date Received: 13/02/2014

From: [REDACTED]
Sent: Thursday, 13 February 2014 5:36 PM
To: motorvehiclerepairinquiry
Subject: Inquiry into Motor Vehicle Repairer and Insurer Relationships
Importance: High

Attn: Jessica Falvey

Please find attached my Submission to the Inquiry into Motor Vehicle Repairer and Insurer Relationships.

I make this Submission in my capacity as [REDACTED], a smash repair business I have owned for the last 35 years.

I lodge this Submission with the request that it's status is "Partially Confidential".

Whilst I am happy for this Submission to be in the public arena, due to fear of Insurance Company retribution, I do not wish to identify my Company name or my name to it.

Sincerely

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED] [REDACTED]
[REDACTED]



SUBMISSION:

INQUIRY INTO MOTOR VEHICLE REPAIRER AND INSURER RELATIONSHIP

- The current Motor Vehicle Insurance and Repair Industry Code of Conduct (hereafter referred to as “CofC”) is an effective document relative to the vacuum that existed prior to its introduction in 2006. By its charter it is reviewed every 3 years with the most recent review and subsequent recommendations having just been completed.
- The reality of the CofC is that both sides of the Industry have been able to identify very specific components of it to try and drive outcomes preferential to that interest.
- The dispute resolution aspect of it indicates nothing other than Repairers having given up on it and Insurers promoting this as evidence that everything is working well.
- Without a commercial deterrent or at the very least a “name and shame” aspect, and this cuts both ways – Repairers and Insurers - the dispute aspect of the CofC serves very little purpose.
- As an example of how the CofC is disregarded by the Insurers, Clause 9.1 of the CofC requires that “Insurers will clearly state, in unambiguous and plain language, upfront in their PDS, their policy in relation to choice of Repairer”. I am yet to see a Product Disclosure Statement that aligns with the above disclosure obligation. In fact, sometimes this information is contained in a Supplementary PDS, presumably in the hope that the small number of people who read a PDS will overlook their entitlement in this area.
- It is not unreasonable for a consumer to assume that a policy from an Insurer is pretty much the same from one Insurer to the next. While this, no doubt, is true when you take out life insurance, things aren't nearly as cut and dried in motor vehicle insurance.
- For example, in the [REDACTED] a report on a [REDACTED] briefing to investors said that the Company was aiming for annual savings of \$235 million, mostly from changes to processes across their Motor Vehicle Business.

- The \$235 million question is are these savings from structural change from within the Industry or an abbreviated approach to individual repairs to trim the \$235 million? The reality no doubt is a combination of both, but to what end have the [REDACTED] Insureds been unwittingly subsidising the recovery of the Group from when it was on the ropes during the Global Financial Crisis? Perhaps it would be excusable if this \$235 million was returned to the Insureds by way of lower premiums, but the reality shows that it was the Shareholders who benefitted. The following paragraph demonstrates how [REDACTED], a [REDACTED] brand, implements its share of the \$235 million saving.
- A [REDACTED] Motor Vehicle Insurance PDS which became active 17/11/2011, states “If we don't authorise repairs, we will pay you what it would have cost us to repair your vehicle and the lifetime guarantee will not apply. The amount we pay is normally determined by obtaining a quote by a Repairer we choose.” Bearing in mind the involvement of [REDACTED] in ownership of Repair facilities, you would have to wonder about the benefits here for consumer choice and protection. To insure, quote, assess, repair, sign off, on a repair on your own Insureds car or threaten a pay out of an equivalent dollar amount, while concurrently disenfranchising you from a lifetime guarantee would seem unethical to most fair minded Australians. The final irony is the motto for this Insurer: [REDACTED]
- Whilst [REDACTED] is an easy target, other Insurance companies are not without fault when it comes to potentially reducing repair outcomes for their Insureds. A lot of Insurance companies have Recommended or Preferred Repairer programs. While some are genuinely helpful to Insureds, others are so contractually in favour of the Insurance Company that the temptation to repair a car with an eye to keeping an Insurer happy, takes precedence over the primary outcome being for the Insured. How an artificial dollar constraint can be an initial definer of the parameter of a quote, rather than what's actually wrong with the car and the best way to put it right, is not in the consumer's interest.
- At least one Insurer awards work by winning tender. On the face of it, not unrealistic, but on a structural rather than a cosmetic repair it is hard to imagine a dynamic where a lower dollar amount produces a better repair outcome.
- An alternate way to handle Insurance assessments and authorisations could be to have them all carried out by independent loss assessing companies. This would divorce the Insurance Company from an internal process and require qualified licensed Assessors working on behalf of independent assessing firms being responsible for both the appropriate repair method and fair and reasonable cost being independently adjudicated.

The responsibility for procedural correctness and damage reinstatement would lie with the assessing company and the commercial aspect of the repair would be the Insurance Company's responsibility. Theoretically this becomes a level playing field with all repairs being appropriately authorised and all Insurers treated equally.

Individual Insurance Companies could differentiate themselves in the marketplace by adding various levels of benefits to their policies, clever advertising campaigns, niche market segments, streamlined administrative processes, etc. to drive their profitability rather than achieving it via collateral damage to their Insureds.