

**Submission  
No 9**

## **MOTOR VEHICLE REPAIR INDUSTRY**

**Name:** Name Suppressed

**Date Received:**

[REDACTED]  
[REDACTED]  
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[REDACTED]

12 February 2014

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

Dear Committee Manager,

I am pleased to forward this submission, based on personal experience of recent developments with adverse effects on the motor vehicle repair industry and its clients.

Thanking you for your attention,

[REDACTED]

## **SUBMISSION re INQUIRY INTO THE MOTOR VEHICLE REPAIR INDUSTRY**

### **Introduction:**

This writer and other household members do not, and have never, had any direct connection with the motor vehicle repair industry. Over time, we have incurred what would seem to be a below-average number of motor vehicle mishaps. Our vehicles have always been insured by an industry leader.

Members of this household are hardly exceptional in having seen and/or experienced examples of unethical conduct involving the closely related motor vehicle towing and motor vehicle repair industries. Aggravating though such conduct may have been in the past, defences have been available via Motor Traders Association of NSW, Fair Trading NSW and simple word-of-mouth recommendations.

### **You call this insurance? Top dollar premiums for second-rate service:**

The newer, and in some ways nastier, development is an exceptionally self-serving contribution by the motor vehicle insurance industry. Naturally, the insurance firm must collect sufficient revenue to meet its obligations to customers and also to realise a profit. At the same time, the sole reason for paying insurance premiums has always been to protect against a sudden expense which may be unmanageable in the short term.

One would think that the consumer's payment of premiums would be sufficient to satisfy both the insurer and the insured. After all, it is the insurer who determines the amount of the premiums.

However, the more recent arrangements demand that the vehicle insurance customer:

- accepts whatever **low valuation** the insurance body offers on a vehicle,
- accepts the **premium determined by the insurer**,
- accepts the **insurer's assessment of damage to a vehicle**, with no opportunity to point out damage which may have been overlooked,
- accepts that **today's preferred bidders for repair of a vehicle are not the reputable, local, repairers** who used to be recognised by both local word of mouth and by the company's plaque on the wall of the local garage,
- accepts that **the damaged vehicle will be taken to a distant location where an unknown repairer will be selected on the basis of tendering the lowest bid.**
- accepts that despite payment of premiums, **the consumer will have choice of a specific repairer only by scraping up the full cost of repairs for payment to the repairer --- this amount to be refunded sometime later** to the insured party,
- accepts that **although obviously repairable, the damaged vehicle may be written off as a convenience to the insurance company.**

### **The new network:**

Ad-speak for this new approach, which effectively removes the element of consumer choice, is a vague reference to something like "*network of expert repairers*".

Commercials depict caring company telephonists and grateful consumers in a fairly seamless process leading from a reasonable premium, via understanding service, to exquisite repairs.

In personal experience, the reality is a clear indication that a consumer who does not play a completely passive role is considered to be an intolerable inconvenience. Those who are unwilling to accept uninformed advice from automaton-like telephonists and substandard repairs by strangers are considered suitable targets for rough treatment.

Unhappy with the value placed on the vehicle by the insurance company? *So sad, too bad.* Want to use the repairer you know and trust to honestly assess damage and expertly effect repairs? *Not if the insurer can stop you.*

**So-called 'agreed value':** Annual renewal of car insurance has become an exercise in haggling. For its own profit, the company's objective is to value the vehicle as low as possible. This is not new but the pursuit of the objective has reached disturbing heights, as follow:-

- impose the same value on a variety of models of a brand which are released in a particular year, and use the lowest value (the unadorned budget-model vehicle), eg value the many Toyota Hi-Lux utilities released in a given year at the cost of the most common vehicle.
- provide no information or authority to phone operators for variations in agreed value based on condition, rarity, etc. (Most consumers will not go to the extent of attending a shopfront office for face-to-face negotiation, which may or may not produce a more satisfactory outcome.)

*Note:* in view of the fact that an increased value inevitably means an increased premium, the corporate reluctance to provide a realistic valuation ought to be mystifying. Perhaps the explanation is that the insuring company prefers to assess a damaged vehicle as a "total write-off". By scraping

the vehicle, the company avoids any involvement whatsoever with a repairer or with a customer who is not satisfied with a poor repair job.

### **Consequences:**

**1 .Obviously, the first victim of this new approach to motor vehicle insurance is the consumer,** who is manoeuvred into paying a substantial premium for better than the shoddy service delivered. Starting with the usual, ghastly service via telephone and running all through the process of repairing a damaged vehicle, vigorous efforts are made to deny consumer choice. The 'good' customer accepts valuation and premium without question. In the event of damage to the vehicle, the 'good' customer accepts the insurer's assessment of damage and the insurer's choice of a venue where vehicles from all over a region are deposited for a bidding marketplace. The 'good' customer then must accept that the insured vehicle will be towed off to some distant location for repair by strangers of unknown reputation. The consumer receives no reward for being 'good'.

**2. The concept of consumer choice is taking a beating . . . again.** The alternative to passive acceptance of rotten service is for the consumer to find the funds to pay the repairer of his/her choice, and then wait to be reimbursed by the insurer. (Wasn't the whole idea of insurance meant to be protection from the need to produce quite a lot of money on short notice?)

### **3. The industry also suffers.**

The consequences of the insurer's failure to encourage high-standard, local repairers are both immediate and longterm. Many of these reputable small businesses are closing now. More will be forced out of business as insurers continue to deny them a rewarding volume of repair business. Without this volume, there is little incentive to continue the business. There is even less incentive to accept apprentices. Car insurance, originally designed to support repair of damaged cars, is now killing the repair business.

**4. The vehicle repair and used car sales industries are becoming a scrap metal and plastic industry** – environmentally irresponsible and denying affordable private travel to many people who require it. Despite the cliché opinion of the used car salesperson, these individuals also deserve consideration – better in the caryard than in the dole queue.

### **A real-life example:**

October 2013: Papers for car insurance renewal arrive, indicating dramatic drop in suggested insured value and also increase in premium. Phone contact(s) and their supervisor unwilling to contemplate a more realistic insured value. Special trip to office secures increase in insured value and predictable increase in premium.

19 November 2013: vehicle damaged while parked. Other driver at fault according to insured, independent witness, two other drivers whose vehicles were damaged in same incident, and police.

Damaged vehicle driven to usual local repairer, who has lost 'preferred' endorsement and is contemplating closure which may prevent completion of repair job. Damaged vehicle then driven to another local repairer, who also has lost the insurer's endorsement but is still in business.

Insurer advised of accident. Insured party told that damaged vehicle must be handed over for a tow to a former factory site several suburbs away. The alternative is that if the insurer accepts the repairer's assessment, the insured party must pay the repairer and then wait to be reimbursed by the insurer.

22 November 2013: Insurer's assessment at premises of repairer of choice delayed.  
(Assessor failed to turn up on designated Friday. On following Monday, repairer obliged to start again to obtain booking.

10 December 2013: Vehicle repairs completed and checked by insurer.

12 December 2013: Insurer's reimbursement cheque for \$6,600\*.

28 January 2014: Accidental discovery *by insured party* that an outstanding reimbursement of \$396\* has not been paid.

29 January 2013: Additional reimbursement cheque from insurer finally drawn.

*\*Insured party out of pocket for considerable period(s) as 'penalty' for nominating repairer of own choice.*

### **Summary:**

Since experiencing the above-mentioned expense and inconvenience, it has come to our attention that dissatisfaction with vehicle insurance is commonplace. At the bank, the supermarket, the post office, the club, and over the back fence, everyone seems to know someone who complains of shoddy repairs due to the new approach to vehicle insurance which has been adopted by many leading insurers.

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