

**Submission
No 78**

MOTOR VEHICLE REPAIR INDUSTRY

Organisation: Innovation Group Australia
Name: Mr Daniel Lukich
Position: Business Development Manager - Insurance Services
Date Received: 28/05/2014

The following is Innovation Group's response to the five questions asked by the Parliament of NSW Select Committee on the Motor Vehicle Repair Industry.

1. The role of a motor vehicle assessor

The contemporary motor assessor performs a variety of functions and is integral to delivering a professional motor claims service.

The overriding responsibility of an assessor is to ensure that a damaged vehicle is correctly reinstated to a pre-accident condition at an appropriate cost. In other words, to eliminate any risk with the integrity and ongoing safety of a motor vehicle, in a cost effective way.

The functions of an assessor can be separated into some key areas. The items an assessor seeks to address during the assessment process are as follows.

A. Confirming the validity of a motor accident claim.

- Is the vehicle the same as listed on the customer's policy schedule?
- Does the incurred damage match the incident description?
- Is all the damage being claimed fresh and consistent with the incident date?
- Identification of potential fraudulent claims activity

B. Ensuring a high quality outcome

- Is the repair method chosen by the repairer appropriate? (i.e. both cost effective and ensuring vehicle safety)
- Has all the possible damage been seen and estimated? (e.g. potential mechanical, suspension, electrical or sub-frame damage)
- Should the vehicle be part dismantled to accurately identify entire damage/best method of repair?
- Is the repairer suitably equipped or experienced to facilitate a high quality repair?
- Is the vehicle under manufacturer's warranty?
- Is the vehicle over insured (i.e. is it more cost effective to instigate repairs rather than declare a total loss)?
- Will subletting certain repair operations to specialists ensure a better result?
- Should the vehicle be deemed a total loss due to structural concerns?

C. Repair/Claim cost control

- Is the repairer's estimate fair and reasonable to facilitate the repairs?
 - Are appropriate labour and paint operations included?
 - Are any operations/parts quoted duplicated (i.e. described differently)?
 - Are appropriate hourly rates and times being quoted?
 - Does the estimate include omissions that may potentially require additional cost?
 - How does the estimate compare to the repairer's competitors?

- Should the vehicle be deemed a total loss due to a potential high salvage return?
- Will subletting certain repair operations to specialists deliver a saving?
- Are recycled/alternative/unbranded parts available and appropriate?
- Are towing fees and/or storage charges appropriate?
- Are any owner contributions towards pre-existing or unrelated damage required?
- Is there a hire car involved? How will the chosen method and/or repairer influence the time-cycle?

D. Customer service

- Can repairs commence immediately? If not, to look at alternatives if the repairer in question does not have sufficient capacity in the short term. This is important at times of increased claims activity e.g. following hail storms
- Is moving a (towed) vehicle closer to the owner's location a better outcome (this is important on interstate claims or claims for metro clients in regional locations and vice-versa)
- Providing direct liaison with policy holders /third parties/intermediaries and keeping them informed of progress on the repair
- Providing fast and accurate reporting back to claims department

An assessor also needs to devote time to ensuring they are up to date with the industry and associated requirements. In particular they need to continue to invest in their skills and knowledge in the following areas.

- Repair processes and techniques, including:
 - New vehicle manufacturing methods/construction materials
 - Advances in Paint refinishing techniques and products
 - Vehicle electronic and safety feature advances
 - Factory repair method recommendations
 - Mandatory equipment requirements for repair facilities when engaged in structural repairs
- Legal and financial aspects, including:
 - Knowledge and understanding of the industry code of conduct
 - Familiarisation with the Terms and Conditions of various Insurance policies
 - Familiarisation with privacy legislation
 - Knowledge of Insurance motor claims procedures

2. The best way of assessing motor vehicles involved in an accident

The most comprehensive method of assessing vehicles, especially where structural integrity is likely to be affected, is to physically inspect the vehicle, confirm repairer's equipment and capability and to adhere to the elements outlined in section 1. B above ("Ensuring a high quality outcome").

As an alternative to a physical (on-site) inspection, assessing vehicles remotely by examining digital images is an acceptable method when:

- the damage is highly unlikely to affect structural integrity; and/or
- the assessor has been provided with demonstrable evidence that the repairer is suitably equipped and capable to facilitate all repairs required.

It should be noted that in most current motor claim processes an assessor is most often engaged part way through the claim cycle. As a result, an assessor is rarely responsible for how or why a vehicle arrives at a repair facility, so applying the “best way” should be viewed as being under assumption of the vehicle being at a suitably equipped and capable repair facility to begin with.

For example insurers deploy vehicles to repairers in their authorised network as a way of controlling repair costs and in return for commitments of quality and consistency from the repairers who qualify for the network. This is commonly performed at the point of initial claim lodgement to an Insurer’s call centre or web facility.

When an authorised network repairer is used, some Insurers are moving away from the traditional assess and negotiate practise on each and every motor vehicle claim to a more streamlined, efficient and cost effective model where repairers receive damaged vehicles, scope the work themselves and commence repairs. This moves the onus of identifying any structural damage and the application of correct repair method to the repair facility.

We would recommend that Insurers that bypass the traditional assessment stage establish and maintain a database of structurally affected vehicles and implement a comprehensive quality control function, and/or post repair audit which highlights any quality deficiencies. This will increase confidence that vehicles are being repaired correctly.

Another example is towing company that often directly influence where a vehicle ends up for repair, with little regard of structural damage incurred and repairer capability. After receiving a damaged vehicle from the accident scene, the repairer creates a relationship with the vehicle owner and will work hard to ensure the damaged vehicle is retained as a job. An assessment is then arranged by the repairer after the estimate is completed.

We recommend that Insurers assist assessors to apply best method assessing by establishing a robust “triage” at initial lodgement by cross checking a data base of capable, fully equipped repairers able to carry out structural repairs on the vehicle type in question.

3. The qualification/experience required by motor vehicle accident assessors

To act as an assessor, adjudicate and be responsible for authorising safe and cost effective repairs the individual should hold:

- A. Trade qualifications and/or extensive experience in the automotive body repair industry
- not less than 5 years;

- B. Not less than two years experience in the estimating of damaged motor vehicles;
- C. Demonstrate ongoing training in areas of structural awareness. (e.g. training accreditation by an approved training facility such as I-Car);
- D. Demonstrated knowledge of how a motor body repair facility operates including how labour rates/shop rates are calculated, understanding profit and loss factors, effect of parts margins, etc.; and
- E. Police clearances.

4. Issues surrounding a requirement for assessors to be independent of Insurers

There are a number of benefits an independent assessor can provide; in particular accountability, impartiality and maintaining quality standards.

In terms of the practicality of all assessments in NSW being carried out by independent assessors, consideration would need to be given to an appropriate transition time in order to allow the build up of additional capacity in independent assessing companies to satisfy the demand.

A. Accountability

An independent assessor or assessing company is accountable and ultimately liable for the assessing/repair method decision when choosing to authorise repairs to a motor body repairer on a motor vehicle on behalf of an Insurance Company.

B. Impartiality

An independent assessor's decision regarding vehicle repair method and cost would not be influenced by any commercial arrangements that may exist between the Insurer and the Repairer, Manufacturers and Insurers and Manufacturer/Dealerships and Repairers.

An independent assessor will be less encumbered when making determinations and recommendations to;

- a. Increase the estimated cost of repairs by instructing a repair method that ensures the integrity of repair;
- b. Decrease the cost of repairs when unnecessary operations are identified in a repairer's estimate;
- c. Recommend a total loss (regardless of the Sum Insured or Agreed value) if structural integrity cannot be assured;
- d. Move the vehicle to a more suitably equipped repair facility;

- e. Seeking approval to part dismantle damaged vehicles to ascertain correct method.

C. Quality & Safety Standards

It should be noted that a significant number of repairs are for damage of a minor or superficial nature where vehicle safety and integrity is not affected and an appropriate repair method and cost are easily identified. The vast majority of motor body repairers in NSW are able to adequately perform this type of repair. Including an assessing step into every single claim may add cost to the Insurer and adversely affect the cycle times of motor vehicle repairs that consumers now experience.

Therefore, it may be more effective for independent assessors to perform an independent Quality Control or audit function on a sample of vehicles during or post the repair process for these 'simple' or low cost repairs.

An independent Quality Control inspection of substantial structurally affected vehicles pre, during or post repair will identify any deficiencies regarding a repairer's ability to correctly and safely reinstate a damaged vehicle. The audit will bring to light any potentially unsafe repairs and provide recommendations for remedial steps to minimise similar situations in the future.

5. Difficulties assessors have with the business models of insurers including the use of "funny time – funny money"

Motor Insurers employ numerous business models that themselves are under constant change and refinement. Insurers continue to balance competing for customers (growth), managing claims costs and servicing customers (repairing cars). As a result business models remain in a constant state of evolution.

As a provider of independent services we are witness to many different business models and often provide our services within differing structures and models. While this can be challenging, with appropriate systems and training of assessors this is not a major issue.

With regard to the repair industry's estimating methodology, the use of the "funny time – funny money" model presents challenges to the whole industry. The main one is the lack of transparency when comparing estimates or assessing the true nature of the work to be carried out for a particular repair. There would appear to be no reason why this would not be resolved by the adoption of the realistic times methodology (for example, as embodied in the comprehensive eMTA times database).

While it may allow some obscuring of real costs, preparing a repair estimate with a funny time funny money model should not directly influence obtaining a high quality repair outcome.

The key issue of the industry working together to creating an environment where vehicle repairs are not compromised remains paramount. It should certainly be the goal of all interested parties to provide high quality repairs at the right cost and in a timely manner.