



Hobson's choice

Jodi Bird uncovers why your car insurance policy's "choice of repairer" is often no choice at all

Having the option to choose your own car repairer is one of CHOICE's benchmarks for recommending a car insurance policy (see *CHOICE*, Mar 13). But your choice may be trumped by the insurer who, thanks to a qualification buried in the fine print of your policy, can force you to take your car to one of its partner repairers if that repairer comes in with a lower quote. And, it can then be difficult to know whether the preferred repairer will do a good or slapdash job on your wheels (see opposite).

Shonky repairers

In mid-November last year, the NSW government announced an inquiry into the links between car insurers and smash repairers. This was in response to concerns that shonky repairers were getting the jobs and poor repairs were not being reported to NSW Fair Trading.

The Motor Traders' Association of NSW (MTA NSW), an industry body

representing car repairers, has welcomed the inquiry, as have some insurers. The association told us it received 110 complaints over 18 months from consumers frustrated by shoddy insurance repair work organised by insurers, and that few of these cases are reported to NSW Fair Trading by insurers. Consumers' hands are tied because it is the insurer who authorises the repairs, so it is up to the insurer to report poor-quality repairs to NSW Fair Trading.

According to the MTA NSW, insurers routinely pay repairers outside their preferred network to rectify the original repairs in cases where policyholders complain. But they keep the contract with the insurer's preferred repairer. Presumably, the cost of fixing work, in the few instances where a consumer is aware of the shonky repairs, is offset by the saving of using preferred repairers.

Two-quote system

To cut costs, insurers operate networks of "preferred smash repairers" who may be required to complete a volume of work for a fixed price, even though many

consumers prefer to choose their own repairer. In our most recent CHOICE member car insurance survey, 84% of respondents rated choice of repairer as a very or fairly important feature.

In many cases insurers use a "two-quote" system. For policies that don't offer a choice of repairer, the insurer collects quotes from two preferred repairers. For those that do offer a choice, the consumer gets a quote from their own repairer but, for some insurers, if the preferred repairer quotes less they will be given the work – something a consumer can't argue against because it's a condition of the policy they've signed.

And the insurers put pressure on their own preferred repairers to quote low. Some preferred smash repairer contracts, for instance, require repairers to win the jobs for 50% of the quotes they write. The MTA says this drives the practice of quoting low to get the job instead of quoting to achieve an acceptable standard of repair.

What the insurers say

Major car insurer Suncorp told CHOICE the inquiry comes at an appropriate time because there is a need for change in the smash repair industry. There were once only 10 car models in Australia, which were made from one type of steel; now there are more than 160 models with seven different types of steel, and some vehicles with 70 central processing units.

The Suncorp group, which owns AAMI, GIO, Apia and Bingle, are part owners of smash repairers Capital Smart and Q Plus. Capital Smart operates conveyor belt-style minor repairs services that allow consumers to drop off their car and pick up the repaired vehicle the next day. Suncorp says its relationship with Capital Smart saves it up to \$400 on each car repaired. Q Plus specialises in "heavy hit" structural repairs and is expected to repair 150 cars a week at full capacity.

Suncorp's public policy manager, Duncan Bone, told us such streamlined

shops are the way of the future. He disputes the MTA's assertion that insurer-run shops have higher correction rates than independent repairers.

"They think it's unconscionable that we're involved in the process and are defining what's happening in their industry. In many ways we are, but we believe the innovative repairers we've invested in, the national repairer standard we are creating and the training support we provide to our recommended repairers are benefitting consumers and consumer safety."

The MTA argues that there is a conflict of interest because all parties involved in the claims process – the assessor, repairer and claims worker – are ultimately employed by the insurer, although Suncorp counter-argues its lifetime guarantee guards against poor repairs.

Bone also contends that Suncorp brands offering choice of repairer do not use the two-quote system and 99% of insurance customers who've opted for a choice of repairer policy end up using that repairer, although the insurer may negotiate the price if the quote is too high or includes work not caused by the accident.

Given the nature of the ties between many insurers and their preferred repairers, it seems "choice of repairer" is a policy feature that may work much better in theory than in practice. ■

SHODDINESS IN ACTION

Examples of shonky repairs done by insurer-preferred repairers range from poor workmanship – such as brackets held in place by pop rivets – to outright deception.

The recommended repairer for this Range Rover quoted to remove and replace a structural part of the

body. Instead the smash repairer cut the part, but did not replace it.

Luckily the car's owner, a former employee at the insurance company, avoided the rigmarole of rectifying the shoddy repair work by calling in a favour from his former employer and took the agreed value

of the Range Rover in cash. The car has since been written off.

The shonky repairer was not reported to NSW Fair Trading and was free to return to work on the insurer's jobs.

The repairer tried a dubious fix on this Range Rover



IMAGES: SHUTTERSTOCK

