

Australian Automotive Repairers Association

INTRODUCTION

The Australian Automotive Repairers Association (Political Action Group) Inc. was formed in July 2002. The AARA represents Automotive Smash Repairers throughout Australia having gained substantial membership in every state. The Association was formed for the purpose of challenging the practices in the insurance industry, predominately the Insurance Australia Group's (TAG) Preferred Repair Scheme.

The demutualisation of insurance companies in Australia saw a change in the culture and environment of the smash repair industry. This had the effect of changing the relationship that existed between insurance companies, repairers and insureds.

Prior to demutualisation, the main focus for insurance companies was to ensure that insured's received a high standard of quality of repairs and services; post demutualisation saw the shift in focus to the maintenance of share prices and bottom line profits.

- Pre - Demutualisation

Where the consumer had a collision, they would go to the repairer of their choice. This allowed the insured to visit the repairer, inspect the workshop and have a "face to face" and detailed conversation with the repairer in relation the work that was to be carried out. The client would then make an informed decision as to whether they would leave their vehicle for repairs at that repairers or take it to another repairer.

For the repairer to "win" the job, they would have to ensure that their customer service was of the highest standard. The client would be extended every courtesy and service including such things as a pick up and delivery service and alternate transport while their vehicle was being repaired. The repairer would repair the car in a workmanlike and timely manner and occasionally offer a discounted rate for any private work that may have been required. This was done to maintain the goodwill in the business.

While the insurance companies argue that this resulted in a poor quality work of work or alleged fraud on behalf of the repairer, the Insurance industry has hidden behind the cloak of deception by inferring that all these schemes have been developed to protect the consumer from fraudulent action by the repairers and increased cost of repairs. The Insurance industry cannot provide any evidence of ever having had a repairer charged for any illegal actions; this is merely hearsay.

Post demutualisation

When the insured has an accident and requires repairs to their vehicle, they contact the insurance company and lodge a claim. The insurance company then advises the client as to which repair shop they must go to. In the case of AAMI, the client is given no choice of repairer. Where the client insists on a repairer of their choice, AAMI will cancel their policy or cash settle the claim. AAMI will argue that they give the client a choice of obtaining a quotation from a repairer of their choice, however the client has no choice as to where they would like their vehicle repaired. The aim of these insurance companies is to give the client a disincentive to make a choice. It is dictatorial and undemocratic.

Our submission will give a general summary of the difficulties that are being faced by the insured and the repair industry. Our submission will rely on evidence that was obtained in the court case between the AARA v NRMA. It will be clear that the practice adopted by the NRMA may appear to be unconscionable and unfair to say the least.

We have also enclosed approximately 300 surveys that were completed by repairers around Australia in 2002. We feel that this may of some use in your inquiry.

Should you require any clarification or further assistance, please do not hesitate to contact us.

Erosion of Choice

- The Consumer

All the major insurance companies have developed preferred repairer schemes. The introduction of these schemes has divided the smash repair industry into two groups; preferred and non-preferred repairers.

The insured in most circumstances is given no choice of repairer. Where the insured has developed a relationship with the repairer over many years the insurance companies have devised schemes and initiatives to destroy these bonds. A consumer may change insurance companies over many years, however the insured generally remains with the same repairer. With the advent of these schemes consumers now have little or no choice to decide which repairer to go to.

The TAG for example argues that the consumer does have a choice. However, where the insured chooses a repairer of their choice, a number of hurdles are put in their way to dissuade them from using their nominated repairer (see annexure 1- cross examination of Paul Pemberton).

Scripts are designed to "steer" the insured to a preferred repairer. Threats are made to discourage the insured from going to the repairer of their choice. These statements are both deceiving and misleading. The insurance company at no time identifies to the insured why one repairer is preferred and why one is not.

If the consumer chooses a repairer of their own, the following occurs:

- they are informed that there will be delays in repairs. The underlying factors are that the Insurer will hold back inspecting or authorising the repairs.
- they are informed that the Repairer is not one of their preferred repairers, therefore they will not receive a lifetimes guarantee. This clearly infers that they are not qualified to complete repairs. This claim should not be made, when in-fact the repairer is the one that carries that responsibility and always has done under law.
- The ultimate threat is that they (the Insurer) will cancel the policy and cash settle the claim.

Freedom of Choice means that an insured has the right to go to a repairer of their choice. While the insured has the choice to choose the company with whom to receive their indemnity, the same insured does not have the right to choose how that indemnity is to be exercised; this means that the insured does not have the right to have the vehicle repaired at the repairer of their choice.

In most cases, the motor vehicle is either the most expensive or second most expensive asset that the insured owns. Yet the insurance companies are dictating to them how they should care for own car. As an independent and sovereign person, the insured should surely have the right to decide who will repair and maintain their car.

When a consumer makes a choice of repairer, they fundamentally consider such factors as cost, quality, service, location and business relationship (goodwill). Therefore, the consumer is making an informed choice. Ultimately, this leads the repairer to ensure they are providing a very high standard of quality and service.

However at present, the repairers are not competing on quality and service to "win" the repair job, but they are competing against each other on the basis of who can offer the lowest quotation. This only leads to poorer quality of repairs. The effect is that the insured will have a vehicle that has diminished in value. The only party to gain from these schemes are the insurance companies.

Issue: what gives the greater benefit to the insured?

Repairers competing against each other on the basis of quality and service and discounts; or repairers competing against each other on cost?

Choice of parts suppliers by repairers

At present, the insured's choice is not the only thing being eroded. The insurance companies have gradually increased their control over the purchase of parts. For example, insurance companies dictate to repairers where to purchase radiators, air condensers and windscreens.

At present IAG and Suncorp are looking at a means of directly supplying parts to the repairers themselves. The arguments put forward by the insurance companies are that they are the service providers; therefore they should be making the profit on parts and not the repairer. Under this system, the repairer will not have a right of choice to decide who they will purchase parts from. As a result, the repairer will lose any discount and profit it will make on parts. A further adverse effect will be experienced by the parts suppliers that are not selected as a preferred supplier. It appears that the insurance companies have now decided to rationalise the motor dealership industry by having a preferred parts supplier, it is obvious that a number of other dealerships will have to close their doors as they will be losing the profits they were making on supplying parts.

However, it will still be repairer who will be identifying and ordering the parts. It will be the repairer who will have to strip the vehicle and spend the time to ensure that the correct part is supplied. It will still be the repairer who will accept delivery of the part, mark the parts off and supply it to the tradesman to repair. If there is a delay in the parts it will be still be the repairer who will have to contact the insured and explain to them that there is a part on backorder.

The only thing that will change is that it will be the insurer who will make a profit on the parts for doing absolutely nothing more than it has been doing.

The effect of this direct parts purchasing by the insurance companies is another initiative to further erode the repairer's right of choice of use of supplier and further affect their bottom line. The discount received by the repairer has partly been subsidising the shortfall of the average hourly rate paid by the insurance companies. With the low hourly rates being paid by the insurance companies and the removal of the discounts on parts, the repairer will have to take further shortcuts in repairing the vehicles.

While the insurance companies will make further profits for their shareholders, the insured's vehicle will further diminish in value due to the poor repairs.

Once again one must look at the winners and losers. The repairers will lose their profit margins, resulting in further decrease in service and quality, hence affecting the insured's value of the vehicle, while the insurance company will be making a windfall from the profits they will receive.

The preferred repairer schemes

Insurance companies have argued that the purpose of Preferred Repairer Schemes is to streamline the claims process and to ensure that only repairers who have displayed a high standard of work quality and service have been selected. However, to date no criteria has been provided by the insurance companies to distinguish why one repairer should be preferred over another and the benefits this has given to the insured.

We submit that the reason for this is that the main criteria used by insurance companies is cost. The cheapest repairers are the preferred repairers

A further argument that has been put forward by the insurance companies is that by lowering the cost of repairs, premiums will also be reduced. This claim is also unsubstantiated. In fact, insurance premiums have gradually risen over the past 10 years.

The TAG for example introduced a three two-tier repairer scheme. One being the Preferred Smash Repairer (PSR), the Associate Smash Repairer (ASR) and the unknown repairer.

The PSR group is further divided into four (4) groups: Gold, Silver, Bronze and Red. The ASR agreement is a deliberate mask employed by the TAG to infer that all parties can do their collision work where in fact the ASR has to battle to keep even past customers because of the steering by the Tele Claims to drive the customer to the PSR group.

Below are extracts from the case between the Australian **Automotive Repairers Association (Political Action Committee) Inc v NRMA Limited**. These extracts highlight the correct and real basis adopted by at least the TAG in choosing their preferred repairers.

Mr Levet, Counsel for the applicants was cross-examining Mr Van de Weide who is a preferred repairer and appeared as witness for the NRMA.

MR LEVET: Mr Van de Weide you are a Preferred Repairer, is that correct? --- Yep.

your business in fact holds the status of Preferred Repairer? --- Yep.

It is obviously a benefit to your business for you to be a Preferred Repairer? --- That's correct.

What category of Preferred Repairer are you? --- I have been gold, I have been silver and currently I was just put down to bronze last Friday.

There are incentives for you to maintain a high level of performance, presumably if you maintain an excellent level of performance you are at the gold level, for a few little problems you go to the silver level, a few more little problems the bronze level and I suppose the threat is that to someone, I'm not suggesting you, but to someone that wasn't performing at that level then they would become an Associate rather than a Preferred Repairer? --- Not that I am aware, I thought that they would go to red, if that's the way it works.

So there is another level below bronze? --- *I think there is, yes.*

You haven't got to that level? --- I think that you get a warning and I don't know a couple of breaches and you are out. I don't know where you go from there whether you become an Associate Repairer or not, I don't know.

There are a number of things - a number of criteria for instance that you are assessed against, aren't there? --- Yes.

You are assessed for instance in respect of the time it takes you to do jobs? --- ***I don't think that's made a difference at the moment, we are not marked against time.***

Okay, you are assessed against the quality of the job? - ***Quality.***

You are assessed against the satisfaction of the customer? - -- ***Yep.***

You are assessed against the cost of the repairs? --- ***Yep.***

That's actually quite a big one isn't it? --- ***Yep, I think it is 60 per cent and 20 per cent in the other two.***

So the biggest single thing that you are assessed against is the amount of the total cost to you of the work? --- ***Yep.***

MR DOUGLAS: Your Honour I have just been told apparently that those weightings are in fact part of the confidential material, not too confidential at the moment I regret to say

(Mr Douglas QC was counsel for the respondent. It is appropriate at this time to point out the following. Firstly, if insurance companies argue that the objective of their schemes is to promote quality and service, then why is it that 60% of the performance criteria used is cost?

Secondly, why is this information confidential when they argue that their practice and procedures are transparent? Why is it that the customer is not informed that the difference between a preferred repairer and other repairers is that the preferred are happy with doing cheaper jobs? Why is the word cheap substituted for the word competitive?)

Mr Levet: You're aware that if a Preferred Repairer doesn't perform at the level of a Preferred Repairer, that ultimately they may cease to be a Preferred Repairer and might become either an Associate Repairer or indeed an Unauthorised Repairer? --- That's right, yes.

That's been made clear to you? --- Yes.

And when you have discussions with persons from NRMA relating to your ongoing performance you talk about all the criteria against which you're measured don't you? --- Yeah.

You would, understandably, attempt to retain a Preferred Repairer status? --- Yes.

Which is of commercial benefit to you? --- That's right.

It would be of further commercial benefit to you were you to become a silver or gold repairer again? --- That's right.

You get benefits such as quicker payment, for instance, at the upper echelons don't you? --- **Yes.**

That's a commercial benefit to you? --- That's right.

At the upper echelons you get benefits of self-assessment? -- **Yes.**

That's a commercial benefit isn't it? --- Yes.

If you can start on a person's car more quickly you can get the job done quickly and more likely to get the job aren't you? --- **That's right.**

What was the measured criteria which caused you to go from gold to silver? --- **What was criteria?**

Yes. Were there problems - - -? --- And why it got reduced?

Yes? --- **Basically cost.**

So you went from gold to silver because you couldn't maintain their cost levels? --- **That's right, my average repair cost.**

You went from silver to bronze for the same reason? --- **Yes**

So really when any car is being dealt with its in effect a third way arrangement, isn't it? **You, the customer and the NRMA? - -- Yes.**

Part of the scheme as you understand it, the Preferred Repairer Scheme, is to control costs? --- **Yes.**

Persons who control costs better are rewarded within the scheme, aren't they? --- **Yes.**

Your understanding was that once after the three rounds were concerned it happened and the number of Preferred Repairers had been allocated that after that not every Tom, Dick or Harry could become a Preferred Repairer but just simply by keeping his costs down? --- **That's it yes, as I understood, yes. Or unless they were looking for more repairers which we don't know nothing about it but NRMA's needs needs more or not I don't know.**

In fact because of the smaller group of repairers you've been able to more or less preserve your profit margins by whilst reducing your costs increasing the volume? --- Yes.

So the deal as far as you're concerned is costs get lower, the volume gets higher and one off sets the other? --- **Probably up to**

a point, yes.

It's still pretty hard isn't it to maintain NRMA's expectations so far as the costs of delivering a job? --- **Yes, it's not easy.**

You put in fair prices to the NRMA? --- **Yes.**

You don't put in prices that in any way inflate it, do you? --- No.

When you didn't meet their costs targets when you got reduced from gold to silver, you don't think, do you, that the costs that you could put in resulted in you being reduced or inflated, did you?
--- **No, I haven't changed my quoting practice right through from gold to silver to bronze.**

You still haven't changed your quoting practice? --- **No, not at all.**

So, as far as you're concerned at every stage long the way you have put in a competitive assessment? --- **Yes.**

From time to time that assessment hasn't been in accordance with the NRMA's desires? --- On an individual they've been fine. On a total sume my average repair costs has gone up.

So if you are maintaining good quality and put in fair and competitive tenders for each individual job, if the price has gone up a bit, that's reflected over the overall average isn't it? --
- **Yes.**

There would be a benefit to you in getting back to being a gold repairer, wouldn't there? --- That's right.

You'd like to do that, wouldn't you? --- Yes.

Tell me, given that your pricing policy has remained constant throughout the time you've been a preferred repairer and given that the major factor seems to have been price, what plan have you got in terms of improving your performance against their criteria to get back up to gold? --- **Just become more efficient.**

Get your prices down? --- **Efficient.**

That's basically what it boils down to isn't it? --- **Yes.**

Do you regard yourself as efficient? --- Yes.

Have always been efficient? --- Become more efficient.

It is clear from this evidence given by Mr Van Der Weide that the primary consideration is cost. Where you are cheap, then you are rewarded, however, where you are not cheap you are penalised.

Mr Levet cross-examining Mr Pemberton a witness for the NRMA.

MR LEVET: Now Sir, your are the claims manager are you not, for the respondent? --- That's correct.

You have the conduct of litigation on behalf of the respondent? --- Could you please explain, I don't understand.

Are you the person who instructs Blake Dawson Waldron in the present proceedings? --- **That's correct.**

Do you have the sole responsibility at the respondent for that task? --- **The primary responsibility.**

Okay, the buck stops with you? --- **Correct.**

In fact you've heard evidence - were you in court when your last witness gave his evidence? --- Correct.

You heard his evidence? --- Yes I have.

You heard his evidence that about 60 percent of the waiting was on as to whether one moved between the various levels of repairer was based on price or cost indicators? --- **That's correct.**

That was truthful evidence wasn't it? --- **That's correct.**

So the cost advantage to you of the preferred repairer scheme is really the overriding consideration. I'm not suggesting that's improper at all but was certainly the overriding consideration wasn't it? --- **It is a serious consideration, yes.**

A very major one? --- **A major one.**

It would be number one on the list of considerations? --- **Clearly.**

By limiting the number of Preferred Repairers you encouraged competition between them to be amongst their ranks didn't you? --- We actually - part of the relationship is to ensure that they get more volume, yes.

So, basically the deal is they lower their prices, they are ensured of more volume, in essence, isn't it? --- **That is part of it, yes.**

That you would say, a special status between you and them? -- Indeed.

And you try and make it a desirable thing for them to attain Preferred Repairer gold status? --- Yes.

And there are financial benefits to them so doing? --- Yes.

And those financial benefits would be a lot less were the status less exclusive, wouldn't it? --- I am not sure I understand the question.

Well, what you are saying to people is, do our work and do it cheaply and we make sure you get lots of it, in essence, isn't it?
--- That is part of the proposition, yes.

It is clear from these transcripts that the overriding consideration for choosing a preferred repairer is cost. Mr Levett: Well, what you are saying to people is, do our work and do it cheaply and we make sure you get lots of it, in essence, isn't it? --- That is part of the proposition, yes.

Once again it is clear that the national assessing manager for the NRMA has said under oath that the major and primary factor for choosing a preferred repairer is cost.

A preferred repairer scheme that relies on the cheapest quote is a scheme that will only run into long run difficulties. The greatest loser from these schemes is the consumer. While premiums have been increasing, the quality of repairs has been diminishing and the number of repairers has been decreasing.

Further more, the actions of the insurance companies acts as a barrier to entry not only to people wishing to open up a new shop, but also to people hoping to join the trade. The number of people who once entered the trade are no longer finding it viable to either stay in the trade or become part of the trade.

There is a major shortage of apprentices entering the workforce and there is a major shortage of skilled tradesman. In the long run these schemes will do nothing more than to cause further shortages of tradesman and as a result there will be fewer repair shops and insured's will not only have to wait for their repairs to be completed but the quality of the repairs will also decrease.

Rates and Payments

At present, insurance companies have different means of calculating the cost of repairs for vehicles. Generally speaking, insurance companies have a set rate for labour and a set rate for paintwork.

A quote for repairs to a vehicle can be broken up into the following sections:

- Remove and Refit
- Repair
- Refinish
- Sublets
- Parts

Different insurance companies charge different rates. For Remove and Refit and Repair, rates will vary from \$28 per hour to \$31 per hour. Refinish ranges from \$45/hr to \$70/hr, depending on the type of paint finish on the vehicle.

There are also two "*Times Manuals*" used in the industry. These manuals are referred to as a guide only to complete an operation of Remove and Replace or Paint. In-fact the insurance Loss Adjuster, never ever deviates from these manuals, so they are not a guide but a "*Pre-determined allocated time*". The only amount that is not predetermined is the repair time.

AAMI argues that it does not use an hourly rate but a dollar figure. However, commonsense would correctly identify that what is being sold by the repairer is labour. To measure the cost of labour one must obviously have a formula to determine what the correct labour rate is and how long it would take to carry out a process.

Therefore, one must ask how does a repairer charge out labour at a rate of \$30/hr and cover costs when the cost of employing labour and covering overheads is greater than \$30. The answer is simple. Under remove and replace, the time given to remove the item is correct, but the labour rate is not sufficient to cover the costs.

Under repairs, the time taken to repair a panel may be 2 hours. However, the assessor will allocate 4 hours. Therefore, instead of the amount paid being \$60 (2hrs x \$30), what is paid is \$120 (4hrs x \$30). This is known as funny time, funny money.

The industry cannot continue to operate under the current system. While the insurance companies are talking about being Environmentally Friendly, Occupational Health and Safety, Recycling and other such community issues it's the *consumer* and the *repairer* that is paying for it. Premiums continue to rise and repair costs are being driven down while the insurers continually make exorbitant profits.

What is needed is a real rate of labour at real time to complete the operation.

Dispute Resolution Procedures

Currently throughout Australia there is a variety of methods used. They vary from state to state because of the differences in governing legislations.

In NSW the repair industry is fortunate because it has a State licensing body the Motor Vehicle Repair Industry Authority (MVRIA). The MVRIA runs a clearly define independent process. Simply put, if a consumer has a dispute the MVRIA if made aware by the consumer or the repairer will act as the independent

arbitrator.

The committee of the MVRIA made up of representatives from the repair industry the insurance industry and the authority itself.

The repair industry has used the MVRIA and the consumer has used the MVRIA for dispute resolution but there is no evidence of the Insurance industry ever using the Authority.

It is evident that the Insurance industry does not wish to use and independent body to resolve issues that would clearly remove their *authority* to control the outcome. This would clearly take away their ability to control the repairer. In most cases that can be proven, the Insurers take the side of the consumer even when it is evident that it is not related to the repairs that were carried out!

The need for a separate independent body in each state is of the upmost importance. This can only be achieved if there is the introduction of a mandatory *"National Code of Conduct"*.

Currently the industry does not appear to have a proper and neutral dispute resolution mechanism in place to address disagreements. However, some insurers have implemented their own subjective dispute resolution department or personnel on their payroll which does nothing but mostly protect only their own interest without seeking the industries input or representations. The insurance appointed people acting in this capacity are usually conscious of their obligation towards their employer and under strict instructions to comply with, and to meet the expectations set by their principals for the protection of their own position of employment, (similar to assessors) needles to say "they are the judge and the jury".

The industry requires a genuine dispute resolution system that can hold parties responsible and accountable for their actions furthermore should also have process to deal with and some jurisdiction in place to reprimand or penalise unconscionability by either or both parties if warranted.

National Code of Conduct

The need for a *mandatory* code is imperative. The Insurance industry has already in the past shown their "contempt" for both the Commissions report in 1995 and more recently the ACCC's attempts to resolve these issues.

It is most clear that a "*voluntary*" code will not be viable. The ACCC's attempts to bring this to the table as a discussion item on two occasions has been refused by the Insurance sector via the representing body, Insurance Council of Australia (ICA).

The ICA has stated on their members request that "*they have their on Codes and do not see the need for a joint code.*" Further to that they do not see themselves as being part of the repair industry and that they are a separate industry yet they are controlling both the method of and the cost of repairs.

Loss assessors

Loss Assessors role should be clearly defined and maintain some consistency between different insurance companies rules, guidelines and expectations dealing with the smash repair industry. The appointed loss assessors should be from experienced background and kept up to date with new technologies and attend training on some regularity. They should also hold reasonable accreditation/s in the smash repair industry as a skilled tradesperson understanding and making critical decisions customers' second biggest investment in life, their motor vehicle/s. They should be employed by an independent body as their neutrality should be of upmost priority and emphasis should be placed on their primary objective in reinstatement of the damaged vehicle to its pre-accident condition and not be driving by costs alone.

After the claim being processed and approved we believe the assessors' priority should be as follows.

- A) "Identifying the insured vehicle"
- B) "Confirming the road worthiness of the insured's vehicle prior to damages suffered"
- C) "Confirming the damages suffered on the vehicle are consistent with which the insured is claiming"
- D) "Establish and successfully negotiate with the repairer to the correct method and costs for repairs required on the damages sustained"
- E) "Post repair inspections should be mandatory and carried out upon completion of repairs to protect the interest of all concerned specially the consumers"

Currently, part of the problem associated with the smash repair industry, is that assessors are not required to be licensed. The

level of their accountability is minimised as their livelihood (being their licence to operate) is not in jeopardy or cannot be legally contested in the event of making the incorrect decisions. The assessor's role have also been undermined and restricted to the implementation of their respective employers' ever-changing expectations, mainly to achieve reduction in average cost of repairs taking precedent over the policyholders' interests.

Rights to succession and sale of business.

The introduction of different Preferred Repairer Schemes initiated by insurers has divided the smash repairer industry with many detrimental consequences imposed on the individual business' participating (usually through no choice into a yearly and by invitation only by the insurers) into a binding contractual arrangement which the terms and conditions set out are non-negotiable.

There are also certain provisions for which the contract providers (being the insurance companies) hold all the discretionary power to permit or refuse a legitimate transfer of the same contract in the event of sale of business or maybe passing it to other family members. This obviously has many damaging aspects to long standing business owners that have earned through many years of hard work and effort a customer base and good will component in their business.

The insurance companies maintain that individual owners of smash repair shops have a right to decline to participate in preferred repairer schemes, however with fewer number of car insurers left due to takeovers and or mergers of insurance companies the smash repairers are held more or less at ransom. The insurers' implemented "Preferred repairer" scheme/s does more than encourage the claimant the use of their endorsed shops it is also discriminatory. It is worth mentioning that at the time of the average policy holder/s lodging a claim the call centres and tele-claims officer/s are provided with number of different variations of scripts by their employer/s which is designed to stir customers to their preferred repair shops eroding the good will of another business that the customers may have used and were happy with in the past.

Conclusion

The average policyholder usually follows that advice provided by the claims officer through lack of understanding of their legal entitlements of "Consumer sovereignty and choice". The industry at large is of the belief that there is very little substance in the insurance companies arguments that in Australia we have far too many smash repair shops per capita in comparison to some other countries eg. UK or USA etc.

Furthermore we believe that the long-run consequence is more damaging to the community at large and anti-competitive. The industries views are that although some changes may be warranted in order to progress forward and to rationalise the market, the correct approach is to let the market regulate itself. Market rationalisation should be left to the forces of supply and demand and not the unconscionable conduct of claims managers who have no objective or clear criteria to decide who should stay and who should leave the market.

It should be of no surprise that since the demutualisation of the insurance industry, the corporate executives of these companies have decided that after 100 years of consumers making choices in respect to the repairer of their choice, they now believe that these same consumers are not capable of making an informed choice.

These are the same consumers that decide what to feed their family and children, what school to send their children to, where to live, how to manage their financial affairs and what house to purchase. When it comes to having their vehicle repaired, they need a large profit-seeking organisation to make that decision for them.

While we have no problems with insurance companies making a profit, it should not be at the expense of innocent insureds or hard working Australian citizens who have devoted much of their lives to build their business into what it is today.

The solution is not simple and may need further investigation and discussion. We are happy to cooperate in anyway possible to help achieve an efficient and suitable outcome to all parties involved.

Annexure 1

Mr Pemberton is the assessing mana and was a witness for the NRMA he is being cross-examined by Mr Bruce Levet for the AARA.

Mr Levet: You certainly encourage people to go to Preferred Repairers, don't you? --- **We attempt to influence the customer, yes.**

*You suggest, or cause to be suggested to customers. Have you ever caused that to be done? --- **Historically we had a range of different arrangements. For example, way back in part of the times at the beginning of this there were those circumstances, yes.***

Is that a yes or a no? --- Yes.

*..... When was the last time when you, as Claims Manager, permitted or authorised your employees or teleclaims operators to engage in persuasion of that type? --- **They still try and persuade the customer to go to a PSI.***

*Do you now or would you now permit a teleclaims operator suggest to a client that they would get their vehicle repaired faster they went to a Preferred Repairer? --- **Yes***

*Would you permit a teleclaims operator to suggest now to a customer who had gone, say, to an Associate Repairer and was seeking to have that Associate Repairer do a job, would you permit a teleclaims operator to say to that customer, look, there are some advantages to going to a Preferred Repairer, if you go to a Preferred Repairer it would be assessed immediately. Would you permit that to be said? --- **Yes we would.***

*Would you permit it to be said by a teleclaims operator now to a client who had gone to an Associate Repairer that if the client remained with that Associate Repairer that there may very well be delays in assessment that wouldn't occur were the client to go to a Preferred Repairer? --- **Yes.***

*You see what you've agreed to is that you countenance your employees or agent saying to people who want to go to an ASR, look, there could be delays getting your vehicle assessed, if you go to a PSR that's not going to happen, that's what effectively is said, isn't it? --- **Generally, yes.***

That's an effort to divert trade from ASRs to PSRs isn't it?
--- **We prefer our customers to go to the PSRs, yes.**

What I'm really saying is: is there any more significant delay in vehicles being assessed at the premises of ASRs than there is at PSRs? --- **Generally, yes.**

So if somebody who had an on line capacity, an ASR had an on line capacity and he put something through to you, there wouldn't be any significant delay in reality in having that approved for him to commence work on that vehicle, would there? **There could be a delay, yes.**