



**Response to the Productivity Commission's  
Draft Report into Smash Repair and  
Insurance**

**Adelaide  
8<sup>th</sup> February 2005**

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## **1. Introduction**

RAA Insurance appreciates the opportunity to respond to the preliminary report produced by the Productivity Commission, in relation to the enquiry into the smash repair industry and insurance industry.

RAA Insurance operates only in South Australia and Broken Hill and has always enjoyed a very good relationship with the smash repair industry and the Motor Traders Association of South Australia.

RAA Insurance has a client base consisting primarily of domestic motor vehicles and we regard ourselves as a major market shareholder within the state.

RAA Insurance is not receiving any criticism from repairers in relation to the issues raised in the report, in fact we consistently receive positive feedback from the repair industry in general and the MTA in the manner in which we conduct our business dealings.

One of RAA Insurance's primary objectives is to ensure that our customers receive quality service and repairs at a cost effective price, which is negotiated amicably between ourselves and the repairers. We view the repair industry as partners who need us just as much as we need them. It is not and will not be our intention to jeopardise this position with what could be seen as unfair trading practices.

## **2. Preferred Repairer Schemes**

The RAA ( motor club) has an approved repairer scheme covering all forms of automotive repair businesses including crash repairers. RAA Insurance does not have it's own repairer scheme, however we do recommend that our customers use an RAA Approved repairer , but we also provide complete freedom of choice, as to the specific repairer, including the customers right if they wish to go to a non RAA approved repairer.

In the general course of our business we give the customer a lifetime guarantee on these repairs when completed by an RAA Approved repairer. We therefore do not feel that this aspect of the report should be altered by legislation as we believe that insurers have set these arrangement based on commercial decisions, that satisfy their own business requirements.

## **3. Quoting / Funny Money, Funny Times**

RAA Insurance would like the Commission to note that it supports the industry views as outlined in the ICA's submission.

RAA Insurance has one of the highest hourly rates for crash repairers in South Australia.

The funny money, funny times issue has been investigated a number of times over recent years by various insurers and repairers. In all cases the process has fallen down mainly due to a lack of support by the repair industry.

RAA Insurance has always only required one quote. This is then discussed in collaboration with the repairer to an agreed estimate/ figure. All adjustments are made in discussion with the repairer. We regard our hourly rate as a base and the final repair account is generally accepted without problems. The bottom line is simply if the repairer does not agree with the amount allowed they tell us and we review the case.

This process works very well for us, and is accepted by the repairers without complaint.

However RAA Insurance will be willing to consider options for changing funny money times, on condition that it would only be a viable if the entire crash repair industry gave it full support.

#### **4. Payments to Repairers**

RAA Insurance takes pride in assessing vehicle claims generally within 24 hours. Over 90% of our assessments are completed by our on staff assessors.

Repairers are on a monthly payment cycle, and all correct accounts are paid as long as they are submitted before the end of each month. We are therefore confident that our average outstanding account is under 20 days. Trading arrangements should remain to be negotiated between repairers and insurers.

#### **5. Dispute Resolution**

We agree with the commission's finding 6.1 in that the existing internal consumer dispute resolution system of the individual insurer appear to be working adequately.

At the time of writing this submission we have no record of a repairer requesting referral of an issue that is specifically in relation to an industry matter. We would certainly welcome a code of conduct

#### **6. Conclusion**

RAA Insurance generally supports and accepts the Commission's preliminary findings. We will endeavour to support any voluntary industry code dealing with the matters raised in the report. However many of the issues raised are in some cases unique to specific insurers and we do not believe that a standard type single code of practice would fit comfortably with all aspects of the industry comfortably.

It is our view that the insurance industry position is best represented by the submission from the ICA and it's views on specific matters