

---

AAMI Response  
to  
Productivity Commission Draft Report  
on the  
Motor Vehicle Insurance &  
Crash Repairs Inquiry

February 2005

---

## **PART ONE: KEY ISSUES**

### ***Introduction***

AAMI welcomes the Commission's preliminary findings and believes they provide much needed clarity and guidance in a number of areas of long standing dispute between the insurance and smash repair sector.

There are however a number of issues that we believe would benefit from further clarification to ensure both repairers and insurers enter into the process of resolving matters of dispute, whether through an industry wide code or other mechanism, clearly understanding what should, and should not, be considered as part of this process.

We raised a number of these issues at the Commission's public hearings and believe the views and attitudes expressed by a number of participants highlights the need for guidance and clarity from the Commission to provide the best possible chance of creating significant change in the relationship between the insurance and repair industries.

### ***Industry Structural Reform***

The Commission has recognised there are a range of external factors (beyond insurance company practices) that are impacting repairer profitability and that these will continue to lead to rationalisation in this industry sector.

As acknowledged by the Commission, there are a number of dynamics that have given rise to the structural change and rationalisation pressures confronted by the repair sector. These include insurance industry interest in repair cost management, a reduction in the volume of work and increases in the cost of doing business. However no economic analysis of the industry is complete without recognition that one of the key structural dynamics is the chronic oversupply of repairers. The repair sector acknowledges the pressures created by this oversupply and acknowledges that rationalisation is needed. AAMI believes it is important that the Commission also recognises the pressures this oversupply exerts on repairer profitability and the inevitable structural change that will occur as a result.

However, it is also important to make the point that from any structural change there will be 'winners and losers'. It is unfortunate that some repairers will not survive. However, the more competitive, efficient and dynamic repairers who are capable of delivering superior cost and quality will be part of the economically viable repair sector that will emerge.

---

### ***Industry Profitability***

As we stated at the public hearings, AAMI believes the Commission's final report will be a critical reference document for policy makers and others for a number of years. As such we believe it is important for the Commission to acknowledge that while some repairers are under considerable cost pressure many others are running profitable business and investing in their future. In the absence of a clear commentary to this effect future decision makers will have no point of reference to counter arguments that will continue to be raised by some within the repair sector alleging insurance practices are impacting the long term viability of the entire smash repair industry, to the ultimate detriment of the consumer.

There are a number of sources supporting the view that the smash repair industry, as a whole, remains a profitable and viable industry sector, albeit facing similar challenges to those faced by all small businesses today. We would further suggest that beyond substantially unproven anecdotal evidence no facts have been put forward by the repair sector to support an alternative point of view.

### ***Repair Industry Representatives***

Amongst those acknowledging the overall viability of the repair industry are senior representatives of the industry bodies themselves. We've included a number of quotes from David Purchase, VACC Executive Director in our first submission, page 22, and the following quote is representative of these comments:

*"There are those who are running professional businesses, including the presentation of that business. They're the ones who are also attracting insurance company business. And if you're doing a lot of insurance company business, generally, you'll be one of the more profitable crash repairers...."*

### ***IMRAS Consulting Industry Survey***

AAMI also provided the Commission with results of an industry survey conducted by the IMRAS Consulting Group. This survey outlined not only the market conditions currently impacting the smash repair industry, many of these unrelated to insurance company activities, but also pointed to some positive results in terms of repairer confidence. Their findings are summarised as follows:

*"Main outcome from shakeout has been:  
Average \$ Turnover has generally improved  
Typical sites more substantial (more employees, increased turnover)  
Increased investment in technologies (3% of turnover)  
Profits seem to have improved  
General efficiencies more evident  
There is an 'intangible' mood swing since 2001..."*

These findings are based on a survey of over 400 smash repairers throughout Australia during the second half of 2004, relative to their earlier survey in 2000.

Since our last submission to the Commission AAMI has also received the results of a survey conducted on behalf of AAMI by Sweeney & Associates. This independent survey of all AAMI repairers nationally will be conducted on an annual basis in the future. A copy of the key summary findings from this survey is attached for the Commission's consideration (Attachment 1). With an 86% response rate this survey clearly provides a credible insight into AAMI repairers' view on their businesses and the state of the industry as at September 2004.

While some repairers are more confident about their future than others, as would be expected from any representative group within any industry sector, it is pleasing to note the following responses:

- 69% indicated their profit position had improved or stayed the same over the past 12 months.
- 85% reported the same or a higher turnover than the previous year, with 91% expecting the same or higher turnover over the next 12 months.
- 80% expect to be running their businesses in 5 years time.
- The mean capital investment across all businesses for the year is \$56,000 and the median level is \$30,000.
- The median number of full time staff employed is 10, with 93% of repairers expecting to maintain or increase these levels over the next 12 months.
- 63% intend to employ more apprentices in the next 12 months.

#### *ABS Data*

Finally, we have already brought to the Commission's attention, the Australian Bureau of Statistics (ABS) data, released on 7th February 2005, which shows the smash repair industry improving its level of profitability on a reduced turnover base.

Profitability has increased across the sector to 7.35% in 2002-03, up from 5.37% in 2000-01. Profit increased sector wide to \$254.7 m in 2002-03, up from \$207m in 2000-01.

#### **MOTOR TRADE'S PROFITABILITY**

Industry participant	Profit Margins 2000/01	Profit Margins 2003/04
Auto Electrical repairers	6.5 %	8.46%
Auto Repairers	6.2 %	6.07%
<b>Smash Repairers</b>	<b>5.4 %</b>	<b>7.35%</b>
Trailer & Caravan Dealers	4.3 %	4.83%
Tyre Retailers	2.0 %	2.80%
<b>AVERAGE ACROSS SECTOR</b>	<b>1.9 %</b>	<b>2.32%</b>
Motor Cycle Dealers	1.8 %	3.88%
Car Dealers	1.2 %	1.49%
Fuel Retailers	0.5 %	1.11%

ABS, Cat. No. 8155.0.

---

Smash repairers have also demonstrated greater efficiency in dealing with costs, with expense levels down \$421 million for the year 2002-03. Income levels for the same period are \$386.1 million lower than in 2000-01, reflecting lower repair income as a result of the lower claim environment.

Smash repairers are now more profitable than their counterparts in the motor vehicle retailing and services industry (2.32% profitability on average) and the Retail Trade sector in general (3.47% profitability).

None of the above data points to an industry in crisis, in fact all signs indicate the industry is adapting well to the much needed structural reforms that have in part resulted from the introduction of competition, PSR's and increased insurance company focus on repair quality and customer service. Based on the ABS data alone, it is clear the industry has responded to these challenges through improved efficiencies and as a result have recorded increased levels of profitability overall.

In the absence of any statements from the Commission to this effect there is a risk the repair lobby will continue to misrepresent the truth on industry profitability in order to gain political and public support for the campaign they have been waging over the last two decades. In AAMI's view this campaign has for too long stood in the way of meaningful efforts to resolve areas of tension between the insurers and the bulk of the smash repair industry.

### ***Consumer Choice***

As AAMI outlined in our earlier submission the issues of 'freedom of choice' or more correctly 'who owns the customer' has been one of long standing conflict between repairers and insurers. The repair sectors' view that a customer has an absolute right to freedom of choice of repairer, irrespective of the terms of their insurance policy, has been one of the main obstacles to the development of an industry code in the past.

It is our view that the Commission has gone some way to bringing much needed clarity to the issue of customer choice by acknowledging consumer choice should not be mandated. The Commission does however fall short of clearly stating that the contract of insurance is between the insurer and the policyholder and the terms and conditions of the policy will determine the issue of choice when a claim is made. The Commission also fails to directly state that when making a claim on their insurance policy consumers enter into a relationship with their insurance company, not with the repairer.

Given the significance of this issue AAMI believes the Commission has an important role to play in providing clear direction to all parties in this regard. Clear, unequivocal statements on this issue need to be included not only in the context of the report but also in the key findings to ensure this issue is ruled out of future negotiations on the development of an industry code.

In the absence of such clarity history shows there is a real risk some within the repair sector will continue to seek every opportunity to revisit this most contentious issue, continuing to argue some element of customer choice should be accommodated within the scope of an industry code, even if it should not be mandated. We believe this

---

view was clearly demonstrated during the public hearings where it was apparent the repair industry representatives had by no means resiled from their views on the issue of choice, despite the comments made by the Commission in the draft report.

We note the position taken by the Australian Consumers' Association in their December 2004 submission to the Commission, indicating choice should not be mandated, and agreeing that most consumers do not have a preferred repairer, and are happy to have the insurer manage the repair process for them. In light of such comments we believe some clear and unequivocal statements from the Commission to this effect will provide a valuable point of reference for the future.

### ***National Licensing Regime***

AAMI is in broad agreement with the Commission's statements (p. xix) in the draft report indicating it is far from clear that a requirement for a national licensing or certification regime would bring a net benefit to the community. AAMI would acknowledge there might be some merit in consideration of a national licensing system dealing with issues of 'probity and associated persons', with the proviso that a Government rather than an industry body administered such a scheme.

AAMI would not support however, a proposal that goes beyond such requirements to address areas such as compulsory registration, minimum standards and training requirements. AAMI's position accords with the views expressed by the Industry Commission in their March 1995 report (p. 115) where it is stated:

*"Any registration system implemented should not involve input standards (eg. minimum standards for equipment or tradespersons' qualifications) or any other prerequisites which establishments must satisfy in order to be eligible for registration.*

*Concerns about the quality/safety of repairs or the integrity of repairers would be more directly addressed by a system of output monitoring."*

As the Commission has found no evidence to support claims of systemic quality issues, or lack of consumer protection should issues of repair quality arise, we would question the basis on which the costs to the community of such a regime could be justified.

As the following quotation from the Executive Director of the UK Vehicle Body Repair Association, Mr Ron Nicholson, which appeared in the December 2004 edition of the Body Magazine illustrates:

*"Those factions in the industry that are crying out for licensing are not looking to improve customer service. Introducing a licensing regime, they believe, will force many small/medium repairers out of business, leaving their own businesses in a stronger position."*

---

### ***Price Setting Arrangements***

AAMI supports the Commission's conclusion that the current price setting mechanism (FT/FM) is fundamentally flawed and for this reason AAMI instead relies on quotes written in dollar terms and a competitive quoting process to determine the cost of repairs.

Nevertheless, finding an alternative to the current system will not be an easy task. For all its faults the funny times / funny money arrangement has been a long established industry standard, and moving from this will be an extremely time consuming and complex task. There is also some doubt as to whether an alternative pricing mechanism would actually deliver a significantly better outcome for repairers. It is clear in reading a number of submissions to the inquiry that on this issue there is not even common ground between insurers, let alone between insurers and repairers. Statements made at the public hearings also highlighted differing views between various trade associations and repairer representatives as to what would be a preferred alternative to the current system.

The Commission appears to share these concerns, acknowledging dispensing with FT/FM would be difficult if insurers or repairers opposed such a change. In fact, AAMI would argue that until the underlying issues of repairer oversupply and industry structural reform are addressed any new pricing mechanism is unlikely to address repairer concerns in anything more than a superficial way.

For this reason we would suggest burdening the process of developing an industry code with a commitment to cease "undesirable and inefficient practices such as FT/FM" (p.114) may unnecessarily complicate this process. It would be unfortunate if debate around a new pricing mechanism effectively derailed efforts to agree on the content of a workable industry Code, despite common ground on many other issues being achievable.

As the Commission has flagged a willingness to recommend the establishment of a mandatory Code under the Trade Practices Act "if insurers and repairers cannot voluntarily agree on an industry-wide code within a specified reasonable time" (p. 119) we would suggest the issue of a new pricing mechanism should be clearly ruled out of any Code discussions.

Such a position would be more consistent with the Commission's specific exclusion from an industry-wide code of matters relating to minimum hourly rates or prices; and standard hours. (p. 115).

It may not be the Commission's intention to enshrine the establishment of a new pricing mechanism within the scope of the Code, but in the absence of a clear statement to that effect we would suggest it would be difficult to prevent this issue dominating discussion and potentially preventing the successful implementation of a workable industry code.

---

## ***Dispute Resolution***

AAMI remains concerned that in outlining matters that could be handled through a dispute resolution process much of the clarity that has been provided by the Commission in terms of issues that can be addressed under an industry Code appear to have been confused.

As we stated at the public hearings, AAMI accepts that a repairer should be able to challenge an insurer's compliance with the Code as it relates to transparency of the agreed processes and adherence to the minimum requirements. The Commission has also acknowledged that individual companies should have their own Codes reflecting their particular business needs. Great care needs to be taken therefore that the parameters for the disputes resolution function are clearly specified so it is not able to make determinations or establish precedents that impinge on individual insurers' approach for meeting Code obligations.

This is critical, as it became apparent through the public hearings that repairer groups may have differing expectations on the functions of the Code's dispute resolution body – seeing it as a body that plays a far more active role in shaping the repairer-insurer relationship. If the disputes resolution framework were to have this role, even by default, efforts to establish an industry code would be undermined.

In particular, we would argue, issues of “selection or non-selection for PSR status” and “work quality” should not be subjects for Code dispute resolution.

AAMI supports the Commission's recommendations regarding “greater transparency in areas such as PRS selection criteria and notification of opportunity to apply for PRS status” (p. 50) but notes the Commission has also acknowledged the insurer is “entitled to decide with whom it will do business, and given the relatively large number of smash repairers, it is not feasible for all repairers to become preferred repairers”. (p. 50).

While AAMI accepts the Commission's view that insurance companies should bring greater transparency to the selection criteria and the notification process, we do not agree that the actual selection itself should be dealt with under the disputes resolution mechanism. Unless an insurer had simply not followed its own stated process, any other decisions by the disputes resolution body would be making judgements regarding the efficacy of an insurer's selection parameters and the repairers an insurer chooses to deal with.

By suggesting disputes with regard to how PRS status is conferred should be a matter for dispute resolution the Commission is encouraging every repairer who has not been selected to participate in such a scheme to dispute this decision. The workload created by such an arrangement would be unmanageable, and more importantly such a provision would create false hope for unsuccessful repairers when the likelihood of overturning the insurers' decision would be remote.

Similarly we are unsure how issues of “work quality” could be resolved through the Code dispute resolution process. Issues of repair quality are often subjective and complex, and are currently being handled by all insurers in various ways. Given that

---

issues of consumer concern are excluded from the Code (and are currently being adequately addressed through IDR and EDR processes) we are unsure as to what issues regarding repair quality repairers might wish to raise in this context.

We could only conclude such disputes would involve issues relating to the scope of work required, repair methods, the types of parts to be used or price. As the Commission has specifically, and in our view correctly, excluded these issues from the dispute resolution process (p. 116) we would suggest some further clarification in this area is needed.

In support of this position we refer the Commission to our comments on p. 13 in response to Mr Kreyborg statements and material contained in our confidential attachment to this submission (Attachment 2). As these examples show the issue of determining appropriate repair method is often a matter of dispute between repairers and assessors. AAMI strongly contends it is the insurance company, through their assessors, that must ultimately be the final arbiter in such circumstances, being mindful of their own policies and the guarantees they are ultimately offering to their customer.

Transparency around these policies and guarantees will ensure assessors are accountable for the decisions they make. Repairers who feel the stated policies have not been followed are able to have these concerns addressed through the individual insurers dispute resolution process. However it would be unacceptable and inefficient to allow for external dispute resolution, as envisaged by repairer representatives at the public hearings, to slow down the process of speedy authorisation and repair of customers vehicles simply because the repairer disagreed with the assessor's decision on pre-repair issues.

### ***Consumer Issues in the Industry Code***

The Commission has clearly stated that an industry code should not interfere in insurer-consumer or consumer-repairer relationships, and further identifies that the appropriate channels for consumer dispute resolution lies with the individual insurers, and if necessary with the IEC.

Again with a view to avoiding the confusion that seemed apparent during the public hearings it would be useful for the Commission to make it clear that consumer issues are not matters for inclusion in the industry code. While consumer commitments, including disclosure of policy conditions, parts usage and repair quality guarantees are important issues they should be addressed this should be done through the ICA General Insurance Code and not through the proposed industry code.

### ***Summary***

While supporting much of the Commission's draft report the issues we have raised in this submission seek to highlight areas where, in our view, lack of clarity or consistency on the Commission's part may inadvertently provide some in the repair lobby with an opportunity to continue to pursue issues that should no longer be allowed to interfere with the establishment of a better relationship between insurers and repairers.

---

Based on our discussions with repairers since the publication of the Commission's draft report, and the views expressed by repair group representatives at the public hearings, it appears there may be a reluctance on the part of many to accept such issues are 'off the table'. As a result an expectation may still exist that their industry bodies will continue to lobby for their consideration in the development of an industry code.

In understanding the motivation of some repairers for principles such as consumer choice and access to PSR status (as outlined in our original submission) it can be expected, as previous history has shown, that in the absence of clear and unequivocal guidance from the Commission such issues will continue to be pursued, both directly and indirectly, through every available avenue. Such activities have provided a stumbling block to negotiations with repairers in the past and unless clearly ruled out will continue to severely hamper genuine efforts to develop an industry code and address areas of tension between repairers and insurers.

AAMI is keen to play an active role in the development of a meaningful and workable industry Code and is seeking the Commission's support for this process through the provision of clear guidelines on the nature, scope and content of this Code.

---

## **PART TWO: AAMI's RESPONSE TO SPECIFIC ISSUES RAISED**

AAMI wishes to conclude by responding to the following issues, either contained in the Commission's draft report or raised through the public hearings, as we believe the views expressed do not accurately represent AAMI's position

AAMI would like to provide the following clarification on two comments made by the Commission in the draft report.

### ***Pg 49 – The Commission quotes MTA-Q submission (sub.7 p 10)***

As AAMI was the insurer involved in the case of a repairer who according to the MTA-Q had his 'approved repairer' status unreasonably revoked we would like to provide a more balanced version of events for the Commission's consideration.

Further details are included in the confidential attachments to this submission.

### ***Pg 76 – Fairness of Competitive Quoting Processes***

A number of submissions to the Commission wrongly suggested that AAMI's competitive quoting process was undermined by AAMI allowing, and even encouraging, the practice of quoting low to win the job then adding supplementary costs to reach the required price level, unfairly disadvantaging the repairer who lost the job in the first place by providing a complete (though initially more expensive) quote.

While it is true AAMI allows repairers to seek authorisations for supplementary payments for unseen or undetectable damage at the time of quoting, we carefully monitor the level of supplementaries per repairer. AAMI has built its highly successful business model around the competitive quoting system, utilising market forces in order to obtain the best possible repair costs. AAMI's repair cost is made up of the originally authorised amount as well as any supplementary payments authorised. Allowing a practice to exist that would often result in work being authorised to a repairer who would ultimately charge more than the losing repairer simply does not make sound commercial sense. If this were the case AAMI would not be enjoying the superior cost management benefits our system has consistently delivered over many year.

While we have no objection to the Commission's recommendation that the competitive quoting process should be procedurally fair and transparent (and be seen to be so) we would like the Commission to note, in its final report, that it is AAMI's policy to carefully monitor supplementary payments and to not intentionally or systemically award work to repairers submitting incomplete quotes.

---

AAMI would also like to make the following comments in response to matters raised at the Public Hearings.

***Ms Susanne Russell (speaking in support of MTA-NSW)***

AAMI is concerned there are a number of inaccuracies in the statements made by Ms Russell at the public hearing, including her suggestion that she was not told by AAMI which repairer was carrying out repairs to her son's car. Ms Russell has now taken her concerns through AAMI's IDR process and we've enclosed a copy of relevant material in the confidential attachments to this report (Attachment 3). Without exploring details of the case AAMI would suggest the dispute resolution facilities now being utilised by Ms Russell and her son provide more than adequate opportunity for any legitimate concerns to be raised and addressed.

***Mr Gunther Jurkschat – VACC***

***Life Time Warranties***

It was suggested all insurance company lifetime warranties only apply until the ownership of the car changes. AAMI's lifetime warranty applies for the life of the car, irrespective of one or more changes of ownership.

***Disclosure of Choice of Repairer***

It was also suggested all insurance companies, including AAMI, bury details on consumer choice in their Product Disclosure documentation to confuse rather than inform their customers.

While accepting our position on choice of repairer will continue to be an issue of contention for repairers AAMI does not accept that we do not clearly advise customers, both at the time of selling the policy and in the policy documentation, of this fact.

AAMI has been acknowledged as an industry leader in the development of its plain language policy books. There are many important components of the Product Disclosure Statement, some of significantly more importance to the consumer than issues of repairer choice. The PDS begins with AAMI's overall commitment to the customer, with vital contact details AND important cancellation, tax, cooling off, renewal, and privacy statements. Information on our Customer Charter, agreed value, lifetime guarantee and OEM parts policy – all of this information being important reference material for all customers – not just those making a claim.

Besides the front contents page, Page 12 of the document also refers customers to a special section regarding the repair of their car. The process of making claims is a special six-page section on pages 36-42 of the PDS, appropriately along with details of the Consumer Appeals Service and the external Insurance Ombudsman Service.

The section raised by the VACC as insurance speak is actually very clear for customers and reads:

---

*“We ordinarily obtain two independent, competitive quotes, from repairers recommended by AAMI. If you want, you can choose a repairer to provide one of the quotes. Our assessor will review the quotes, including any quote from a repairer you choose, and what is necessary to properly repair your car. We will select the repairer who has submitted the more competitive and complete quote and that will be the repairer who repairs your car.”*

It is ironic that the VACC, while raising these concerns, also acknowledge that in the main consumers are only interested in price when purchasing insurance, and therefore no matter what material was provided they would be unlikely to read it. Furthermore, VACC claim the increasing complexity of the modern vehicle means repairers must invest in specialised equipment and apply great expertise in carrying out repairs. While we do not disagree with this statement we find it difficult to accept that the same consumer who cannot be expected to consider the terms of the insurance policy they are buying (eg. whether or not it provides for choice of repairer) would be better equipped than the insurer to identify the right repairer for their vehicle, and to manage the repair process when they make claim.

#### *Short Trial Period*

VACC have suggested a minimum trial period of 6 months should be provided for incoming repairers taking over PSR status.

AAMI currently provides a 3-month trial period for the incoming owner of an existing preferred repairer. Should the repairer meet the performance targets during that trial period he or she will automatically be signed up as a recommended repairer. This guarantee is provided in writing to the incoming repairer prior to the commencement of the trial period.

While we would not be prepared to put customers at risk by allowing a poorly performing repairer more than 3 months to demonstrate an ability to meet the required performance targets, we would consider a longer trial period if performance was close to target levels.

#### ***Mr Gerry Raleigh – Kerry Panels***

##### *Assessor bonuses / incentives and qualifications*

All AAMI assessors are qualified motor vehicle repair tradespeople. AAMI does not pay cash bonuses or incentives to its assessors linked to the repair cost they achieve.

#### ***Mr Frank Cottonaro – Claims Made Easy***

##### *Access to Insurance Ombudsman Service*

Mr Cottonaro stated to the Commission that AAMI would not tell him the Insurance Ombudsman Service (formerly IEC) contact number when he called, implying that AAMI do not freely divulge this information to customers.

---

AAMI details the contact number on every policy document, detailing both the online and toll free numbers of the Insurance Ombudsman and their role. All letters to customers from the Internal AAMI Ombudsman also detail the contact numbers should the customer not be satisfied with AAMI's response.

### *Other Issues Raised*

Mr Cottonaro raised a number of issues relating to AAMI's conduct and methods of operation based on his experience as an AAMI repairer and assessor.

Mr Cottonaro ceased to be an AAMI repairer over nine years ago. He was not employed by AAMI but by All States Auto Assessing. His period of employment was from October 1995 to May 1997. Our response to Mr Cottonaro's comments are included in the confidential attachments to this submission.

### ***Mr Brad Kreymborg – Lustre Panels***

#### *Transparency of Competitive Quoting Process*

Criticisms were levelled at the transparency of AAMI's competitive quoting system, in particular, regarding a belief that the system deliberately discriminates against non-AAMI repairers quoting at the request of the vehicle owner. Examples were given in support of these statements.

The examples quoted have been investigated by AAMI and full details are included in the confidential attachments to this submission (Attachment 2). In both cases raised review of the quotes have supported the validity of the position taken by AAMI.

#### *Adjustments to "Winning" Quotes*

Mr Kreymborg, together with a number of other repairers making statements at the public hearings, were also critical of the fact that AAMI "always" makes downward price adjustments to the winning quote, thereby invalidating the competitive quoting process. While AAMI does reserve the right to make adjustments to the winning quote we do not accept that this happens in all cases, and we deny there is any company direction to our assessors to operate in this manner.

There are many legitimate reasons for adjustments to a quote that on first consideration may appear to be more competitive. It is AAMI's view that it is the role of the assessor to do more than simply award work to the 'cheaper' quote without any other consideration. While in simple terms the prospect that a 'winning' quote should not be adjusted seems reasonable the reality of the repairing the modern vehicle means the competitive quoting process is much more complex.

AAMI has a responsibility to determine the best quality and most economical repair method for each vehicle. In doing this quotes are either not adjusted, adjusted up or down, in consultation with the repairer. As the Commission is aware there are a number of factors to be considered in carrying out an assessment including:

- 
- whether the quotes submitted are truly competitive (cover quoting is not uncommon - particularly when quotes are obtained outside the Customer Service Centre environment);
  - repair method changes are sometimes required – and as we’ve stated we believe it is not only the insurers right, but also its responsibility, to ensure repairs are carried out in accordance with policy and warranty provisions;
  - new parts may be changed to recycled parts should this be appropriate given the age and condition of the vehicle;
  - damage that is not consistent with the accident description may be disallowed;
  - incomplete quotes and incorrectly added quotes may be altered and
  - parts quoted may be changed in line with policy safety considerations.

In short, the assessment process is much more complex than simply looking at the bottom line and awarding work accordingly. The two examples provided by Mr Kreymborg clearly demonstrate this fact.

Within the metropolitan areas, where AAMI’s PSR network operates, around 10-15% of repairs authorised go to non-PSR repairers with this figure being closer to 25% on an overall national basis. This clearly indicates that non-AAMI repairers, quoting at the owner’s request, can and do win work as part of the competitive quoting process.

Finally, as we have stated, should a repairer be unhappy with any aspect of their dealings with AAMI, including disputes over quotations, these can be raised with AAMI, or through the Code Executive Director, and the matter will be investigated. While we are happy to provide transparency in all aspects of the competitive quoting process AAMI reserves the right to establish with the successful repairer the most appropriate and cost effective method of carrying out repairs, to do otherwise would not be in the best interest of our customers, our shareholders or ultimately the repair sector.