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To assist insurance customers at the time of an auto claim, some insurance companies have undertaken the practice of suggesting or recommending certain shops for auto repairs. Insurers that have preferred/pre-approved shops or other damage repair programs view these as a policyholder service and are not intended to limit consumer choice.

Auto insurance company customer satisfaction surveys show that auto insurance consumers want and appreciate the convenience these programs offer in getting vehicles repaired in a timely and efficient manner. According to J.D. Power's [2013 U.S. Auto Claims Satisfaction Study](#) on average, claimants who take their vehicle to a non-direct repair provider wait 16.0 days to get their vehicle back, 2.9 days longer than when they take their vehicle to a direct repair provider (13.1 days).

OII is not aware of any insurer that mandates use of their programs in order for its customers to receive vehicle repairs. The customer can choose where to take their car for repair. However, in order to protect against fraud it would be irresponsible for an insurer to accept only one repair estimate from a non-approved repair facility. This is why insurers often require multiple estimates when their policyholder chooses an auto repair facility outside of the company's "network."

Insurers that have preferred provider programs do so for policyholder convenience. If you decide to use a shop that's in an insurance company's network of pre-approved shops it often avoids the need to get repair estimates. The auto claims process and repairs are handled in one stop. Also, insurers typically provide a lifetime guarantee on repairs handled through their repair programs. They stand behind the vehicle repairs of their approved body shops typically as long as the customer or claimant owns it.

Insurers have long been in the forefront of auto safety. The auto insurance industry was the driving force behind the creation of the [Insurance Institute for Highway Safety](#), now a staple for vehicle testing and safety ratings. An insurer would be in violation of Ohio Department of Insurance [Rule 3901-1-54: Unfair property/casualty claims settlement practices](#), if it allowed unsafe auto repairs. Companies conduct ongoing evaluations of their certified repair shops ultimately protecting and benefitting consumers. Repair programs provide a mechanism allowing insurers to help prevent fraud including auto repair padding, use of unauthorized (stolen) parts and other unscrupulous auto repair-related activities.

Provided below are some of Ohio's major auto insurers, their repair programs and guarantees:

- [Allstate Insurance](#) (includes consumer choice in repairs)
- [American Family Insurance](#) (includes consumer choice in repairs)
- [Erie Insurance](#) (includes consumer choice in repairs)
- [Farmers Insurance](#)
- [Grange Insurance](#)
[Consumer repair choices](#)
- [Nationwide Insurance](#) (includes consumer choice in repairs)
- [Progressive Insurance](#)
[Consumer repair choices](#)
- [State Auto](#)
[Consumer repair choices](#)
- [State Farm](#)
[Consumer repair choices](#)
- [Westfield Insurance](#) (includes consumer choice in repairs)

Ohio auto repair regulations

There are extensive state insurance laws and regulations that apply to the claims handling process of insurers. Your insurer is obligated to safely repair your vehicle to its pre-accident condition.

Auto repairs are regulated under [Ohio Revised Code, 3901-1-54](#): *Unfair property/casualty claims settlement practices*.

Specifically:

3901-1-54

(H) Standards for prompt, fair and equitable settlements of automobile insurance claims

(4) When partial losses will be settled on the basis of a written estimate prepared by or for an insurer, the estimate must clearly indicate the use of the parts in compliance with section [1345.81](#) of the Revised Code. When "like kind and quality" parts are expected to be used in the repair, the estimate shall clearly indicate the location of the licensed salvage dealer where the "like kind and quality" parts are to be obtained.

(5) An insurer which elects to repair and designates a specific repair shop for automobile repairs shall cause the damaged automobile to be restored to its condition prior to the loss. The insurer shall assess no additional cost against the claimant other than as stated in the policy, and the repairs should be effected within a reasonable period of time.

Repair guidelines are also part of the auto insurance policy under the sections titled (or similarly entitled) "Coverage for damage to your auto" and "Duties after an accident or loss."

Also, many insurers provide this information online so that policyholders are provided a better understanding of the repair process. OII recommends that you understand your insurer's claims process BEFORE needing it. If you have a question about the repair process or any other aspect of your insurance coverage, ask your insurance company agent or representative.

Auto repair programs

Insurers with auto repair programs have established strict standards relating to repair shop personnel training and equipment in addition to shop inspection programs in place.

There is no standard claims practice procedure among auto insurance companies. To some degree claims handling has become one of the ways auto insurance companies compete. One company that has a direct repair program has established criteria based on personal inspection and quality standard compliance. This program is seen as a benefit to policyholders because it expedites repairs and claims processing.

An insurer may use its drive-in claims service as the basis of repair estimates. A policyholder would either be instructed to get additional estimates from repair shops of his/her choice or select a repair shop from one of the insurer's damage repair programs.

Another example of varied claims practices is that some companies work from an established average hourly repair rate based on rate surveys of a specific city or area along with the cost of replacement parts. If you choose a repair shop that charges an hourly rate that surpasses the established hourly rate, the company may have a provision in its auto insurance policy that requires policyholders to pay for the repair differences.

Since we are not aware of any insurance company that requires use of its direct repair programs, a body shop that voices concern over losing business to preferred auto repairers may be losing business due to their own practices or business model combined with competition from other repair shops that are able to operate more efficiently and reasonably.

Keep in mind that these recommendations made by insurers are based upon an auto repair shop's standard of quality, equipment and ability to perform repair work at usual and customary rates. Insurers want repairs to meet policyholder expectations in order that they continue as their customers.

There are hundreds (660) of insurers licensed to provide auto insurance in Ohio. Some offer repair programs and some do not. Choice exists today because many customers prefer this type of service and options when it comes to vehicle repair.

Insurance companies, just like most businesses, look at services that may actually provide a cost-savings to them. In return, such efficiencies can ultimately lead to premium savings for policyholders. Companies that have auto damage repair programs do so because they are cost-effective, which helps to keep the cost of auto insurance affordable.

Related studies & reports

- A [2010 study conducted by Q2 Marketing Research and Harris Interactive](#) related to consumer opinion on insurance company preferred repair shop programs found that 72% of respondents were strongly opposed to legislative action that would prevent insurers from providing a list of recommended body shops when they have a claim. Mentioning that there is no obligation to use a recommended body shop increased legislative opposition to 79 percent. Seven in ten car owners indicated they would use a preferred body shop recommended by their insurance carrier. If a body shop is on an insurance company's preferred shop list, consumers recognize that their insurer's reputation is on the line and should result in better repair service. Additionally consumers expect their company or agent to provide guidance through the claims process in return for the premiums they pay.

- The [Washington Legal Foundation](#) delivered a brief related to the possible unconstitutionality of state anti-steering laws that prohibit insurance company auto repair shop programs.

The report states:

"Bans on insurer recommendations strike at the core value of the First Amendment. ...

...anti-steering laws are not really meant to protect consumers. They are actually designed to protect body shop owners. Body shops do not want to compete for insurers' recommendations because many of them know they cannot earn them. Instead, they would rather prevent that competition from occurring altogether, ultimately decreasing efficiency in the market and harming the consumer. A state's desire to benefit its friends in the body shop lobby most assuredly does not trump the First Amendment interests at stake here, especially when consumers are harmed in the process."

- A [2013 Car Care Survey](#) conducted by Harris Interactive and RepairPal.com, a San Francisco online auto repair services firm, found that consumers have a "major distrust" of auto repair shops and "high anxiety" when they bring vehicles in for service. The study found that getting a fair price for repairs is their biggest concern while 66% of those surveyed felt that they've been "ripped off" by a repair shop.

These concerns become less of an issue or even negated through insurance company auto repair programs. Insurance companies conduct ongoing evaluations of their preferred shops, controls repair costs and guarantee the work.

About the auto repair process

According to Polk, the global automotive market intelligence firm, [the average age of vehicles on the road](#) today stands at a record high of 11.4 years. An auto repair estimate may include a mix of OEM (original equipment manufacturer) parts, non-OEM (aftermarket) parts and recycled parts.

It's not uncommon for an insurer to base repair estimates on the use of some non-OEM auto replacement parts, especially for older vehicles just as a repair shop may opt to replace an older vehicle's crash part with one from a salvage yard. The decision to write an estimate that may include using a mix of OEM and non-OEM parts is based on the individual claim, the vehicle and the availability, type and cost of parts, etc. For example, if replacing the hood on a 2002-model year car, in most cases the choices would be a used hood from a salvage yard or a CAPA-certified ([Certified Automotive Parts Association](#)) replacement hood, which would be new.

According to the Insurance Information Institute, [at least 40 states have enacted regulations concerning aftermarket parts](#). These include laws regarding disclosure of the aftermarket parts manufacturer; disclosure requirements on car repair estimates if aftermarket parts are used, general disclosure statements and prior consent rules.

Disclosure regarding the use of aftermarket parts on auto insurance repair estimates is required by Ohio law. An insurer's repair estimate must identify the specific OEM parts and include a disclosure statement. Ohio regulations regarding the use of non-OEM parts for repairs can be found at [Ohio Revised Code 1345.81: Using nonoriginal equipment manufacturer aftermarket crash parts](#).

The use of aftermarket parts can vary between insurers. If a non-OEM part is indicated on a repair estimate but you wish an OEM part to be used instead, you may have to cover the difference in repair costs out of pocket depending on your auto insurance policy. Some insurers offer an OEM policy endorsement for customers that prefer the use of OEM parts for repairs.

It's important to note that some consumers are misled, believing that a vehicle repaired with competitive auto replacement parts negates the vehicle's warranty. This is not true. The [Magnuson-Moss Warranty Act](#), passed in 1975, states that placing a competitive auto replacement part on a vehicle does not affect the warranty on the remaining parts.

Aftermarket parts and repairs

The history of the automotive aftermarket industry dates back to the 1950s. By the 1980s replacement parts such as fenders, hoods and grilles became widely available, creating a competitive environment in which consumers, insurers and collision centers could all benefit.

Aftermarket crash parts (also known as non-OEM parts or competitive replacement parts) are mostly used to repair damaged vehicles. A wide variety and growing list of aftermarket parts are available – from custom alloy wheels, sound systems, car batteries and wiper blades to outer body parts. These parts, which are not supplied by original equipment manufacturers (OEM), are often the sheet metal or plastic components forming the vehicle's exterior such as hoods, door and bumper panels, fenders, side moldings, etc. [Studies conclude that such exterior non-OEM parts serve no safety function and do not compromise the safety](#) of a vehicle.

Although the OEM manufacturer may not supply aftermarket parts, many manufacturers of OEM parts also manufacture aftermarket parts that are basically the same component except that they carry different stamping. The list includes familiar manufacturers including Bosch, Eaton Corp., Goodyear Tire & Rubber Co., PPG Industries and Delphi. (Sources: [American Automotive Aftermarket 2011 Industry Top 100 Index](#) page 22 and [Automotive News 2012 Top 100 Suppliers to North America for OEM Parts](#) page15.)

Aftermarket parts are usually less expensive than OEM parts. While non-OEM parts are usually made with the same materials as their counterparts and serve the same purpose, some may have very slight differences in how they look and feel. It's been known that some aftermarket parts, due to redesign, may actually be an improvement on the original. Aftermarket manufacturers reverse-engineer the part, and work the weaknesses out. For example, when an automaker designs brake pads, it has to strike a balance between cost, durability, noise levels and performance. In some instances, an aftermarket brake pad may be a better performer at a more affordable cost as a result of manufacturing efficiencies.

Because aftermarket parts are typically less expensive, they're often used by body shops and insurance companies in an effort to reduce repair costs. In this way, consumers benefit by saving on out-of-pocket repair costs and ultimately save on what they pay for auto insurance coverage. Aftermarket parts also allow more cars to be repaired and not totaled, benefiting consumers who do not have to replace (and finance) a new car and providing repair shops more business.

To illustrate, the [Property Casualty Insurers Association of America](#) (PCI) commissioned a report highlighting the dramatic impact that could occur if quality alternatives to car company parts were no longer available. The

[PCI study](#) found that rebuilding a 2012 Toyota Camry entirely with OEM (original equipment manufacturer) replacement parts costs about \$157,000 — seven times the car's original retail price.

For over 25 year aftermarket parts have been tested for like kind and quality. The [Certified Automotive Parts Association](#) (CAPA) was founded in 1987 to promote price and quality competition in the collision parts industry, helping to reduce the cost of crash repairs to consumers without sacrificing quality.

As an independent tester of aftermarket parts, Certified Automotive Parts Association (CAPA) oversees a testing and inspection program that certifies the quality of automotive parts used for collision repairs. Parts that meet or exceed CAPA's quality standards for fit, component materials and corrosion resistance receive a certified auto parts (CAPA) seal. The CAPA program provides consumers, auto body shops, part distributors and insurance adjusters with an objective method for evaluating the quality of certified parts and their functional equivalency to similar parts manufactured by automotive companies.

CAPA quality standards apply to various types of parts with certification programs currently in place for metal (CAPA 101), plastic (CAPA 201), lighting (CAPA 301), foam rubber (CAPA 401) and bumper parts (CAPA 501). Each has detailed testing and inspection procedures to ensure the quality of its covered parts. Where possible, all test procedures refer to the nationally recognized tests such as those of ASTM and SAE.

Benefits of insurance company repair programs

Although many points are provided in this report, the following is a recap of the general benefits of insurance company auto repair programs:

- 1) **Customer convenience:** Since the repair process is handled between the repair center and the insurance company, it minimizes customer time commitment and paperwork involved in the repair.
- 2) **Customer choice:** Insurance repair programs were developed as more customers want and expect such conveniences as part of their insurance company's services. An insurance customer can't be *required* by insurance companies to use a certain auto body shop for collision repairs. "Anti-steering" laws are in place to prevent this. If a customer chooses their own shop for repairs, while the body shop, customer and insurance company work through the repair process, the customer may be asked to pay excess costs directly.
- 3) **Insurer knowledge of repair process:** Insurance companies employ experts on vehicle repair in addition to data involving millions of auto repairs. Insurance customers can rely on their insurer's expertise in selecting auto repair shops for their in-house or direct repair programs.
- 4) **Fewer delays:** Should additional repairs or parts be required that were not included in the original repair estimate, a body shop may need to stop work in order for an insurance adjuster to review the additional repairs. This step is usually unnecessary with preferred shop programs.
- 5) **Reduction in fraud:** Since insurance companies carefully monitor the workmanship of their repair shops, there's less of a chance for padded repair bills, fraudulent charges or poor workmanship.
- 6) **Repair guarantees:** Your insurance company guarantees auto repairs as long as you own the vehicle. This may not necessarily be the case with a body shop in the unfortunate event that it goes out of business.
- 7) **Management of repair costs:** When an insurer can control auto repair processes and pricing, repair costs are typically less. Cost-effective repair processes assist in helping to keep the cost of auto insurance down.

Cost of auto insurance in Ohio

Ohioans have consistently enjoyed affordable auto insurance rates. According to the December 2013 NAIC report, Ohioans pay \$177 less for auto insurance than the US average. The 2011 average auto insurance expenditure in Ohio was \$620 compared to the US average of \$797. Ohio's average auto insurance expenditure is 10th lowest in the country. Ohio's average auto insurance expenditure only rose 51 cents between 2010-11 according to the NAIC reports.

In fact, Ohio's average auto premium is less than it was 12 years ago, according to OII's [2014 Auto and Homeowners Insurance Trend Report](#). NAIC reported Ohio's 2003 average auto insurance expenditure was \$672. OII estimates that the average 2014 auto insurance expenditure for Ohioans is \$671.

Resource links

- [Ohio Revised Code, 3901-1-54](#): *Unfair property/casualty claims settlement practices*
- [Ohio Revised Code, 1345.81](#): *Using nonoriginal equipment manufacturer aftermarket crash parts*
- Q2 Marketing Research and Harris Interactive [study on consumer attitude toward insurance company preferred body shop programs](#)
- Washington Legal Foundation [brief on constitutionality of state anti-steering laws that prohibit insurance company auto repair shop programs](#)
- Harris Interactive and RepairPal.com [survey on consumer attitude toward auto repair shops](#)
- Insurance Information Institute Issues Update: [Generic Auto Crash Parts](#)
- [Magnuson-Moss Warranty Act](#)
- Property Casualty Insurers Association of America (PCI): [Consumer Choice in Auto Body Repairs](#)
- PCI: [Cost of rebuilding 2013 Toyota Camry using OEM parts](#)
- Audatex: [Average repair costs by state](#)
- Ohio Insurance Institute: [2014 Auto and Homeowners Insurance Trend Report](#)
- Ohio Insurance Institute: [Settling an auto insurance claim](#)

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