

Inspection centres – the ticking bomb

Inspection centres which offer to check repairs for unhappy owners have not gained a foothold in Australia. But if and when they do, they could cause pandemonium in the repair industry.

THE RISE of a viable inspection service depends on the number of dissatisfied owners of repaired vehicles. The recent Productivity Commission draft report on smash repair and insurance quoted some relevant numbers for the period 2002 – 03. It said there were 10 million car insurance policies, one million claims and about 5500 disputes – meaning that the dispute rate was less than one per cent. The majority of these were resolved between the insurer and claimant, with only 794 going before the General Insurance Enquiries and Complaints Scheme (IEC) for a decision which is binding on the insurer but not on the consumer.

From this, the Productivity Commission deduced that complaints, and therefore dissatisfaction, were not significant in the system.

Tony Murdaca, who was forced to close his inspection centre in Melbourne last year when his company was wound up, does not agree. He claims he conducted over 400 inspections of 'repaired' vehicles and found that only 15 per cent were satisfactory. The inspections were done at the request of car owners who were not happy with their repairs and felt they could go no further with their insurer or repairer. Most of the failures were structural – which Murdaca says could affect the safety of the vehicle – especially if involved in another collision. He believes the level of complaints would be much higher if owners of repaired vehicles knew what to look for and where to go for testing and measuring.

Although presently back in his box, Murdaca vows to re-emerge with inspection services – maybe nationally.

One of Murdaca's early colleagues, Robert Porter, is also interested in establishing an inspection centre, probably in Sydney where he lives. Porter was

formerly CEO of OAMPS car insurance, so he knows the ropes. He's waiting on the outcome of the Productivity Commission's hearing and its final report before making a move. His preference would be to underpin inspection centres with a public company which would have the strength to resist pressure from powerful companies that would oppose it.

"There is no doubt in my mind that there is a great need for this type of service," he says.

Both Murdaca and Porter have a model, if not to follow then certainly to observe. The US magazine, Hammer and Dolly, reported in its January 2005 edition on 'AccidentCheck', a Florida based company 'using scientific means to determine where a repair failed to restore a vehicle to its pre-loss condition.'

The company is run by the aptly named George Foreman. He began in 1996 – after having been in the smash repair business himself for over 20 years. He estimates that, for heavy hits, 90 per cent of damaged vehicles are not restored to pre-accident condition.

He is quoted as saying: "In their obsession with cost-cutting, insurers have made it difficult, if not impossible, for repairers to return vehicles to pre-loss condition. A repairer looks at the car and says 'I need 100 hours here.' When he picks up the estimate he's allowed 23.

"I'll be the first to tell you that if you want to repair a car for the consumer and do it honestly in the state of Florida, there would be a significant campaign to put you out of business."

When Foreman is asked to look at a compliant he measures the car and if it is not up to spec. he invites the owner to sign a contract with him. From there he creates a file and refers the owner to an attorney who sues the insurer for breach of contract, fraud, and deceptive trade practices. Foreman is paid when



the client settles with the insurer.

Foreman charges US\$3900 per case. If he takes the vehicle apart it's an additional US\$450. He also charges \$50 a day for storage – which many clients decide upon when they find how badly their car has been repaired.

Clients who go the litigation route have a very high success rate. Foreman makes that point that it is not his company suing the insurer, it is the policy holder. This is often misunderstood. He believes that repairers support what he is doing once they realise that it is in their interests for insurers to allow proper repairs.

IN AUSTRALIA

It is the insurance companies of Australia that have set repair

TOP: Good repairs take time and patience – which isn't always paramount in the minds of owners or insurers.

ABOVE: Misalignment is one of the most common, unseen faults of smash repairs. Owners are hardly ever aware of it.

standards based, logically, on what their policy holders will accept. This is a popular philosophy – and not only confined to insurers. Safety issues aside, it is the car owner's superficial response to a repair that carries the day, not the observations of a trained inspector. If the owner is not fussy about gaps, colour matching or exact dimensions, a return to pre-accident condition becomes an industry theory rather than a customer demand. The Motor Traders Association of Australia has no policy attitude on this matter indicating, perhaps, that the ticking bomb is still ticking.

The potential for explosion comes with a shift in consumer expectations. If an inspection centre movement set about educating the 10 million Australian policy holders that their repairs may be shiny but shoddy, and the way to find out was by submitting to a post-repair inspection, the nasty stuff would hit the fan. And if there were enough inspection centres with enough power, insurers would be paying more to repairers to carry out better repairs – but whether the extra time would mean extra profit for the repairers is debatable.