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NCOIL Property-Casualty Insurance Committee Members
National Conference of Insurance Legislators
385 Jordan Road
Troy, New York 12180

Re – Steering

***** Delivery Via fax 518 687 0401 & E mail cthorson@ncoil.com *****

Dear Committee Members,

This letter and the attachment are my response to the issue of “Steering” which is scheduled to be addressed at your next meeting.

I respond as a citizen, concerned with the proper repair of vehicles, as well as the owner of a Collision repair facility for the past 18 years. I was also previously employed as an Insurance Adjuster as well as a Pennsylvania Licensed Appraiser, assessing damaged autos and homes for over 13 years. My responsibilities also included being a monitor for a “Direct Repair Program” (DRP) for an Insurer that I had worked with for six years. This program and others depend upon “Steering” to be successful. As a shop owner, at one time I participated in no less than 10 DRP programs. Currently I do not participate in any programs due to the demands placed upon a repairer.

With the personal contacts in the Insurance companies and experiences that I have had over the years, you would think it would behoove me to participate in DRP programs. However, the mission and outcomes of these programs have drastically changed over the years. The point being, that safety and quality have been replaced as goals, with claims severity and cost averages and compliance to cost saving measures, the only concerns.

The owner of the vehicle, their financial interests, as well as their safety and the general public's safety have been, and are being compromised to save a buck.

Steering has become a tool by insurers and third party administrators, to coerce, brow beat and out right lie, to unsuspecting Insured's and Claimant's that have the misfortune to be involved in a loss.

No where in any of the literature that I have read regarding DRP programs is there any information, making the vehicle owner aware of the contracts and deals that have been made between the repairer and the insurer. A review of my attached handout goes into greater detail regarding these issues that are never explained or made public by any of the parties.

Below are some of the tools of steering used by the Insurers and the third party administrator to tell the unsuspecting customer when they call in a claim;

“We don't work with that shop”

“There not on our approved list”

“We won't approve any work done there”

“We won't guarantee the repairs if you take it there”

“We can't guarantee the repairs”

“We won't be able to have someone out to look at your car for a least a week or two if you take your car there”

“You will have to pay more money if you have you car fixed there”

“We won't pay the claim if you take it there”

“We are not paying for a rental car if you go there”

“We are not going to pay for a rental until we see the car”

“You are going to have a problem if you take it there”

The implications and the tone used by these people are such, as to cast suspicion upon the defenseless business person (non DRP shop) who is not privy to the phone conversation. I have sat in my office with people who are filing claims and listen on speaker phone to the comments and unjust inferences and false accusations. This is just the tip of the ice burg for the lines and scripts that are used to coerce the public against non participating DRP shops. These employees are given goals and rewarded or suffer consequences if these “steering” goals are not met. Nowhere are the needs of the Insured or the Claimant considered until and sometime they have to become abrasive and demanding or speak to a supervisor or a Manager.

Steering and the consequences of steering are a clear financial detriment to those repairers who decide not to “play ball” with these parties and participate in DRP programs. Additionally and more importantly, is the detrimental hazards that an unsuspecting vehicle owner, as well as the general driving and pedestrian public is subject too, as a result of the hazards of vehicle that are not properly repaired so that an insurer can again save a couple of bucks.

With “Disclosure” becoming a catch word or phrase in today’s society the public should be, but is not made aware of the true deals that are made behind “closed” doors leaving the customer out in the cold. The Insurer unjustly reaps a financial enrichment due to the coercion and brow beating of the very people they should be helping in their time of need after a loss.

Hopefully you take into consideration the points that I have made as well as the attached hand out that my customers receive.

If I can be of any help feel free to contact me.

Sincerely

Michael K. Burke – Electronic Signature
President

“DIRECT REPAIR PROGRAMS AND YOUR VEHICLE”

You have been involved in an accident or your vehicle has been damaged by a falling tree or some other means. Now it’s time to call the Insurance Company about the damages.

Some insurance companies have programs set up that are called “Direct Repair Programs”. “DRP” for short.

These programs appear on the surface to be a great deal emphasizing how quick the repairs can be completed and “Guaranteed”.

In Reality these Programs Can be like a Wolf in Sheep’s clothing.

When “Steered” to a DRP shop, what’s not Disclosed are the Deals that are Agreed To Between the “DRP” body shop and the Insurance Co. “Disclosure” is a Key Element But You Never get to see the Contracts & Agreements They Made to Repair Your car.

For a Body Shop to be a Participant in the “DRP” Program they Agree to Deep Discounts on Parts and Labor, as well as “Caps” on Reimbursement for Paint Materials and Other Allied Materials That Are Needed for the Repair of Your Vehicle.

Imitation or Black Market Parts made by Off Shore Manufacturers are also a Mandatory Requirement for repairs to your vehicle. Remanufactured and Used Parts Being Used are the Norm.

Used Steering and Suspension Parts are Removed Off of Vehicles at “Junk Yards”. These Used Parts are Then Used in the Repair of Your Vehicle. Keep in Mind that the “Junk Yard” Vehicle has been Deemed to be Non Repairable or a “Total Loss” as a result of being involved in an Accident or for other reasons.

The Insurer Does No Testing of these Used Suspension & Steering parts to Insure the Safety and Quality of the Part & Your Safety.

The Cost of Repairs may be the Primary Consideration at “DRP” shops. The Quality of the Repairs or the Safety of the Vehicle May No Longer be a Primary Concern. This is Regardless of the Age or the Condition of Your Vehicle

“DRP” shops Constantly receive “Severity” Reports from their

“Insurance Partners” which outlines their Compliance with Cost Cutting Measures that are Demanded by the Insurance Company. “DRP” Shops that Do Not Comply with the Insurers Cost Saving Measures can be, and are dropped from the “DRP” Program.

“DRP” agreements usually include a “Hold Harmless” clause. This means that in Case of a Problem with the Repair, or a Lawsuit against the Insurance Company and the “DRP” Shop, the Insurer by Written Agreement with the Shop is absolved of any liability and “Held Harmless”. What this Means is that the Insurer Is Absolved of Any Financial Responsibility and the “DRP” shop Will be Responsible for Any Judgments Against the Insurance Co.

With “Disclosure” being so Important, and when being Pressured to take your vehicle to a “DRP” shop, Ask the Insurance Company for a Written Copy of the “DRP” Agreement they have with the “DRP” shop as well as any “Hold Harmless” Agreements.

You work hard for your money. Why would you work this week for 10 or 15 or 20% less than you did last week? That’s exactly what the “DRP” shop may be doing to get the repair job.

Remember the Choice Is Always Yours, Not the Insurers for Repairs to Your Vehicle. Choose Independent Repair shops that will Repair Your Vehicle to Your Standard of Safety and Quality.