

Fraud Awareness Committee Presentation

Boston, MA
October 1, 2003



Business Situational Ethics Survey Ft. Lauderdale, FL

“More people fail because of flaws in their character than for any other reason.” – Dr. D. James Kennedy

- Excerpts from “Something Else to Smile About”. A book by Zig Ziglar © Copyright 1999 - Visit the Zig Ziglar Web site.

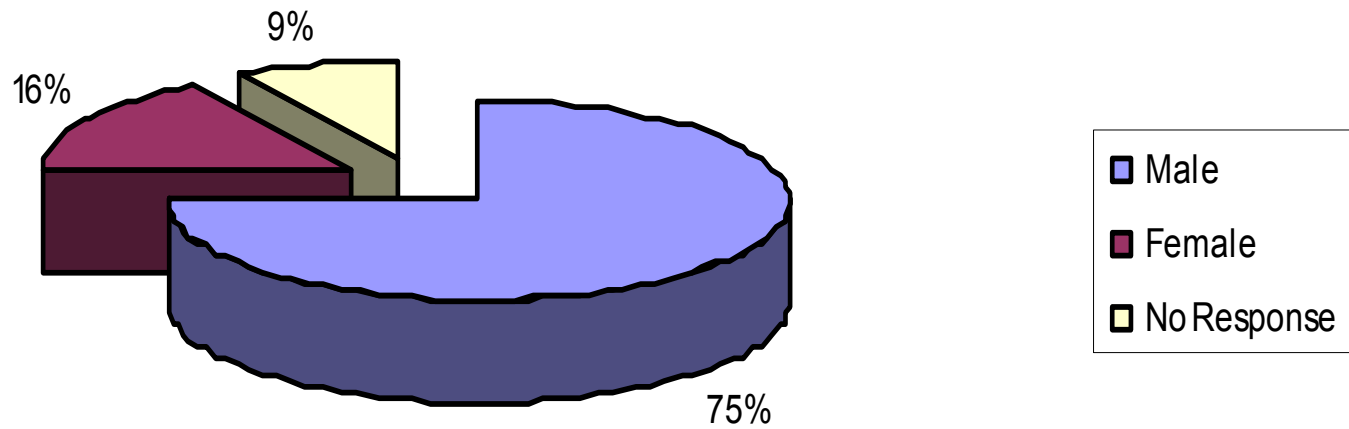
Ft. Lauderdale Survey Results

- 120 Surveys handed out
- 93 Surveys returned
- 32 Surveys fully completed (time constraints)

These results are provided for your consideration. The survey was not conducted as a scientific study and was not compiled or intended to be used for statistical purposes.

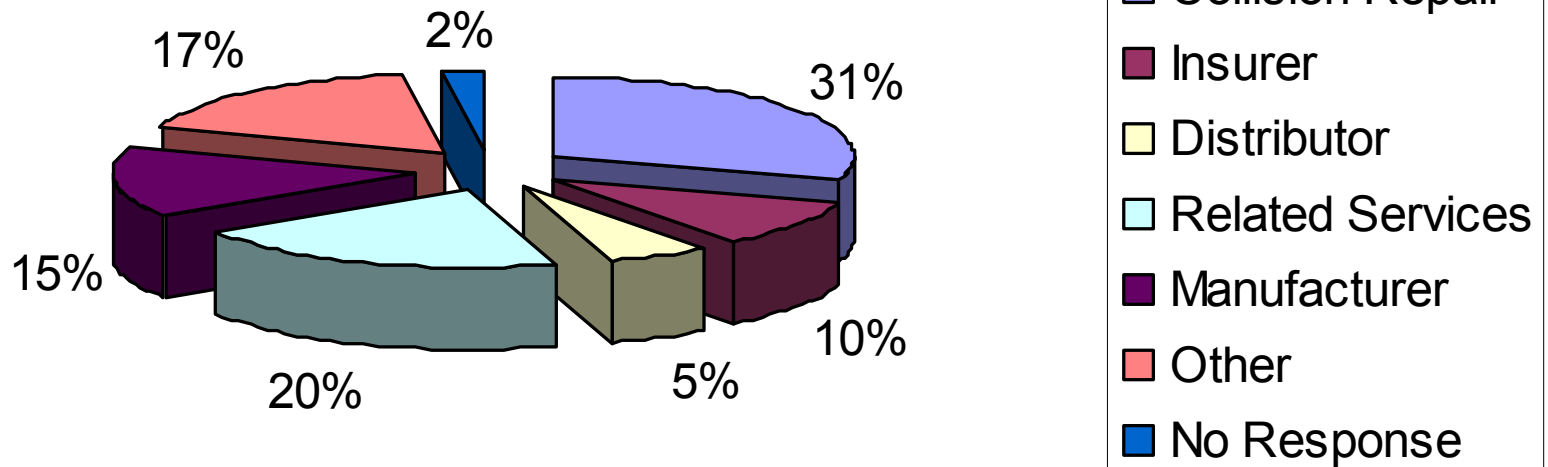
Who responded ?

Gender of Respondents



Who responded ?

Industry Segment



Scenario One

A certified aftermarket part was specified on an estimate prepared by an insurance appraiser, but there was no requirement that the repair facility buy from any particular vendor; only that a “certified” part is used.

The part actually used in the repairs by the repair shop was ordered from a parts house that does not sell “certified” parts since they didn’t find the “certified” part at the other parts jobber they use. After all, cycle time considerations had to be met.

Scenario #1

- **CIC Meeting Attendees**
 - Acceptable 7 8%
 - Unacceptable 81 92%
- **CIC “Repairer” Meeting Attendees**
 - Acceptable 1 3%
 - Unacceptable 28 97%
- **CIC “Insurer” Meeting Attendees**
 - Acceptable 1 13%
 - Unacceptable 7 88%

Scenario #1

Answer:

Unacceptable

If uncertain, the repair shop should have contacted insurer to find out if the policy was to replace with new or recyclable OEM part if a certified part was not available. If not, what was their policy for replacement parts in this instance?

Scenario #1B

Repair facility should disclose to both insurer and vehicle owner that the certified part was not locally available, therefore, a substitute non-certified part was installed.

Scenario #1B

- **CIC Meeting Attendees**

- **Acceptable** **57** **83%**
- **Unacceptable** **12** **17%**

- **CIC “Repairer” Meeting Attendees**

- **Acceptable** **12** **60%**
- **Unacceptable** **8** **40%**

- **CIC “Insurer” Meeting Attendees**

- **Acceptable** **5** **83%**
- **Unacceptable** **1** **17%**

Scenario #1B Answer: Unacceptable

Any deviation from the written appraisal must be disclosed to, and cleared with, both insurer and vehicle owner prior to part substitution.

Scenario #1C

Repair facility should say nothing and cover up that they used non-certified parts in an effort to increase profit margins since, after adjustments, the part fit fairly well.

Scenario #1C Answer:
Unacceptable

100% of CIC attendees responded by
saying this was unacceptable.

Scenario #2

The Appraiser stops by a shop to inspect a new loss and accepts a kind offer of being taken to lunch with shop front office personnel. The shop's estimator offers to pick up the tab and the appraiser accepts.

The following week, the same appraiser stops by around same time to see another claim and again accepts offer of lunch. The same thing happens a few days down road and a pattern develops over a period of time.

Scenario #2

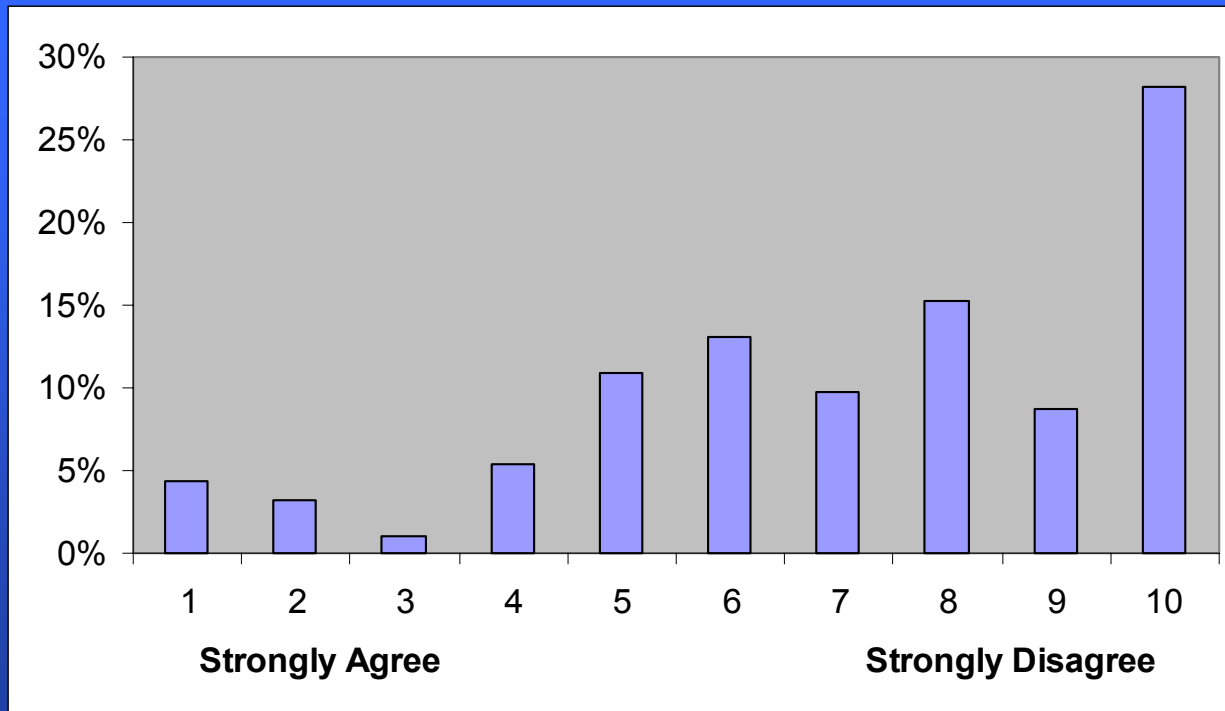
- **CIC Meeting Attendees**

– **Acceptable** **14** **16%**

– **Unacceptable** **76** **84%**

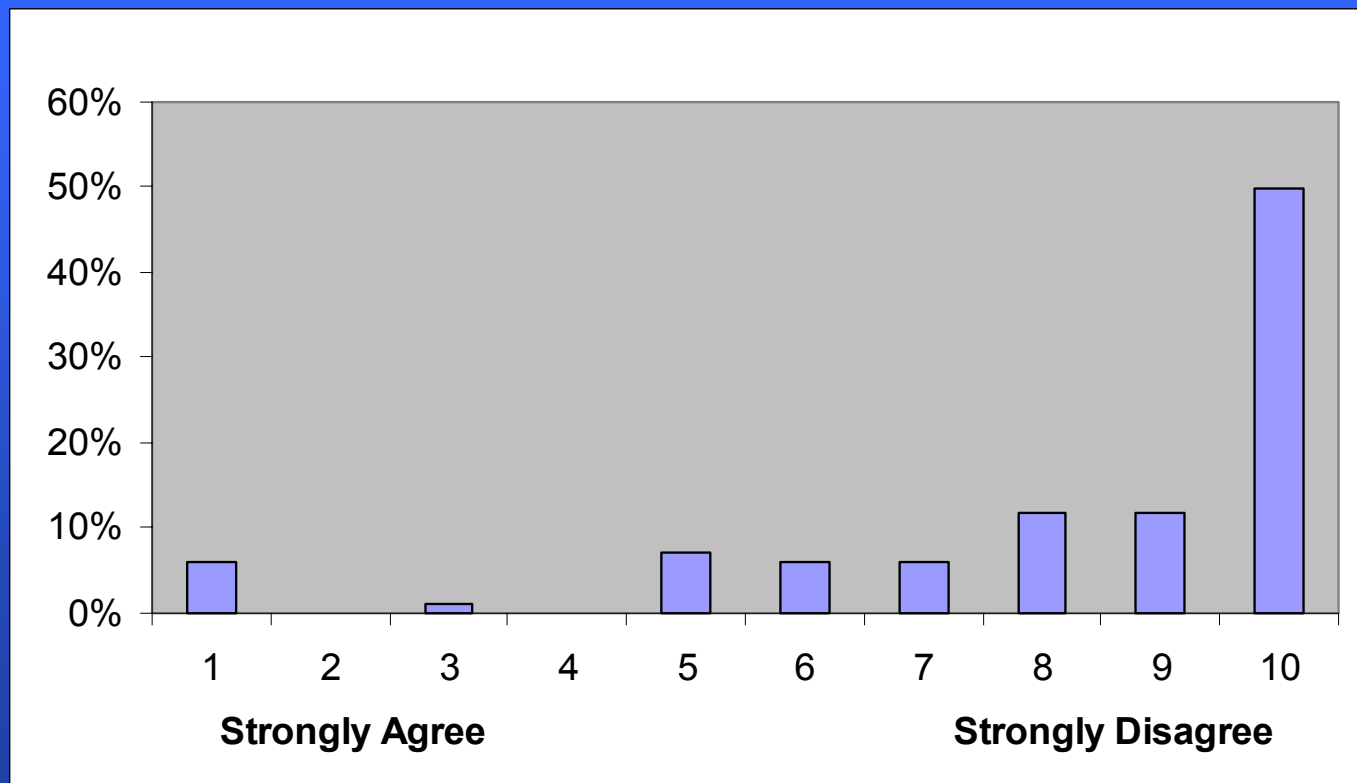
Scenario #2

Is this behavior on the part of the appraiser okay with you from the perspective of the shop?



Scenario #2

Is this behavior on the part of the appraiser acceptable to you if you are an insurer?



Scenario #2B

The appraiser and estimator go to lunch, but each pays for their own meal. While this is not a "real" problem, could it become a "perceived" problem?

Yes	61	67%
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No	30	33%
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Scenario #2C

Would it be acceptable for an appraiser to attend an open reception paid for by a shop or vendor with food and beverages and multiple invitees?

Yes	79	87%
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No	12	13%
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Scenario #2D

Would it be acceptable if the appraiser accepted the lunch offer, but showed up the next week and insisted that they "buy"?

Yes	55	61%
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No	35	39%
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Scenario #3

An insurance company requires looking for alternative aftermarket parts whenever readily available and feasible, however, no certified or other “specified” aftermarket part is required. The database provider indicates an alternative aftermarket part is available and the repair shop lists the part on the appraisal to meet DRP requirements.

Scenario #3

Acceptable 60 67%

Unacceptable 30 33%

Scenario #3B

Assume the repairer gets the aftermarket part and invoice and then claims poor fit, without removing the part from the box. The shop returns the part to the distributor, orders an OEM part, and prepares a supplement. The shop feels that cycle time requirements dictated this type of action.

Scenario #3B

Acceptable	6	7%
Unacceptable	83	93%

Scenario #3C

The repairer orders and returns the a/m part without trying it on the vehicle. The shop orders an OEM part and absorbs the cost difference.

Scenario #3C

Acceptable 33 37%

Unacceptable 56 63%

Scenario # 3D

The repairer lists to replace with a/m part on appraisal but, instead, repairs the damaged OEM part. The shop feels that the insurer would never pay that kind of labor hours to repair, but feels justified in that "it's a better job due to having saved the OEM part."

Scenario #3D

Acceptable	12	14%
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Unacceptable	74	86%
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Scenario #4

An independent appraiser wrote an appraisal, intentionally leaving known and needed items off by request of a insurance business partner. The assumed rationale is that a supplement will be submitted if the vehicle is ultimately repaired. However, if the customer does not repair, the omitted items are never paid for.

Scenario #4

Is there a contractual breach?

Yes	64	14%
No	3	3%
Unsure	19	22%

Contractual Breach?

- Limit of Liability
 - For partial losses, the limit of liability for Comprehensive and Collision coverages is the amount necessary to repair or replace the damaged or stolen property or parts thereof without deduction for depreciation.
 - Repair or replace means restoring the damaged property or parts thereof to their pre-accident operational safety, function and appearance. . . .

» Typical 5100 series auto policy

Scenario #4

Are there unfair claims practices issues?

Yes	78	92%
No	1	1%
Unsure	6	7%

Unfair Claims Practices Issues?

Every State has a Dept. of Commerce or a Dept. of Insurance website.

- On most websites, there will be a published document entitled “Unfair Claims Practices” or similar name
- The damages or payment area will most certainly address issues of this nature and clearly define what is and is not allowed in your particular state where you do business

Scenario #4

Is there consumer deception?

Yes	78	92%
No	2	2%
Unsure	5	6%

Scenario #4

Do each of the previous apply if the vehicle is repaired and the omitted items added?

Yes	47	57%
No	17	21%
Unsure	18	22%

Scenario #4

Is rationalization OK, since we were told to do it by our business partners?

Does that make it "not our fault"?

Yes	6	7%
No	64	78%
Unsure	12	15%

Scenario #4

If the vehicle is properly repaired and all operations paid for, did this practice constitute any problem?

Yes	55	69%
No	12	15%
Unsure	13	16%

Scenario #5

An insurance appraiser prepared an appraisal for repairing a vehicle located in the repairer's bull pen and attempted to secure an agreed price on the job.

The shop estimator did not agree with the amount of paint materials allowance figured by the appraiser and told him so.

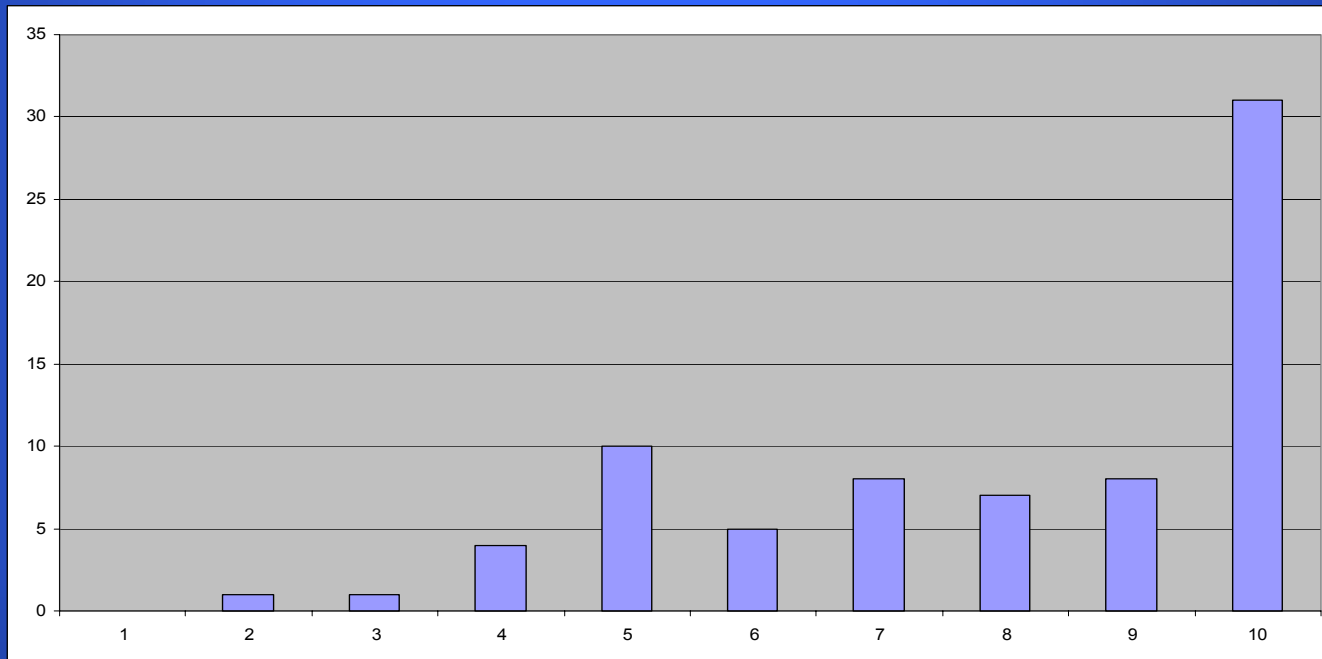
(Cont'd)

Scenario #5 (Cont'd)

The appraiser would not increase the allowance. The next item was a judgment repair time on the frame. The shop estimator asked for more to repair the frame although the insurance appraiser's allowance was more than fair. This was to "make up" for the paint materials shortfall.

Scenario #5

- Acceptable 10 13%
- Unacceptable 65 87%



Totally Acceptable

Totally Unacceptable

Scenario #5B

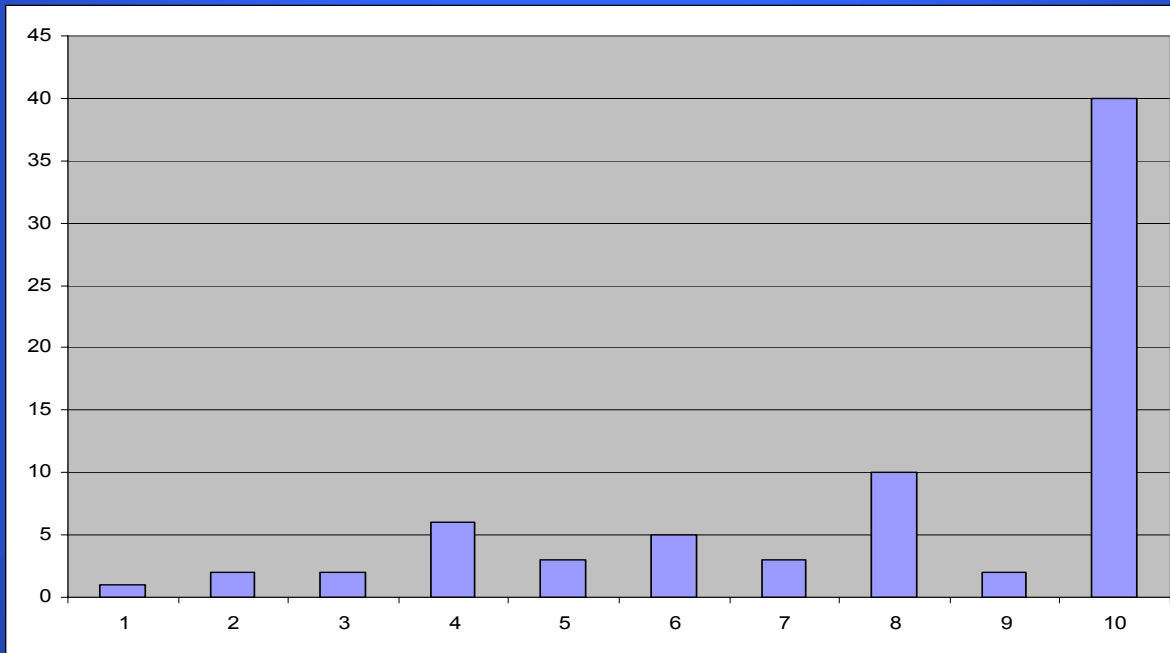
If the insurance appraiser had offered additional time on the frame to “make up” for the paint materials shortfall, would this be OK?

Acceptable	13	18%
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Unacceptable	61	82%
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Scenario #5B

- Acceptable 13 18%
- Unacceptable 61 82%



Totally Acceptable

Totally Unacceptable

Committee Members

- Ed Dahm – American Collision Network
- Karen Fierst – KerenOr Consultants
- Bob Majtezel – Consultant
- David Mc Creight – Collision Resources
- Joe Sanders - Consultant
- Jeanne Silver – Mundelien CarStar
- Chad Sulkala – Acme Auto Body
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