



Fair Trade Practices: *Proposed DRP Reform Measures*

July 23, 2008

Scottsdale, AZ



Foundation for DRP reform ...

- The following points were crafted by a cross section of industry stakeholders and offered publicly for nearly a year as a foundation for debate and discussion.
- The points are related to business practices within and between some insurers and some repairers often referred to as DRP. In most cases, these points address areas of concern and conflict between trading parties.
- The purpose of this discussion is not to condemn current practices or debate current behavior. We will avoid that as best we can.
- By listing these points and conducting this panel discussion, we are providing a forum to openly air the issues and give stakeholders the opportunity to express their opinions related to the topic.



Foundation for DRP reform ...

- **None of the panelists are responsible for the content of the document nor is their participation on this panel an endorsement or advocacy of insurance direct repair programs nor any of the discussion points.**
- **Neither the discussion or the conclusions drawn are binding, nor are they intended to establish any of the components or aspects of the prices to be charged to a consumer for any services that might be provided.**
- **The discussion by this panel will strictly avoid areas that may in any way be considered collusion, price fixing, or a violation of anti-trust laws.**
- **The opinions expressed by the panelists are strictly their own and do not necessarily represent the companies for which they may work or any organization with which they may otherwise be affiliated.**



Direct Repair Criteria

- 1) All direct repair programs should be based on transparent standards and criteria that are objective, and these requirements should pass public scrutiny wherein they could be published in a newspaper to provide a positive marketing benefit to all concerned and not an embarrassment.



Shop Selection

- 2) Insurers should remove shop selection and decision-making power away from single individuals, and place those decisions with a board of independent individuals that cannot have a close enough relationship with a shop to gain any inurnment or gratuity. Insurers could also rotate area staff so that no single person has long-term authority over any one shop.



Publish Agreement Items

- 3) Program guidelines or agreement items should be published and audited so that field staff cannot arbitrarily modify them nor create areas for misuse and/or regional policy interpretation.



Performance Based Referrals

- 4) If there are ongoing referrals from an insurer to a repairer and/or an increase in volume of referrals, it should be strictly based on performance. The shops that best serve consumers earn the most business.



Comments About Shops

- 5) While an insurance company may recommend any shop that meets their published criteria and standards as outlined, they may not make comment about any other business that is not on their list as a means to encourage a consumer to select their referral choice, or to dissuade them from using a repairer of their own choice.



Exchange of Information

- 6) Insurers should rightfully acknowledge that all shop-produced data is the property of the shop and that no data can be gathered without the specific authorization of the shop. Insurers should disclose every data item to be collected along with the intended use of that data. Further, sharing this data should be strictly voluntary and not a requirement or criterion of participation in a referral program.



Repair Standards

- 7) Insurers and repairers should cooperate in the independent creation and universal acceptance of repair standards, and mutually agreeable repair practices that will serve as the foundation of all estimating and repairs.



Non-compliant Repair Practices

- 8) At no time will an insurance company recommend, encourage or pressure any repair business into following repair practices or using parts, paint or material that are not in compliance with repair standards in accordance with OEM specifications and or that may in any way lessen the value of the repaired vehicle or threaten the safety of the vehicle. All requested repairs will be in accordance to the repair standards as established in paragraph #7.



Required Vendors

- 9) Insurers should be limited from requiring that a shop buy any product or service from a particular vendor as an agreement item or criterion to participate in their DRP, or receive a referral of any sort.



Reform of State Laws

10) Insurers and shop associations should work together to reform ALL state laws to ensure they prohibit payoffs and other "pay to play" programs, with enforcement and criminal penalties clearly defined. There should be immunity and protection from reprisal for whistle-blowers.



Transfer of Ownership

11) The transfer of ownership of a body shop should not automatically disqualify that shop from continued DRP participation. Continued participation when a shop is sold should be contingent upon a review and approval of the new ownership transfer and based on an objective application process commensurate with the criteria used for any and all shop participation as outlined in item #1.



Toll Free Number

- 12) Every insurance company should have a published, easy to find phone number so that shops and/or other individuals can call to report abuses, anonymously if necessary.



Agreement Items

- 13) If there is any discounting between insurers and repairers, it should always be based upon fair trade practice and legal parameters such as volume. If a discount is given, it should be based upon an objective measurable and auditable business agreement.



Independent Review Board

- 14) All insurers should have an independent review board made up of consumer and industry professionals that can openly provide feedback. A majority of this board of advisers should be neutral, with nothing to gain or lose from the answers and feedback they give.