



Insurance Institute of Michigan

Insurance Institute of Michigan Position
Insurance Company-Owned Auto Repair Facilities
Senate Bill 268
As of April 27, 2011

The Insurance Institute of Michigan (IIM) strongly opposes legislation that would prohibit insurance companies from owning or having an interest in auto repair facilities. The fact is insurance company-owned auto repair facilities benefit policyholders by expanding consumer choice, enhancing customer service and fueling competition. These relationships assist in holding down the cost of auto repairs, thereby controlling the cost of auto insurance for policyholders.

Consumers have the right to have their motor vehicles repaired at any facility they choose. However, some people ask their insurance company for assistance in selecting an auto repair facility because they aren't faced with such a decision often. Insurance companies, on the other hand, pay for millions of auto repair jobs across the country each year. Insurance company employees know which repair shops stand by their work and charge rates that are fair and reasonable. It makes sense for insurance companies to be able to offer their customers an option that assures them of the highest quality repair job at the best possible price.

Insurance company-owned auto repair shops enhance customer service and help eliminate inefficiencies from the system by streamlining the repair process for consumers and insurance companies. Consumers are best served when businesses compete on the basis of price, product and customer service. Some auto repair facilities are attempting to limit competition. They want to restrict consumer options and shield themselves from competition.

Only one insurance company currently owns two repair facilities in Michigan. Insurance companies that do own auto repair facilities are highly motivated to provide high quality repairs so they can maintain their customers. The automobile owner is also their policyholder. Customers who are not pleased with the service they get from their insurance company — or body shop — will take their repair and insurance business elsewhere. Another benefit to consumers is the fact that most insurance company owned facilities provide lifetime guarantees on body shop work and parts.

This issue is all about competition and consumer choice. Consumers will decide to use the repair shop that they feel best fits their needs. Insurance companies should not be prohibited from providing consumers options that can eliminate much of the guesswork on auto repair questions, guarantee quality repairs and keep costs down.

In the same way, restrictions on the use of preferred repair facilities only reduces consumer choice and interferes with efforts to improve customer satisfaction. Under current law, insurance companies are required to disclose these arrangements prior to or at the time claims are filed and consumers are under no obligation to use a particular repair facility (MCL 500.2110b).

Some insurance companies enter into preferred repair facility arrangements with selected repair facilities to help guarantee prompt, high quality and reasonably priced repairs. While cost control is always a major concern, minimum cycle time and guarantees on job quality are equally as important to insurance companies.

Prohibiting insurance companies from limiting the number of preferred repair facilities they can contract with will diminish the value of these arrangements to both the insurance company and the repair facilities involved. Clearly these restrictions are unreasonable interference in the marketplace and the private right to contract.

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