

What Insurance Companies Don't Tell You

When you are involved in an accident, there are many things that happen and since most people don't have accidents very often, it can be very confusing at best. You have many questions

- What is covered, how much am I going to have to pay?
- What is an aftermarket part?
- What is a Quality Replacement Parts?
- What is a Direct Repair Shop (DRP)

Did you know many times insurance companies specify aftermarket (A/M) or quality replacement parts (QRP) that save them money? The problem with this is that it saves them money but could potentially cost you hundreds and even into the thousands of dollars when you go to sell or trade your vehicle in. And Insurance companies will tell you that it is to save you money on premium cost. We don't know many people who have had an accident and their premiums went down. If this is you we would love to hear from you. Please contact us. This simply does not happen.

Companies want you to believe that they are looking out for your best interest when in fact they are managing their bottom line. You should always check your policy, because some policies have provisions that allow them to pay for non-OEM parts, and some policy that are non-standard policies have a number of different provisions that are not in your best interest.

So how can a person deal with some of these policies? For one it makes a big difference on whether you are a first party claimant or third party claimant, another words is it your insurance company because you are at fault or is it someone else's fault and they are paying the bill. You always have a little more leverage if you are not at fault and the claim is against the other person's insured. There are a number of different ways to collect and protect the investment you have made in your vehicle. One way is a diminished value claim. There are other ways which involve small claims court, it is not as difficult as some people think, but you have the right to file a small claims case against the individual that hit you, it is their responsibility to make you whole, and although most people don't want to do this, it is the game that has to be played out to get what you are entitled to.

Aftermarket Parts

What are Aftermarket Parts?

Aftermarket parts are parts that are not manufactured by the original equipment manufacturer(OEM), these parts are listed on repair estimates as either Aftermarket (A/M) or Quality Replacement Parts (QRP). Insurance companies in the state of Texas have to notify you of the use of these parts, and their staff people will always try to convince you that these are great parts and they will stand behind them as long as you own the vehicle. But most of these same individuals would never allow them to be used on the vehicle unless it was over 10 years old. Most insurance companies are now specifying the use of these on any vehicle that is not current year model or less than two years old. Some insurance policies don't spell this out and are somewhat vague as to their right to use these on your vehicle, while some policies actually have a rider or endorsement that specifies only OEM sheet metal will be used in the event you have an accident. The problem is that agents rarely notify customers of this because it cost a little more.

To make this simple let us explain it this way. Suppose you went and purchased a beautiful piece of jewelry and it had some diamonds or precious stones on it. Well you purchased insurance and now you have lost the diamond. You call your insurance company and they tell you no problem we will take care of this, but what they do is replace your diamond with a Quality replacement part (a QRP Diamond) or an aftermarket diamond (A/M). And they tell you it is just like the original, it's really a cubic zirconia but it looks just like the diamond you had and it functions like the diamond you had but it is much cheaper than the diamond you had. The problem is when you go to upgrade it and you want to sell it or trade it in for a larger diamond you will be financially penalized because it is not the real thing. Now you have to ask yourself, would you allow that to happen to your diamond? Probably not, but that's what most auto insurance companies are doing today with replacement parts for your vehicle, then they tell you that they will stand behind it, should anything happen to it, they will guarantee it for life. Actually the insurance company does not stand behind it they try to force the cost on one of their Direct Repair Shops that they have agreements with.

Why do insurance companies do this? Well the bottom line is it saves them money, the problem with this is that while it may save them money, it could very well cost you hundreds or even thousands when it comes time to upgrade your vehicle and you decide to sell it or trade it in. Now they try to convince consumers that it holds down the cost of auto repair because it forces the vehicle manufacturers to reduce their prices to be competitive with the imitation parts. Being in this business for over twenty years we have seen the evolution of these parts and they have not reduced repair cost, they have actually increased the cost, but most of this increase comes falls on the shoulders of the repair shops. You might ask how that happens, and this happens because it increases administrative cost because you have to use several more vendors now and they simply do not have the distribution and turn around time that the OEM's have. The aftermarket parts are also not boxed or shipped well so many times they come in damaged and have to be returned or repair by the repair shop thereby increasing the cost to the repair shop. Many times the parts have to be repaired because it would take another two days to receive a new one and we simply do not have the time to wait and tie up a repair stall waiting for

another part. Another reason is poor fit of the aftermarket part, which then has to be modified to fit, which increases repair time. When repair time increases that means if the person is in a rental vehicle, then the rental cost is also increased, many times more than any savings that was received on the part itself.

The reason it cost the consumer at trade it, is that any used car sales person will tell you they will discount what they pay for a vehicle if it has been in an accident and it has aftermarket parts on it. This is very easy to tell, especially headlamps and chrome parts because they usually have a poor fit and the chrome simply does not have the luster as OEM. So these parts diminish (reduce) the value of your vehicle. See our page on diminished value and how you might be able to collect this from an insurance company. They don't want you to know about this, but this is one way to be either have your vehicle repaired with OEM parts or be compensated for the "fake diamonds" an insurance carrier may have used on your vehicle. It is much cheaper for them to use OEM parts than it is to pay diminished value.

The Truth About Direct Repair Programs

Flaws, Fraud, and Limited Freedom: The Truth About DRPs

By David A Williams, Auto Collision Repair Specialist and Diminished Value Expert

The DRP (Direct Repair Program) Concept is Flawed

The major problem with DRPs is that the participating shops are most often bound by contract to two parties, each with ideals and goals that oppose the other. DRP shops contract with the vehicle owner to repair the vehicle at whatever level of quality that was agreed upon. Consumers typically want repairs that restore their cars to pre-loss condition. It is safe to conclude, most consumers are of the mindset that when an insurance company is picking up the tab, the consideration for high quality workmanship comes first, certainly long before any consideration of price or down time.

On the other hand, DRP shops are bound by contract to insurers who, by and large, are tight fisted to the point of stingy. After all, insurance companies are profit driven companies, so in an effort to maximize profits, they want to pay out as little money as possible to settle claims.

To be considered by an insurer for a DRP deal, shops must usually promise to produce repairs of high quality that restores cars to their pre-loss condition, but, there's a catch. They must also agree to provide the insurer a discount from the posted labor rate. This is generally one of the top requirements of the DRP program. Certainly, you don't have to be a rocket scientist to understand that taking money away from shop's bottom line limits their ability to do their best work for consumers.

For example: In an effort to secure a DRP deal with the insurance company, a shop agrees to cut four to six dollars or more per hour off of the labor rates. Because technicians often get paid a percentage of labor, they too take a cut when working on cars steered to the shop by an insurance partner. Often technicians rush these cars through the repair process in order to move on to better paying jobs, and as you might guess, the quality level on hurried jobs usually plummets.

The heavy use of salvage and aftermarket parts also limits the ability of DRPs to do superior work. Insurers' monitor the percentage of alternative parts DRP shops use. Alternative parts usage must hold steady above an agreed upon percentage threshold in order to continue partnering with an insurer.

It's All About Saving Money

If concern for the well-being of shops and the free enterprise system is not enough to convince a person to shun the DRP, consider some tactics that allow gain for the insurer at the consumers' expense. Take a deep breath because this is sure to upset you! For example, at least one particular company's DRP contract encourages its partnering shops to dupe consumers by overlooking minor damage that is not blatantly obvious to vehicle owners. Likewise, during times when damage IS noticeable to claimants, DRP shop personnel that want to befriend insurers work hard to convince their customers to forego some necessary and costly repair or replacement

procedures in exchange for an appearance allowance. An appearance allowance is a small, token amount of money to be given directly to the claimant as opposed to a larger amount of money spent on a repair that he/she would otherwise be entitled to. Insurers love the savings and prefer to work with shops that have no problem pushing unscrupulous practices such as these.

DRP Networks Built on Fraud and Deception

It is my opinion that the entire DRP system is based on fraud and deceit, and could not survive without the illegal act of insurer's steering. Insurers consistently pit shops in the program against one another to muscle more freebies and concessions from them. Worse than the restriction of trade for shops, the DRP concept survives and thrives by taking advantage of less knowledgeable consumers- most who have wrecks so infrequently that they are ill-informed of how shops and insurers ultimately manipulate them. Here's an example that takes place daily: Whether a consumer asks a neighbor, relative, friend, or an insurer for a shop recommendation, he/she almost always desires the name of the repair business that does the best work in town. Many consumers unknowingly believe that the shop being touted by the insurer - the DRP shop - is, in fact, the best qualified facility based on the most pertinent factor - quality of craftsmanship. But little do they know, overall, insurers choose shops to partner with based mainly on prices and concessions, never giving consideration to the highest quality producer of automotive repairs in a marketplace. Therefore, insurers often respond to the request for a recommendation with the name of the cheapest shop in town as opposed to the name of the best shop in town. Sadly, many consumers are none the wiser until their car falls apart prematurely because of shoddy repairs. Consumers would have to hire an auto repair specialist, like myself, to assess a vehicle's true post repair condition. The last thing DRP shops or their insurance partners want is a collision repair expert shining a bright light into those dark hidden corners, checking the quality of their repair work. A DRP shop once confided, "I don't have to do the best work in town, I only have to repair cars better than the other shops on the program I compete with."

Often consumers rate the quality of a collision repair job by the appearance of paint work alone. They seem oblivious to the fact that the restoration of the structural integrity and safety system are foundational in the vehicle's ability to fold predictably and dissipate energy around passengers in a subsequent crash. While average consumers may not possess the ability to rate the quality of repair work that is hidden beneath a beautiful paint finish, post-repair inspectors have tools and techniques that can expose the true condition of an auto - even on some parts you can't see.

Consumers Want Freedom to Choose Repair Shops Themselves

Insurers have put a lot of effort into promoting their DRP programs and bragging about their stellar levels of customer satisfaction. But, unbiased statistics in a J.D. Power and Associates 2003 Collision Repair Satisfaction Index Study reflects insurers' programs are failing to please consumers because they want to maintain too much control of claimant's choices. The study, published November 20, 2003, concluded that consumers expressed greatest dissatisfaction when using shops stipulated by insurance providers as opposed to choosing repair shops without insurers' intervention. Responses to the J.D.P.A. 2003 Study came from 5,622 consumers, all of whom had collision repairs performed during the prior 12 months. The study found that independent garages fared best in satisfaction. And despite the fact that 30% of the respondents chose to have the work performed at new vehicle dealerships, these consumers were least satisfied.

Knowledge and performance are two distinct things. However, the shop that can blend the two successfully and guarantee repairs to pre-loss condition, while being willing to accept penalties for failure is one you might want to consider.