

IS THE APPROVED REPAIRER STILL THE BEST WAY TO GO?

John McGowan, a recent retiree, but still a keen industry watcher, gives Garage Trader Ireland his thoughts on the accident repair market



John McGowan



The promise of “jam tomorrow” for bodyshops that have complied with every whim of insurers for the last two decades just hasn’t come to fruition. Based on a number of influencing factors which are aligning in favour of the repairer rather than the insurer, a situation which has not occurred in the last twenty years, the opportunity for agile bodyshop repairers to opt out of insurance company approved model has never been better.

Some years ago, I was at an event addressed by a man who’d recently given up his position in the City of London’s financial world to take on the task of turning around a large bodyshop group verging on collapse.

He explained how he had forensically analysed all aspects of the business and reviewed all work provision. Two contracts stood out, whereby his company lost money on every single repair they carried out. The response from

the insurance company was that they would send him more work! The anecdote was so clinically and factually related, that the punchline had the audience rocking with laughter at the ludicrous solution offered.

However, typical bodyshop owners may not have the training of a financial analyst, least of all one that had experience in one of the world’s largest trading cities. I’ve spoken to many Irish bodyshop managers since retiring 15 months ago, and it would seem that the practice of burdening shops with more unprofitable work in the notion that increased volume will somehow offset a bad business model, has continued unabated for the most part in the thirteen years since that event. Any resistance towards work providers seems to be met with the attitude, “just consider all the work we send to you”!

For almost two decades the insurance companies have determined the operational model

of bodyshops reliant on insurance referrals, working as “approved repairers”, which is the term for repairers that are prepared to pay for referrals by giving free recovery, free storage, free replacement cars, parts discounts, and whatever else the insurer can extract.

There is a perception among bodyshop owners that when the insurance industry realised that the Irish market was comprised mainly of family-run businesses that had passed from generation to generation, they could lever the advantage they had in business and financial acumen.

The inference of “jam tomorrow” for bodyshops that have complied with every whim and desire of insurers for the last two decades, just hasn’t come to fruition. I am hearing that bodyshops are still considered the poor relation in the automotive aftermarket in Ireland, to both insurers and some business representative bodies.

Labour Rates

Labour rates are dramatically different in mechanical repair compared to body repair. Take for example, in icy conditions, the immediate increase in claims arise from damage to steering mechanisms when cars slide into kerbs. This is clearly a mechanical repair yet these jobs are routinely directed to bodyshops where labour rates are significantly lower. Another obvious disparity is in the area of re calibration – something that needs to be carried out more and more today.

An insurer will typically pay an entire invoice from a main dealer for doing this work as part of the total final invoice, yet will only pay a minimal time to a bodyshop that has installed (at great cost) the equipment to do the job – reflecting none of the cost of tooling up, or enhancement of capability. For many years, insurers have pushed bodyshops down the “repair-over-replace” route,