

Why is your body repair business an “insurer network repairer”? Does the reward outweigh the failings?

Repair authority, bona fide, breach of contract, conditions, damages, deliverables, express terms, implied terms, indemnity, KPIs, liability, breach, incentives, obligations, party, pro rata, rights, termination, third party supplier. What am I talking about, you may ask? All the above words are contract terms. You may have heard some, none, or all of them. However, these terms only scratch the surface of terms or conditions used in legal agreements that may not be in the best interest of your body repair business.

Irrespective if you are a network repairer or not, you know that your business will meet evolving customer expectations and industry repair regulations. So why have the agreement?

Repairing collision damaged vehicles is a complex operation where all parties in the repair process must work together. Insurance companies are required to work together with the body repairer and the owner of the vehicle in an honest, efficient, fair, transparent and timely manner^[1], regardless of a network repairer contract existing or not. In addition, the duty of utmost good faith^[2] implied by insurance contracts requires the insurer to act consistently with commercial standards of decency and fairness at all times, where unreasonable conduct can also constitute a breach of the insurer duty.^[3]

The so called ‘ritual’ of being a contracted network repairer, or as some insurer’s will say ‘preferred/recommended repairer’, is a concoction of promises by the insurer to the body repairer. But what is the insurer promising, that makes your business sign on the dotted line? Is it the opportunity to grow your business, free marketing, better business opportunities, workflow, technical data, dedicated relationship managers, modern workshops that they pay for? Or is the network repairer contract that you sign adding to the insurer’s commercial agreements, market control, predictive cost modelling, restrictive repair processes, predictive or average labour rates that don’t reflect your shop rate, fixed price ‘average’ repair costs, capped price margins on parts, third line forcing, consumer detriment, reducing your business bargaining power, adhering to ‘glass ceilings’, and/or agreeing to unfair contract terms?

It is widely understood no insurer *forces* a body repairer to sign a network repairer agreement. So then, why is your business one? What is the *real* benefit to your business, your operating model, your strategic plan, your tactical plan? Or are you a network repairer as a contingency plan?

Will your business not provide exceptional customer service, high quality repairs and cost-effective repairs if you are not a network repairer? As a business owner are you not passionate about the automotive repair industry, are great at following guidelines and processes on how to repair a vehicle, thrive on the environment and are always learning and progressing your workshop to the next level, keeping up with the latest technological advancements in repairs and processes?

Often the biggest decisions you will make for your business are during volatile periods, like now during the Covid-19 pandemic. Consequential decisions based on what seems ‘too good to be true’, are more likely when the reliance is on another business to support your business.

Make confident decisions and consider your long-term business plan, as it seems the most sensible way forward. Ensure your business plan is *yours* – not someone else’s.

It is important to know your target market and audience. Who is your customer base, and who is your competitor? Or are you a specialist body repairer? Test and re-test your business idea or model and adjust it as needed. Establish your own business goals for now and the future. Lastly, and most importantly, don’t be intimidated, you are not alone. Many small business owners are learning about their business and how they can ensure their independence, profitability, and sustainability as time goes on. So can you. They, like you, would be finding tools and resources to help them, and the cycle of learning never ends.

Therefore, ask yourself “Is being a network repairer the best business plan for you?”

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[1] General Insurance Code of Practice 2020.

[2] *Insurance Contracts Act 1984* (Cth) s 13.

[3] *Delor Vue Apartments CTS 39788 v Allianz Australia Insurance Ltd (No 2)* [2020] FCA 588 at [342]-[345]. That decision referred to the High Court's decision in *CGU Insurance Ltd v AMP Financial Planning Pty Ltd* [2007] HCA 36, 235 CLR 1 and the earlier Full Federal Court decision in *AMP Financial Planning Pty Ltd v CGU Insurance Ltd* [2005] FCAFC 185, 146 FCR 447.