

Inquiry into the motor vehicle insurance and repair industry in South Australia

RAA submission to the
Economic and Finance Committee,
Parliament of South Australia

September 2019



Introduction

RAA welcomes the opportunity to provide information for the Economic and Finance Committee's inquiry into the motor vehicle insurance and repair industry in South Australia.

RAA is South Australia's largest member organisation representing the interests of more than 740,000 members, as well as being the state's leading mobility advocate. RAA also employs more than 900 South Australians. In addition to being a membership based organisation, RAA also provides roadside assistance, motoring, insurance, travel and home focussed products in South Australia.

For the purposes of this inquiry, it is worth noting the operating structure in place at RAA. RAA operates as a group (RAA Group). The Group owns RAA Insurance Ltd (RAAI), which operates the insurance business.

About RAA Insurance Limited

RAA has been offering South Australian customers insurance for over 75 years. This commenced with RAA initially offering insurance as an agent for Lumley. RAA evolved to eventually obtain its own general insurance licence in 1987 and commenced underwriting general insurance products. In 2002, Suncorp Metway and RAA entered into a joint venture (RAA Insurance) to deliver insurance to RAA's customers. This arrangement continued until 2010 when RAA purchased Suncorp Metway's interest in the joint venture, bringing RAAI under RAA's sole ownership.

Currently RAAI is South Australia's largest personal lines insurer and provides policies which cover motor, home and contents, caravans and boats. RAAI is the only solely South Australian owned and operated insurer and has around 35% of the motor vehicle insurance market share in South Australia.

Within the RAA Group, RAA Insurance Limited is an authorised licenced insurer, regulated by the Australian Prudential Regulation Authority (APRA). RAA Insurance Holdings Limited is an authorised non-operating holding company (also regulated by APRA). RAA is an authorised representative of RAAI with authority to sell insurance policies on behalf of RAAI. RAAI has its own Board that retains ultimate responsibility in meeting RAAI's obligations as regulated institutions.

Inquiry terms of reference

1. Whether insurers and repairers respectively authorise and carry out repairs with the objective of restoring safety, structural integrity, presentation and utility of the vehicle, complying with relevant Australian law and fulfilling their obligations to the policy holder;

RAAI's objective is to deliver quality and safe repairs to its customers in the most cost-effective way. In order to meet this objective, RAAI has the following arrangements in place:

- RAAI is a signatory of the Motor Vehicle Insurance and Repair Industry Code of Conduct and therefore operates within its obligations.
- All motor assessors employed by RAAI (RAAI Motor Assessors) are trade qualified panel beaters or spray painters that have previously owned or managed a crash repair business.
- RAAI Motor Assessors receive industry 'ICAR' training to further their awareness in technological advancements and the associated requirements for repairs.
- RAAI Motor Assessors ensure that repair methods from the original equipment manufacturers (or industry suppliers) are obtained to ensure exact processes are followed, per the manufacturers' requirements.
- RAAI Motor Assessors regularly attend at repair premises to facilitate commercial relationships and greater understanding of the individual repairer's strengths, challenges, constraints and capability levels.

- Regular onsite attendance by RAAI Motor Assessors allows for ad-hoc and pre-arranged repair quality audits to be conducted, at mid and post repair points in time.

Where a RAAI policy holder has a complaint in relation to service or quality issues this is handled in accordance with RAAI's complaints process. If customer satisfaction is not achieved, the matter is escalated to an internal dispute resolution committee. Should the matter still not be resolved to the customer's satisfaction, the customer may escalate the matter to the Australian Financial Complaints Authority (AFCA) for final determination.

The AFCA 2017-18 Annual Report indicates that RAAI Motor Claims have a 7.9 in 100,000 chance of dispute, which is less than half that of the industry average (19.5 chance in 100,000).

2. *The 2017 Motor Vehicle Insurance and Repair Industry Code of Conduct (the Code), its governance structure, the application of the Code's dispute resolution process, in particular the overall effectiveness of the dispute resolution mechanisms in regulating the relationship between collision repairers and insurers and in protecting consumer interests;*

RAAI is a signatory to the Code. The Code is intended to promote the efficient operation of, and consumer confidence in, professional and competitive motor vehicle insurance and repair industries.

It is RAAI's view that the Code operates well. The Code clearly sets out the requirements, based on mutual respect and open communication; this enables transparent and cooperative working relationships between crash repairers and insurance companies.

Our view is that RAAI maintains a professional and productive relationship with the repair industry, evidenced by the fact RAAI has only had two matters raised through the Code since its inception, both of which were addressed prior to the need for mediation.

3. *Consumer choice, consumer protection and consumer knowledge in respect of contracts and repairs under insurance policies in general, but with particular regard to choice of repairer, cash settlements, transparency and fairness in assessment of non-partnered repairer estimates and the efficacy and safety of web-based assessments;*

The RAAI Motor Comprehensive product disclosure statement (PDS) provides a benefit referred to as 'freedom of choice of repairer,' which allows an insured customer to choose their repairer, subject to some limitations. Upon making a claim an insured customer is advised of their right to choose a repairer. RAAI will assess and authorise repairs at any repairer chosen by an insured customer provided the chosen repairer meets RAAI's standards for safety, quality, fairness, effectiveness and pricing. This is required to ensure that RAAI does not compromise quality or safety for the insured customer.

An example of this model working in practice can be found in a recent claim where RAAI transferred a damaged 2018 model Audi from a repairer chosen by the customer to an alternative repairer. This alternative repairer's quote was more than double the initial quoted price. This decision was made, as RAAI determined that the alternative repairer followed correct repair procedures for this particular vehicle.

RAAI engages with over 500 repair companies, and of those 152 are considered to meet RAAI Approved Repairer status. RAAI consumers who choose to have the repairs carried out by an RAAI Approved Repairer receive the additional benefits of:

- repairs being guaranteed for life while they continue to own and insure the car with RAAI; and
- access to web-based digital assessment.

Web-based digital assessments (within predetermined cost limits) are offered to RAA Approved Crash Repairers based on historical data-driven evidence of quality, service measures and timeliness. All web-based digital assessments are subject to RAAI's audit regime, which can include mid and post-repair onsite quality audits.

RAAI rarely engages in cash settlements for repair, however, occasionally RAAI may agree to a cash settlement should the insured customer make this request.

It is RAAI's view that our recent awards reflect a high level of consumer confidence and satisfaction with our motor insurance product:

- RAA named Australia's Most Recommended General Insurer at the inaugural 2019 DBM Australian Financial Awards.
- RAA has the most satisfied customers, according to 2019 Roy Morgan research. RAA scored 91.1% in the customer satisfaction survey for April (up 1.4 points from a year earlier). The scores are calculated based on face-to-face interviews with more than 50,000 consumers, 39,000 of whom rated their general insurers.
- RAA was awarded the Canstar Award for top SA Insurer in 2019 for customer satisfaction in both car and home insurance categories.

4. *The business practices of insurers and repairers, including the effect of lessening competition through vertical integration into the market, the transparency of those business practices and implications for consumers;*

While RAA has an Approved Repairer Network, RAAI does not insist that repairs must be completed within that network and therefore RAAI does not utilise vertical integration in its business model.

5. *Any other related matters.*

The committee may be interested in RAA Group's approach to education and training in the industry. In recognition of the challenges in attracting and retaining staff in the automotive industry, RAA Group provides industry training to RAA Approved repairers. Recent training events provided by RAA have covered the following topics:

- Scan tool training (technical seminar)
- Logicar Bosch training (future technologies)
- Work Health and Safety compliance
- Spray booth/paint mix room standards
- Repair procedures and legal issues (in collaboration with the Motor Trades Association [MTA])
- Chassis measuring
- Technology and social media training
- Hybrid vehicle training

In addition, the RAA Group has a collaborative relationship with the MTA's Industry Apprenticeship Program in the following ways:

- RAA Group employs MTA apprentices
- RAA Group sponsors the MTA Apprenticeship graduation ceremonies; and
- RAAI supplies 'written off' vehicles to MTA facilities for automotive training purposes.