



Southwestern Insurance Information Service

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FACT SHEET

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DIRECT REPAIR PROGRAMS

Many auto insurance companies in recent years have established "Direct Repair Programs" (DRPs), to give customers the option of having their vehicles repaired by repair facilities that adhere to high standards and timely service. While use of such programs is completely optional from the point of view of the consumer, many chose to use them to take advantage of the high repair standards, streamlined claims processing, and in many cases, guaranteed work.

Since insurers set high standards for the repair facilities that choose to enter into business relationships with them, some shops have failed to qualify, or have chosen not to participate in a program. Customers can choose either a DRP shop or an independent shop to repair their vehicles, and they often ask their insurance agent or an insurer representative to recommend a quality shop near them. In response, they are usually given the name of a DRP shop, or a list of such shops to choose from.

CHALLENGES

Two main challenges have been made to the practice. First, it is alleged by some that insurers "steer" business to the DRP facilities with whom they have a relationship, to the exclusion of independent shops. Second, some allege that insurers determine which repair facilities are accepted into their programs in an arbitrary manner.

It should be emphasized again that a customer is free to choose the shop of their preference to work on their vehicle, whether it is a DRP shop or not. This is unacceptable to the vocal opponents of DRPs. In some of the more radical circles, there are even plans to promote legislation to forbid an insurer or its representatives from recommending a repair facility or list of them, even if the customer specifically asks for a recommendation.

As for the charge of arbitrary selection of DRP shops, each insurer has its own criteria for qualifying a

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repair facility for DRP status. But some key factors that seem to be close to universal are:

1. High levels of customer service, with regular inspections by insurers to ensure quality.
2. Sufficient capacity to repair a certain volume of vehicles in a timely manner.
3. High standards of environmental protection.
4. Many include a guarantee on the work performed.

Charges are sometimes made that DRP shops force consumers to accept generic replacement parts to hold down repair costs. However, in any repair shop, the parts used are a matter to be decided between the customer and the shop, with safety and customer satisfaction as prime ingredients in the decision. A separate fact sheet on [competitive auto replacement parts](#) is available at www.siisinfo.org, the Southwestern Insurance Information Service web site.

SOLUTIONS

When "non-DRP" shops tried to pass legislation to outlaw the practice of "steering" during the 76th Legislative Session, the Houston Chronicle wrote, "One of the bill's most conspicuously objectionable provisions is its attempt to prevent insurers from even recommending an automobile body repair shop. That would seem an unnecessary infringement on an insurer's ability to provide basic information and service to its customers." It goes on, "There is nothing wrong with an insurance company steering its customers toward a preferred shop. These shops will be the ones that do good work, are reliable, and keep costs reasonable. By developing a relationship with various repair shops, insurance companies can act as advocates for their customers in cases in which work is done improperly or too slowly."¹

No laws should restrict the information that can be made available to consumers with regard to quality repair facilities. Consumers benefit from the ability to make informed choices, and any legislation passed should affirm this benefit.

Further, no customer benefits from a law that forbids the guaranteeing of auto repair work, which would have happened if the bill referred to in the Chronicle editorial had passed. It would seem that such guarantees should be viewed as a welcome added value for consumers to weigh when they make a decision regarding auto repairs.

In this area, it is clear that the consumer is best served by avoiding any legislation to stop recommendations from their insurers, whether it is called steering or something else. The free market

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should be allowed to work freely, and honest communication is part of a free market. Top quality repair facilities will then be allowed to serve consumers as effectively as possible.

1 Source: Houston Chronicle Editorial, May 2, 1999 (page 2C)

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