

The “Era of Touchless Claims for Insurers”

By Keith Manich, Director of Collision Services

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The “Era of Touchless Claims for Insurers.” This statement came out in an industry publication last week, and it got me thinking about how insurers have been trying to force this idea on the collision repair industry for years now. It became more apparent than ever this past summer, with everything from photo estimating to long delays in supplement handling, both hitting with full force. This current mode of cost cutting on labor, brick and mortar for insurers has been a continued focus of their business plan for more than 10 years. More recently, competition from startup insurers (for example: Internet-based companies) have caused a shift in policyholder loyalty in favor of price. Insurers are seeing the direct impact of this; especially with larger, personnel-laden companies. With these changes in claims behavior also comes the fact that senior staff members are being pushed out in favor of less expensive new hires; again, in an effort to reduce costs. It has effectively resulted in a major knowledge gap in technical expertise specific to damageability, repairability and repair production.

Consumers want apps. Consumers want ease of use. But consumers have no idea what the true cost is regarding their vehicles. They’re not getting what they are owed or in the timeframe it should be handled. Consumers need to be educated on their true cost of speeding up a process and the steps that are being missed.

Gimmicks disguised as customer service are hiding the fact that “short pays” are increasing in frequency and supplements are occurring on their “estimates” nearly 100 percent of the time. Claims management is becoming void of folks who understand the realities of collision repair and the associated process and costs. Along with this is the understanding of the intricacies of balancing the claim and the repair. So what are we left with? We have folks who preach “partnerships and ecosystems” while pushing collision repairers further underwater. In an effort to create what they call “optimal customer service through improvements in claim processing speed,” they continue to develop interesting optics and gimmicks.

Here's an example of this issue: A customer brings a photo-estimated vehicle to the store, where it is disassembled on September 6. The original photo estimate is \$800. The supplement generated the following day is for \$1,200. The supplement is called in; per the insurer, it won't be able to be looked at for nearly two weeks. They acknowledge 12 days from disassembly to supplement inspection/handling. Additionally, the required repair time will be added to this delay. Unfortunately, and in most cases, 80 percent or more of what should have been initially identified as necessary for the repair is "missing" from the estimate.

Yes, that means that the original "photo estimate" is identifying only a minimal percentage of the damage.

- What does this mean for the safety of the consumer?
- What does this mean for a vehicle with advanced safety systems that may or may not be functional after the loss?
- What happens if that improperly estimated – and now unsafe – vehicle crosses the centerline and hits that unsuspecting family going in the other direction?
- What happens if a damaged part misidentified as safely driveable suffers a catastrophic failure and the vehicle is uncontrollable?

The most unbelievable and seemingly immoral part of this scenario is that the carrier still insures the car. How and why would they not want to identify everything that is damaged or potentially damaged immediately, and pay for its proper repair?

The question for the collision repair industry is: **What does all of this mean for the repairer?** The industry can't change the direction the insurer has chosen. However, as a business owner, you could charge for all labor associated with repair administration. **Why would the repairer do such a thing?** To cover the cost of administrative processing requirements and the personnel required to complete them. These "new requirements" will increase the repairer's fixed costs significantly, as these costs can't be absorbed.

If this were truly a "collision repair ecosystem" as some insurers (and, frankly, some repairers) claim, it would be a symbiotic relationship where everything done is advantageous to all, but

that is not the case here. This is a parasitic relationship where “one is habitually relying on or exploiting others” and where one side dictates everything that is to occur, when it will occur and how it will occur. The other side takes what comes and has to be happy with it or risk losing the potential to get anything at all. One worries about profits, and the other worries about survival. One claims to know everything about the repair process, but has amnesia when it comes to paying for it. The other is the repair professional that has repair standards and supporting documentation for what they are identifying as necessary, only to have it marginalized with, “We don’t pay for that.”

So what does the repairer do?

The repairer must be prepared and know exactly what the insurer’s next play is, then be ready to counter with facts and the support of the consumer. The image of the collision repairer must change to one of a sophisticated business with a plan that protects the folks who depend on them to repair vehicles properly, their investment, and their livelihood.

Advertise in a way that solidifies your reputation as a repair professional. Anything that compromises that image must be eliminated. Offer to assist the consumer in cases where they are being asked to “photo estimate.” Help them by removing parts to expose all the damage. You can even take pictures for them. Market your willingness to do so. This goes a long way in gaining the consumers’ trust and business. When discussing repairs, provide the documentation that supports the repair decisions you have made. Make sure that the consumer has all the relevant repair information for their vehicle. Set expectations – but more importantly, meet them. The more you share, the better you look in the eyes of the consumer. Is steering still going to occur? Likely so, but the impact of steering will diminish over time as your credibility increases. The collision industry has to unify regarding general attitudes, especially as they do a better job of becoming certified in OEM programs. There should be a value associated with that activity.

As this era of “touchless claims” is occurring, think of it as a time to re-establish the collision industry as a business community outside of third-party influences. Re-establish the contract of repair with your customers. Clearly identify what is expected when someone does business with you. Have them do as the rest of us do with other business professionals. Have insurers or

independent adjusters make an appointment to meet with you. We don't go into any other business and expect to walk through a production environment questioning what their workers are doing or why it's being done. Demand professionalism and respect to be extended to you.

Pricing needs to reflect the additional fixed costs associated with the administrative tasks being added to the repair side of the industry. According to insurers, with all of the recognized savings, there are plenty of available resources to be redirected to the repairers to cover their administrative expenses. The cost to cover a staff adjuster far exceeds that of an administrative employee in the repair industry. Know what your administrative employee costs within your fixed costs and make sure that your Labor Rates effectively cover it. If they don't want to pay it, you could pass the cost along to the consumer (just as it's done in the medical profession). The consumer can take the initiative to return that cost back to the insurer. If the insurer denies payment, be sure to get the customer involved in the discussion so they can present the information to the insurer. As the insurance contract owner, they have the right to demand in writing the reason something isn't being covered. If that is unsuccessful, help the consumer redirect the denial letter to the insurance commissioner of your state.

It's time that repairers help consumers fight the good fight when it comes to insurance contracts. This will help them get support and payment within the contract of repair. To use an overused phrase, "it is what it is." If the vehicle has to be fixed and labor and parts are required, the repairer should be paid. It shouldn't matter if X, Y and Z down the street "don't charge for it." They can put their businesses at risk; that's their decision. Repair professionals shouldn't follow risky business practices because they are common in the market. Once it is understood that the days of taking advantage of the repairer are behind us, the "Era of Re-establishing Collision Repair Professionalism" will begin.

Keith Manich began his journey through the collision repair industry as a body technician and painter over 30 years ago, progressing through management, insurance claims, automotive engineering, testing and training and technical oversight at an industry MSO. He held roles in senior management in training and research at one of the nation's premier collision research facilities as well as traveling worldwide in his role as the center vice president. As a trainer and coach in damage analysis and damage blueprinting, he has also been responsible for developing SOPs, financial impact models, job aids and repair personnel job descriptions for collision repairers. He brings unique skill sets to the Automotive Training Institute as well as the industry. He regularly participates at collision industry events delivering immediately impactful information for collision repairers. His passion for repair process efficiencies, oversight of established processes and the designing and implementation of new repair and production procedures are never ending. He has an unquenchable thirst for knowledge which has helped to provide decades of properly repaired vehicles for their owners. He works with and is an active participant in many industry organizations such as CIC, SCRS, ASA, I-CAR, AMI and WMABA (just to name a few), and he has been a guest speaker at NACE, SEMA, AASP and other industry conventions. His productivity tips can be seen in Hammer & Dolly, where he is a featured writer. He can be reached at mkmanich@autotraining.net.

Ready to take the next step?

Consider signing up for one of our [1-Day Collision Repair Shop Owner Workshops](#). Our workshop attendees typically increase profits by 3-8%!

Or learn more about ATI's proven [Shop Re-Engineering Program](#) which added over **1 BILLION dollars in new cash profits** to the bank accounts of our members in the last three years alone.