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**INSURERS DID NOT SYSTEMATICALLY “STEER” AUTO BODY
REPAIR CUSTOMERS TO DESIGNATED SHOPS, INVESTIGATION
FINDS**

*Some practices raise concerns; consumers’ right to choose where to have cars
repaired must be protected, Superintendent says*

Auto insurance companies have not systematically violated a section of the State Insurance Law that gives consumers the right to choose where they want their vehicles repaired after a collision, Insurance Superintendent Eric Dinallo said today.

However, in some isolated instances, representatives of some insurance companies engaged in practices that could be considered violations of the Insurance Law or regulations by providing improper or inaccurate information, Dinallo said. His announcement was based on a comprehensive investigation by the New York State Insurance Department, which was launched after complaints by a statewide trade association for collision repair professionals that insurance companies were illegally “steering” customers to designated collision repair shops.

As with health insurers who have sought to reduce costs by creating networks of providers who agree to reduce individual charges in return for the volume of business provided by insurers, many auto insurers have created networks of repair shops, sometimes called “network,” “participating” or “direct repair” shops. Unlike health insurers, however, auto insurers are not permitted to require customers to choose “in network” providers.

“This very thorough investigation is reassuring in that it shows auto insurers are largely complying with the laws that preserve consumer choice,” Dinallo said. “But it does raise some issues which the Department is addressing directly with certain individual insurance companies. Consumers have the right to choose where they want their cars repaired after an accident. Companies are allowed to discuss the benefits of their programs, but they are not allowed to use the claims process to lead or mislead consumers into making a particular choice at what is usually a stressful time.”

In addition to forbidding insurance companies from requiring consumers to repair

their cars at a specific shop, Section 2610 of the Insurance Law also prohibits companies from recommending or suggesting to their insureds that repairs be done at a particular place or shop unless their insured expressly asks for a recommendation. That means a company cannot make a referral – to its preferred program or repair shop, for example – during the claims process unless and until their insured asks for one.

While most companies were found to comply fully with the Insurance Law and related regulations, the Department found isolated instances of noncompliance, including where a company or its representative:

- Required of some customers that a damaged vehicle be inspected at that company’s drive-through facility, in apparent violation of a regulation requiring this inspection to take place at a time and place “reasonably convenient to the insured”;
- Set a “goal” of having 45-60% of repairable vehicles repaired at network shops; and
- Told an insured to bring his car to a network shop for inspection, and stated that the repairs could be done there, while another claim representative said repairs could be done at the network shop in half the time an out-of-network body shop would take.

“Consumers need to know their rights, and know that the Insurance Department stands ready to protect them,” Dinallo said. “If your insurer tells you that you need to get your car inspected or repaired at a particular place, call the Insurance Department at 1-800-342-3736. If, unfortunately, you are in an accident and need to have your car repaired, call the Department to find out your rights, or visit our website.”

Dinallo said there are some basic rights of which consumers should be aware:

- While an insurance company may discuss the benefits of its direct repair program, it cannot make you choose its auto repair shop. That choice is yours.
- Except for window glass repair, an insurance company cannot recommend a particular shop unless you ask for a recommendation.
- An insurance company cannot tell you to go to its shop to get your damaged car inspected. The insurer must meet you at some place and time reasonably convenient to you.
- An insurance company cannot tell you that you have to repair your vehicle in order to get paid. If you have damage, the insurer must pay the cost of repairing that damage, whether or not you choose to repair the vehicle.

These restrictions apply when a consumer files a claim with his or her own auto insurance company under his or her own policy. Claims filed with a third-party

insurance company – the insurance company covering a person who hit you, for example, even if that company is the same as yours – are subject to different restrictions. A third-party company is allowed to recommend a particular repair shop, but still cannot require its use.

The Insurance Department’s investigation began in May 2007 and was conducted by its Consumer Services Bureau, headed by Deputy Superintendent Steven Nachman and Assistant Deputy Superintendent Mitchel Gennaoui. The investigation was handled by Principal Insurance Examiner Barry Bistreich, Associate Insurance Examiners Daniel Bell and John Capuano, Senior Insurance Examiner Vince Palma and Insurance Examiner Golda Moore. It included a review of controls that insurers put in place to ensure compliance with the applicable laws, and of insurer tapes and file notes. It also included an on-site review of randomly sampled tapes and file notes from insurers, and of all complaints filed with the Department related to alleged violations of the relevant laws.

Consumers with insurance-related complaints or questions should call the Insurance Department toll free at 1-800-342-3736 between 9 a.m. and 4:30 p.m. Monday through Friday, or visit the Department’s website at www.ins.state.ny.us. In addition, information about auto insurance for consumers – including publications such as the *Consumer Guide to Auto Insurance and the Auto Complaint Ranking* – is available free at the website or via the toll-free number.

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