

Insurers' control over repair jobs questioned

BY LESLIE REED

WORLD-HERALD BUREAU LINCOLN - Owners of small-town and neighborhood auto repair shops complained Monday that the insurance industry limits customer choices and hurts small companies by steering jobs to shop networks.

About 30 representatives from auto-body and auto-glass shops across the state appeared at a hearing before the Legislature's Banking Committee. They said the insurance industry's practice of referring work to "program" shops is forcing small shops out of business.

Mark Rizzi, an Alliance, Neb., repairman active in the Independent Glass Association, also said the insurance industry is turning a blind eye to shoddy workmanship from shops they recommend.

Representatives of insurance companies said Nebraska law already prohibits them from requiring policyholders to use specific repair shops.

However, they have developed repair-shop networks, much like preferred-provider organizations in health care, to help control costs.

"State Farm believes strongly in consumer choice," said Dan Nordgren, who oversees the company's "Service First" program in Lincoln and eastern Nebraska.

"But we also believe in making our claims process more efficient and in policing current law," he said.

Legislative Bill 73 would forbid insurers from even recommending a shop unless the customer has been told in writing of his right to select an independent shop, or unless the customer has specifically asked for a referral.

In addition, if the customer uses an insurance company network shop, it would require that the vehicle be restored to original condition at no additional cost. The independent shops argue that the network shops often perform cut-rate repairs.

The measure was introduced by State Sen. Ray Aguilar of Grand Island.

"Consumers deserve their choice of repair shops," he said.

No consumers appeared at the hearing, which was purely a face-off between independent repair shops and the insurance industry.

Mark Bartak, an auto-glass installer in O'Neill, said he tried to participate in an insurance company program, but third-party administrators kept forcing him to lower prices to match competitors hundreds of miles away.

"I tried hard," he said. "I wanted my customers to come to me without much rigamarole. But I'm doing stuff for something next to free. I'm doing things for big-city prices when I'm a cornfield shop. I don't have the volume."

Chris Hunke of Cars R Us autobody in Omaha said 60 percent of the auto body business in Omaha is controlled by fewer than eight businesses in insurance company networks.

He said his small shop has a tough time competing - even though his work compares favorably to the others.

"If I weren't diversified - I do antique restorations, street rods and show cars - I'd be out of business. It's not a level playing field. I didn't even get to fix my own baby sitter's daughter's car," he said.

Rizzi said he has collected nearly 250 examples of bad windshield repairs in the past five years. He brought digital photos of mangled pickups, cars and sport utility vehicles.

Korby Gilbertson, a lobbyist for the Property and Casualty Insurers Association of America, said customers can choose to have repairs done outside the network. But as with a health care preferred-provider organization, they may have to pay more out of their pocket, she said.

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