

Determination

Case number: 632193

4 September 2019

1 Determination overview

1.1 Complaint

The complainant held a car insurance policy with the financial firm (the insurer). The complainant lodged a claim after his car was damaged in a collision. The insurer accepted the claim.

The policy includes a 'choice of repairer' benefit. The complainant has provided a quote from his chosen repairer in the sum of \$10,945.36.

The insurer has not agreed to pay the full cost of the quote, because:

- it assessed the reasonable cost of repairs as \$7,813.72
- the complainant has not provided a second quote, as the policy requires.

1.2 Issues and key findings

Has the insurer fulfilled its obligations under the policy?

The insurer has acted reasonably in attempting to determine the reasonable cost of repairs. The complainant has not established a valid reason for refusing to provide a second quote, which the policy requires him to provide.

The complainant says the insurer's assessment is unreasonable, and there is no point in obtaining a second quote because the insurer would assess it using the same unreasonable method. However, the complainant has not provided evidence establishing that the insurer's assessment is unreasonable.

The insurer is liable for the cost of a replacement tyre, which was not included in the insurer's assessment. The insurer is otherwise entitled to rely on its assessment in settling the claim.

1.3 Determination

This determination is substantially in favour of the insurer.

If the complainant accepts this determination, the insurer must settle the claim by paying the complainant \$8,348.72, being the insurer's assessment of the cost of repairs (\$7,813.72), plus the cost of the replacement tyre (\$535).

2 Reasons for determination

2.1 Has the insurer fulfilled its obligations under the policy?

Policy provides choice of repairer

The product disclosure statement includes a section describing the 'choice of repairer' benefit. Relevant parts of the section say:

If we decide your vehicle should be repaired... you can choose your own repairer.

...

We may require you to provide an alternative quote from a repairer of our choice for the repair of your vehicle.

We will decide whether to authorise and pay for the fair and reasonable costs of repairs, or decide whether to pay you the fair and reasonable cost to repair your vehicle.

...

In determining the fair and reasonable cost, we may consider a number of factors, including quotes from other repairers.

Complainant has chosen repairer

The complainant has provided a repair quote in the sum of \$10,945.36 from his chosen repairer, 'EP'.

The insurer says it has no business relationship with EP, so it will not authorise repairs by EP. Therefore, the insurer intends to settle the claim by paying the complainant the fair and reasonable cost of repairs.

The insurer had the vehicle inspected by an internal assessor. The insurer's assessor produced a report estimating the reasonable cost of repairs at \$7,813.72.

The complainant says the insurer's assessment is unreasonable. The complainant says the insurer should settle the claim by paying the full amount of EP's quote.

Complainant refuses to provide second quote

The policy says that if the complainant chooses a repairer, the insurer may require the complainant to provide a quote from another repairer. The policy says the insurer may consider this second quote, among other factors, in determining the fair and reasonable cost of repairs.

The insurer has asked the complainant to provide a quote from another repairer, but the complainant has refused. The complainant says there is no point to providing a second quote, because the insurer will assess it using the same methods it used to assess EP's quote.

Evidence does not establish reasonable labour rate

The assessor's report applies a labour rate of \$96 per hour. EP's quote does not say what labour rate it uses, but most of the labour charges are multiples of 11, so I infer it uses a labour rate of \$110 per hour.

The complainant says the insurer has not provided evidence establishing that \$96 per hour is a fair and reasonable rate. However, the complainant has not provided evidence justifying a higher rate.

The complainant says it should be up to each individual repairer to determine what it charges for repairs. The complainant says the insurer should not impose a labour rate on his repairer, but should accept whatever labour rate his repairer determines.

The complainant is correct in saying EP is responsible for setting the cost of its services. However, the insurer is only liable for reasonable costs. A business can offer services at whatever rate it chooses, including a rate that is unreasonably high (this would occur very frequently if insurers were bound to pay repairers at whatever rate they quoted). The mere fact that EP has quoted repairs at a particular labour rate is not proof that the rate is reasonable.

The complainant suggests that the insurer is biased in determining the reasonable costs of repairs, because it is liable to pay those costs. However, the repairer is obviously biased as well, because it is the one who stands to be paid.

Evidence does not establish insurer's assessment is unreasonable

Other than the insurer's assessment, no assessment of EP's quote has been done.

The complainant has provided detailed criticisms of the methods used by the insurer in assessing repairs. However, the complainant has not explained how changing these methods would affect the insurer's assessment.

The complainant has not explained how the insurer should assess EP's quote, except to say the insurer should pay it in full.

Insurer liable for cost of replacement tyre

The insurer excluded the cost of a replacement tyre from its assessment of the repair cost.

The complainant has provided an invoice for \$535 for a tyre replacement and wheel alignment. The invoice says the work was necessary due to an impact to the left rear tyre; this is consistent with the reported collision.

The insurer has not explained why the cost of the replacement tyre should not be considered part of the reasonable cost of repairs.

I am satisfied that the insurer is liable for the cost of the replacement tyre.

Insurer has acted reasonably

The policy entitles the insurer to determine the reasonable cost of repairs (and to obtain a second quote to assist with this determination). The insurer has acted reasonably in attempting to do this.

The complainant has not established a valid reason for refusing to provide a second quote, which the policy requires him to provide.

I consider it fair in the circumstances for the insurer to settle the claim by paying its assessment of the reasonable cost of repairs (\$7,813.72), plus the cost of the replacement tyre (\$535). Therefore, if the complainant accepts this determination, the insurer must settle the claim by paying the complainant \$8,348.72.

Insurer not required to pay interest

Section 57 of the *Insurance Contracts Act 1984* (Cth) requires an insurer to pay interest on a settlement payment from the time when it was unreasonable to withhold payment.

I do not consider the insurer to have unreasonably withheld payment or delayed settlement. Therefore, the insurer is not required to pay interest.