

**Collision Industry Conference
Anti-Fraud Committee
www.ciclink.com**

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**Study: Insurers' Lowball Estimates Cost Consumers, Government
Millions of Dollars**

Consumers and the government are being cheated out of millions of dollars that is rightfully theirs because of underwritten insurance estimates on collision-damaged vehicles, the anti-fraud committee of the Collision Industry Conference (CIC) has discovered.

Members of the anti-fraud committee will present their findings at a press conference at 12 noon at the Mandalay Bay Conference Center, conference room, Islander F/G, in Las Vegas, Nevada, on October 31, 2006.

In its research, the anti-fraud committee collected 726 estimates written by a variety of insurance companies from 10 states (Arizona, California, Illinois, Iowa, Kansas, Massachusetts, Missouri, New York, Oklahoma, and Virginia). The average estimate was \$2,498.20. The average final invoice was \$5,048.47, meaning the average supplement was \$2550.26—more money, in other words, than the original estimate.

But what, exactly, is the problem?

First, not all consumers bother to have their damaged vehicles repaired. In fact, between 33 and 54 percent of consumers who have been in an accident accept a check from the insurer based on the insurer's initial damage assessment. If that estimate is short by an average of \$2550.26, this represents a huge amount of money the consumer was owed but didn't receive. All told, it amounts to millions of dollars a year in consumer fraud.

Second, if consumers manage to find a repair facility or are steered to a repair facility by an insurance carrier that will do the work for the amount of the original estimate, their chance of driving off with a vehicle that wasn't repaired safely increases dramatically, as those shops will have to take shortcuts in the

repair work in order to bring down the cost of the repair. Because of this, thousands of less-than-adequately repaired vehicles may be on the road—and may represent a real danger to the motoring public.

Third, if a consumer takes the insurance company estimate to a collision repair business and is told that the amount of the estimate isn't enough to repair the vehicle safely and properly, the consumer's perception is that the repair facility is overcharging. In fact, the insurance company's initial estimate is deficient, by an average of 100%.

Fourth, insurers' lowball estimates tend to create animosity between collision repairers who want to repair the vehicle correctly (and want to be paid accordingly) and insurers who are looking to have the work done at their bargain-basement price. Collision repairers who persist in demanding to be paid fairly for their work often end up blackballed by insurers. The consumer, stuck in the middle, often loses.

Fifth, insurers' less-than-adequate repair estimates shortchange state governments out of much needed tax revenue. Based on an average tax of 7.59 percent, states lose \$193.74 in tax revenue for each damaged vehicle because of insurance efforts to keep repair estimates artificially low. This adds up to tens of millions of dollars in lost revenue across the nation each year.

“Either insurers are intentionally underwriting the estimates of the damage to the vehicles or there is a lack of knowledge on the insurance carrier's part on how to write a good analysis of damage,” said anti-fraud committee member Bob Smith. “Either way, something is seriously wrong and needs to be addressed immediately.”

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The Collision Industry Conference (CIC) is a forum for the discussion of national issues affecting the various segments involved in the auto collision repair industry. It meets four times a year to discuss issues affecting the auto collision insurance claims process. The Anti-Fraud Committee is charged with defining and exposing fraud in the collision repair industry and related businesses.