

Will the Body Shop Cut You a Deal?

By: Barbara Marquand

Choosing a big collision insurance deductible helped you save money on car insurance premiums. But you can't help but wish the deductible would disappear after a wreck.

Some body shops promise to put the money back in your pocket with a deductible waiver or cash back on collision insurance repairs.

Too good to be true?

The key is to understand what you're getting in return before you jump at any offer.

Competition is fierce in the auto-body repair business. Offers like these are one way some independent shops fight for customers with "preferred" shops, which have relationships with insurers. Preferred shops agree to meet certain insurance company requirements, and, in return, insurers steer customers with collision claims to them.

That makes it tough for other shops to compete, says Robert Woods, owner of Pro Autobody in San Jose, Calif. "It's totally unfair," he says of the system.

His shop doesn't use the term deductible waiver, but the website says it can offer cash back on most insurance repairs. Woods says the cash back constitutes a discount on parts and labor.

Insurers hate deductible waivers and occasionally have reported shops that offer them to fraud investigators.

So are the deals legit?

Unless states have specific rules against them, then the offers in many cases are perfectly legal, says E.L. Eversman, chief counsel for Vehicle Information Services Inc. and founder of the Automotive Education & Policy Institute.

"It's only been an issue in the last 15 years or so because insurers have jumped in and are trying to control and monitor the collision repair process," she says. "There's a great deal of confusion coming out of the insurance industry about where their rights and responsibilities begin and where they leave off."

Here's how a deductible waiver deal could work legally, according to Eversman. Say, for instance, you wreck your car and the shop estimates it will cost \$2,000 to restore the vehicle to its pre-loss condition. You have a \$200 deductible, so the insurance company writes you a check for \$1,800 for the repair.

The shop could decide to eat some of its profit and give you a 10% discount when you pay the bill, which would essentially put the money for the deductible back in your pocket. It has every right to make the business decision to give the discount, Eversman says.

"There is a sense among a lot of legislators that (a collision insurance deductible waiver) sounds like a good deal for consumers," the Coalition Against Insurance Fraud, Howard Goldblatt says.



**Coalition Against
Insurance Fraud**

Or you could opt for the minimum of repairs to keep the car running safely, but not the full extent of repairs necessary to restore the vehicle to its pre-loss condition. Say, for instance, you decide you don't care if the paint matches, so the shop knocks off a few hundred dollars from the price. Instead of an A-plus repair, you get a B or a C-grade repair.

Shops that offer deductible waivers on insurance repairs are marketing to people who can't afford deductibles, Eversman says. "They're basically being the Wal-Mart of the collision repair world."

The insurance industry, meanwhile, wants states to ban deductible waivers. Some states have made it illegal for contractors to offer home insurance deductible waivers for home repairs.

"That's an easier sell" from a lobbying standpoint, says Howard Goldblatt, director of government affairs for the Coalition Against Insurance Fraud. A lot of consumers have lost money to fly-by-night roofers who lure storm victims with deductible waivers.

But state legislators are more hesitant to ban auto insurance deductible waivers.

"There is a sense among a lot of legislators that (a collision insurance deductible waiver) sounds like a good deal for consumers," Goldblatt says.

But he adds, "A consumer has to ask him or herself, 'Why would a body shop need this incentive for me to use them?'"