

Direct Repair Preferred Provider Programs

Advice to minimize insurance company potential to vertically integrate collision repair organizations from Vincent Romans, of the Romans Group

In today's increasingly competitive collision repair industry, there are two questions that are top of mind with every type of auto body repair provider including consolidators, networks, multi-location operators, franchisers and single-unit operators. The immediate concern for all these types of operators is to continually attempt to understand what insurers look for today when choosing a direct repair/preferred program provider for auto body repair. Of longer-term interest is whether insurance companies will continue to leverage the operating competencies of collision repair providers for their DRP's or, like Allstate with the acquisition and continued expansion of Sterling, will insurance companies purchase and operate collision repair facilities rather than working with existing operators who continually adjust, enhance and improve their current operations in support of their direct repair/preferred provider involvement.

After many meetings and discussion with insurers, it is my belief that most of the top ten insurance carriers would prefer to leverage the repair expertise of existing auto body repair operators throughout the United States. If insurers' direct repair/preferred provider program needs can be met through the current nationwide system of a wide selection of quality collision repair operators, the chances that they will move to vertically integrate their business to include wholly-owned collision repair operations and services should be minimized or avoided in the future.

Insurance companies have both general and very specific direct repair/preferred provider repair capabilities and program elements that are viewed as both desirable and required of auto body repairers in order to participate in these programs.

Although participating in direct repair/preferred provider programs is not the right business choice for some collision repairers, for

those who opt to participate in the programs and who meet the sometimes challenging requirements associated with these programs, a competitive edge and improved market share can often be realized. This competitive edge and improved market share performance is seen by many as extremely important, especially as insurance companies continue to reduce the number of providers within their programs.

Insurance company program requirements can change frequently due to ongoing, self-directed program changes and enhancements as well as planned or forced reaction to dynamic market, legislative and legal issues. Additionally, program requirements and participation performance standards vary considerably by insurance company and marketplace.

The following identifies insurance company preferred and required provider capabilities and program elements that are most often offered or provided by collision repair participants. Although not necessarily all inclusive, they reflect a rich profile and broad range of program attributes and requirements that, if implemented by the collision repair providers, will better insure the organization's participation and success in a direct repair/preferred provider program. These program elements should always be weighed relative to how appropriate, competitively beneficial and financially feasible they are to the current and future strategic and tactical direction of the collision repair provider.

1. A consistent approach to managing, operating and expanding the collision repair business is critical to long-term, productive insurance company direct repair/preferred provider relationships.

- Consistent collision repair facility acquisition, building retrofit and Greenfield selection, development and implementation standards.

- Centrally controlled and efficiently man-

aged networks and multi-location operations across a broad geographic area are often perceived as preferred providers today by insurance companies.

- Single or fewer points of contact for the insurance company is preferred.
- Consistent operating policies and procedures across the entire organization.
- Consistent vehicle delivery process and procedures.
- Depending on the insurance carrier, negotiated rates & terms may often be either required by the insurer or may become a competitive point of preferred acceptance for the provider due to their self-initiated competitive pricing approach.
- Proactive leveraging of a co-branding relationship between the insurance company and a network, multi-location or a single-location provider. Collision repair facilities under a common banner or brand delivering managed outcomes in conjunction with an insurance company's brand image and reputation.
- Maintain a central services organization structure to better ensure business and operations efficiency and productivity.
- Maintain a consistent, well trained and knowledgeable staff of managers, estimators and technicians all operating as a team.

2. The ability to provide measurable repair quality, cycle time, customer satisfaction and performance benchmarks is critical.

- A consistent and measured approach to quality repairs that maintains the required standards of a given direct repair program structure based on agreed-upon operating benchmarks and performance outcomes.
- Provider-developed and managed quality control program and process.
- Service and repair warranties and guarantees.
- Disciplined internal problem and service failure resolution with action taken consistently and proactively.
- Focus, deliver and sustain high customer satisfaction via third-party provider.
- Self-auditing where the repair is inspected in process and after completion to ensure quality and that the repair has been completed as invoiced. Avoid work billed and not performed.

3. A repair organization should provide ongoing

and timely communication regarding the entire repair process and experience, from the time the insured chooses the collision repair provider through the completion of the customer satisfaction survey.

- Provide electronic claim status to insurer and consumer through web-based push technology where numerous recipients including insurance company staff and field personnel, the insured, and appropriate collision repair organization personnel receive updates.
- Electronically provide information or enable an insurance company or network administrator access to the operator's data warehouse for retrieval of estimate information, repair orders, claim status, and performance measurements to enable comparison to insurance company and other industry data for the following:
 - Claims management
 - Estimate management
 - Quality management
- Adhere to internal communication and standard operating procedures (SOP's) that support an integrative approach to a provider's best business operations practices and an insurance company's program implementation and maintenance requirements.

4. With respect to administration and data management, there are several opportunities.

- Consistent administrative quality management processes and procedures.
- Multi-location providers being connected and replicating repair order and estimate information to a common data warehouse for data capture, analysis and knowledge management.
- Management system, estimating, human resources, and accounting databases replicated to the data warehouse daily with intranet and web applications to manage results across multi-location operators and networks.
- Peer measurement of results captured daily either through web-enabled software connected to multi-location providers and provider-specific uploaded information to a data warehouse including but not limited to the following:
 - Closing ratio
 - Cycle time
 - Severity

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- Customer Satisfaction
- Repair/replace ratio
- Alternative parts ratio
- Other DRP-specific key performance metrics

5. Where possible, feasible and required for program participation, the provider should consider implementing internally or outsourcing a call center for the following reasons:

- Managed-care approach to the insured with warm transfer to ensure delivery of the vehicle to the right service center location at the right time.

- Ensure higher closing and capture ratios.
- Load leveling.

6. On a more advanced basis and for those multi-state, multi-location organizations, operate as a claims management third-party administrator (TPA) with mutually defined services, operating procedures and metric benchmarks in place.

Insurers will choose repair providers who can consistently deliver high-quality, closely

managed auto body repair outcomes. It is by understanding insurers' needs and consistently demonstrating the ability to meet and exceed those needs, that a collision repairer increases his value to insurance companies.

Creating that level of value will improve provider business results in the short term and will also decrease the chances of moving the insurance industry toward becoming collision repair owner/operators in the future.

The Romans Group, founded in 1996, is based in Chicago and serves clients in North America and Europe. The firm's mission is to provide experience-based consulting to assist management teams in achieving business goals and objectives by providing realistic, results-oriented actionable advice. The company serves both public companies and privately-held, independent businesses including property and casualty insurance, automotive services, auto body repair, commercial and residential property repair and construction, and internet transaction processing and information services.