



# **Victorian Automobile Chamber of Commerce**

## **“Payments by Insurers”**

### **Survey Report # 5**

**June 2003**

*Victorian Automobile Chamber of Commerce  
Government and Public Affairs Department  
7/464 St Kilda Road  
Melbourne VIC 3004  
Phone: (03) 9829 1111  
Fax: (03) 9820 3401  
E-mail: [vacc@vacc.motor.net.au](mailto:vacc@vacc.motor.net.au)  
Internet: [www.vacc.motor.net.au](http://www.vacc.motor.net.au)*

# 1. Contents

	<i>Page</i>
1. Contents .....	2
2. Background .....	3
3. Summary of Results .....	4
4. Methodology .....	7
4.1 Questionnaire .....	7
4.2 Response Rates .....	7
5. Appropriate Time Frame for Receiving Payments .....	8
6. Distribution of Payments by Insurers .....	9
6.1 Insurers Included in the Survey .....	9
6.2 Overall Distribution of Payments .....	10
6.3 Payments Within 21 Days .....	12
6.4 Payments Within 40 Days .....	13
6.5 Payments Within 60 Days .....	14
6.6 Payments when Supplementary Assessments are attached .....	15
7. Insurer's Badges or Signs Held by Repairers .....	16
8. Factoring .....	18
9. Reasons for Delays in Payments .....	19
10. Improvements by Insurers in the Past Three Months .....	20
11. Respondent Comments .....	21
11.1 Factoring .....	21
11.2 The Worst .....	21
11.3 Hourly Rates .....	21
11.4 Improvement .....	22
11.5 The Run Around .....	22
11.6 Other Issues .....	23
Attachment A - Questionnaire .....	24

## 2. Background

VACC is the peak Automotive Employer Association in Victoria representing over 4500 businesses in the Retail Automotive Industry. Within its structure is the Body Repairer Division (BRD) that comprises around 640 member businesses. The vast majority of body repairer businesses are small or medium sized, and they are predominantly family owned and run businesses.

This survey report is based on data from VACC's fifth *Payments by Insurers* survey, conducted in June 2003. For approximately the past five years VACC has received consistent reports, information and complaints from body repairer members about the late payment of invoices by insurance companies for repair work performed.

Body repairers all too often tell of their struggle to try and obtain their legal and moral entitlement to payment within a reasonable time frame from insurance companies. They tell of their frustration in spending hours each week phoning or writing to insurance companies whilst being given the run around, and excuse after excuse as to why they have not been paid.

Body repairers tell of their despair at cash flow crises as they pay for parts, labour costs, overheads and GST instalments, whilst waiting for long overdue payments from large and comparatively resource rich insurance companies.

Hence, VACC has continued to campaign for improved payments by insurers to body repairers. The aim of the *Payments by Insurers* survey is to collect indicative quantitative and qualitative data in order to assess the payment time frames of the Insurance Industry as a whole. In turn this information is used to highlight those companies who are performing to a high standard and others whose performance is poor. Body repairers want Insurance Companies and Governments to sit up and take notice of the very real problems they face in sustaining their businesses, due to the payment practices of insurers.

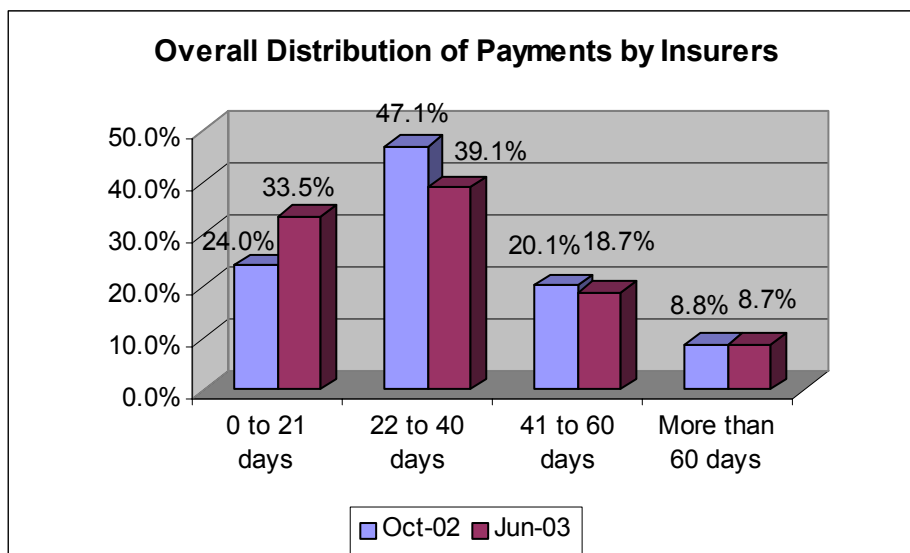
### 3. Summary of Results

The results of the fifth *Payments by Insurers* survey, conducted in June 2003, show that there has been little improvement in insurer payment time frames since the October 2002 survey. Body repair businesses are still forced to wait for overdue payments on too many occasions, leading to cash flow difficulties that have ultimately driven some proprietors out of business and rendered others frustrated and battling to keep their business afloat.

According to survey respondents, one in every four invoices took insurers more than 40 days to pay. However, just 1.1% of body repairers considered more than 30 days to be an appropriate time frame for receipt of payment. This large mismatch in service expectations and service delivery is causing substantial cash flow difficulties for small businesses in the Body Repair Industry.

The graph below provides a performance summary of the payment time frame of the Insurance Industry in the three months to June 2003. The most positive feature of the results is that a higher proportion of payments by insurers were being made within 21 days, compared with the October 2002 survey. Most of this gain was made at the expense of the 22 to 40 day payment range, where there was a corresponding fall in the proportion of payments made.

However, the graph also shows that little progress has been made in reducing the unacceptably high proportion of payments that are made by insurers 41 days or more after being issued with an invoice. Some 18.7% of all payments were made between 41 and 60 days after the issuing of an invoice, and a further 8.7% were made a staggering 60 days or more after invoicing. For many body repair small businesses this has created a cash flow crisis as they attempt to pay for parts, labour costs, overheads and GST instalments, whilst waiting on payment from large, comparatively resource rich insurance companies.



Respondents reported exacerbated problems in obtaining payment when supplementary quotes were attached to an original invoice. This often created unreasonable payment delays, with CGU and RACV nominated as particularly poor performers where a supplementary quote was involved.

Analysis of survey data showed that repairers received faster payment from insurers whose badge they held. By way of example, 69.3% of AAMI badged respondents received payments from AAMI within 0 to 21 days, compared with 61.2% of all respondents who dealt with AAMI. Insurance companies should be commended for the payment time frames achieved for repairers holding their badge, but they must also lift their service standards across the board so that all repairers receive prompt payment for services provided.

Respondents reported their frustration and anger when contacting insurers about late payments. Too often body repairers were given excuses such as “the file is not at hand” or the “file is lost”; basically they are given the run around. Reasons given by insurance companies for their late payments are indicative of poor customer service, inadequate staff training, high staff turnover and unreliable systems. Unfortunately, the following example cited by one respondent is all too common.

*“When chasing payments from most insurance companies it is usually quite obvious that the staff member you are speaking with has no intention of doing anything to help you and despite the fact that you can name names and times that you have rung previously, they insist that there are no notes on their system and they never received an invoice.”*

Many body repairers continue to have little choice but to use factoring agents in order to obtain payment for work completed for insurance companies. Use of factoring agents is eating into the already threadbare profit margins of body repair businesses, but some respondents see it as a necessity. This additional business cost would not be necessary if insurance companies settled the vast majority of invoices within a reasonable period, as is expected of all reputable and ethical businesses. A respondent describes the problems associated with factoring below.

*“Unfortunately factoring is the quickest and easiest way to receive payment but the cost of factoring continues to impact on the business. If we were guaranteed payment from insurance companies this would save us a great deal of money.”*

On a more positive note, some respondents did notice an improvement in payment time frames by insurers. For the second consecutive survey, AAMI and RACV were the companies most frequently credited with improvement by respondents. AAMI and RACV are to be commended for their progress. Some respondents were sceptical about improvements to payment time frames, suggesting that the motivation was insurer self-interest rather than equity and fairness for small business.

*“It appears some insurance companies have improved on payment time, probably to hoodwink the Federal Government that they are always trying to assist repairers.”*

In summary, insurers’ payment time frames continue to cause major cash flow problems for body repair businesses. Little improvement has been made since the October 2002 survey. Body repairers, most of whom are small or medium sized family businesses, continue to be frustrated and suffer adverse financial consequences because of late payments by insurers. To date, all reasonable efforts have failed to prompt insurers to lift their standards to an acceptable level; therefore legislation that ensures body repairers receive their rightful payment within a reasonable time period is urgently needed.

Body repairers are not asking for special treatment, they just want to receive their legal entitlement to payment from insurers within a reasonable time period. Perhaps then, body repairers will be able get on with the job of running their businesses and planning for their future, rather than spending precious time and resources debt chasing in order to pay creditors and stay afloat.

## 4. Methodology

### 4.1 Questionnaire

(See Attachment A)

A four-page self-completion questionnaire was mailed to all VACC Body Repair Division members in late June 2003. To aid comparability of data across surveys, the questionnaire remained virtually unchanged from the version used in *Payments by Insurers* survey # 4, however some adjustments were made for changes to insurance company profiles (e.g. some companies had gone out of business, others had merged etc). Respondents returned completed questionnaires via the enclosed reply paid envelopes, and data was processed and compiled by VACC staff using Excel spreadsheet software.

### 4.2 Response Rates

The questionnaire was sent to the 640 VACC Body Repair Division members. Completed survey forms were received from 94 respondents, for a response rate of 14.7%. Due to time constraints there was no follow-up of non-respondents undertaken.

The response rate for the June 2003 survey was lower than the response rate achieved for the October 2002 survey, however for that survey, two reminder letters were sent to non-responding businesses, thereby eliciting a higher response rate. The response rate for the June 2003 survey was higher than that of the March 2002 survey where there was also no non-response follow up work undertaken.

#### Survey Response Rates

	Number of Responses	Body Repair Division Members	Response Rate
Mar-02	81	644	12.6%
Oct-02	164	644	25.5%
Jun-03	94	640	14.7%

Despite the difference in response rates between the March 2003 and October 2002 surveys, the profile of respondents for each survey was very similar. In June 2003, some 66.7% of respondents were from metropolitan areas, compared with 64.1% in October 2002. Conversely, in June 2003, 33.3% of respondents were located in rural areas compared with 35.9% in the previous survey. The location of respondents for the June 2003 survey closely matches the Body Repair Division member profile; therefore, a high level of confidence can be had as to the representativeness of the sample from which the results are derived.

#### Location of Respondents

##### Question 1

	Metro	Rural	Total
Mar-02	68.0%	32.0%	100.0%
Oct-02	64.1%	35.9%	100.0%
Jun-03	66.7%	33.3%	100.0%

## 5. Appropriate Time Frame for Receiving Payments

### Question 5

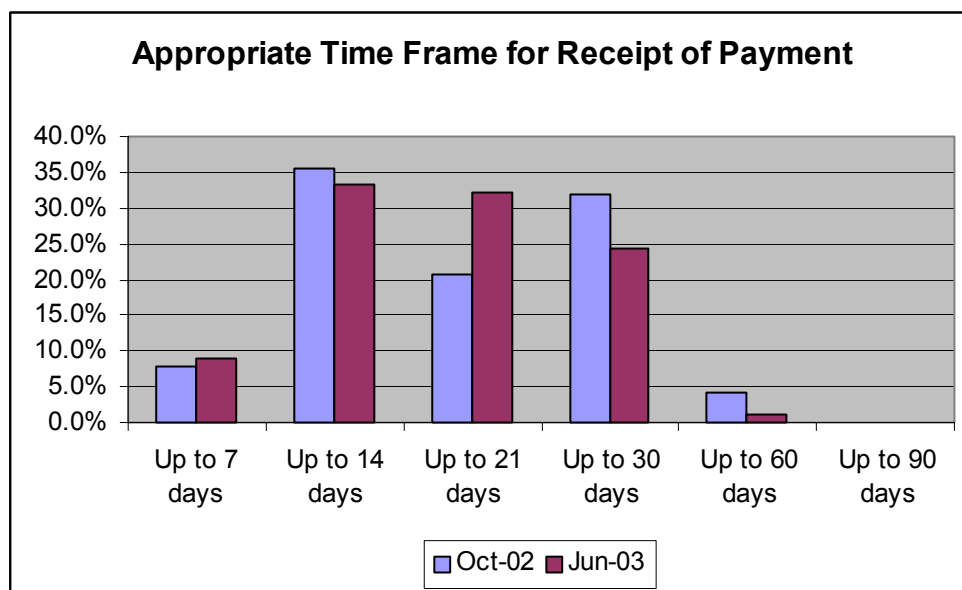
Respondents were asked what, in their opinion, is an appropriate time frame for receipt of payment from an insurer for completed work. Most respondents considered between two and four weeks to be an acceptable time frame for receipt of payment from insurers.

The most common appropriate time frames cited were “up to 14 days” (33.3% of all respondents) and “up to 21 days” (32.2%), collectively accounting for around two-thirds of all responses. A further 24.4% of respondents stated that “up to 30 days” was appropriate.

Somewhat optimistically, 8.9% of respondents considered “up to 7 days” as an appropriate time frame, which is possibly an indication of just how tight the cash flow situation is for some respondents. Just 1.1% of respondents indicated that they were prepared to wait “up to 60 days” for payment. No respondents cited the “up to 90 days” response option as being acceptable.

There have been some interesting changes in respondent attitudes to appropriate payment time frames since the October 2002 survey. Whilst similar proportions of respondents consider between “up to 14 days” and “up to 30 days” as appropriate (88% in October 2002 and 90% in June 2003), respondents are now less inclined to accept longer periods waiting for payment.

The graph below highlights that in October 2002 a higher proportion of respondents considered “up to 30 days” as appropriate, than considered “up to 21 days” to be acceptable. That situation was reversed in June 2003. The graph also shows that in October 2002, 4.3% of respondents considered “up to 60 days” to be an acceptable payment period, falling to just 1.1% in June 2003. Therefore, body repairers have become less accepting of late payments by insurers, as problems created by late payments continue to hinder the performance of their business.





## **6. Distribution of Payments by Insurers**

### ***6.1 Insurers Included in the Survey***

The following insurance companies were included in the survey:

- AAMI, Australian Alliance, Australian Pensioners, Sun Royal
- Allianz, HIC, CIC, FAI, WMG
- GIO, Sun Corp
- Ansvar
- Catholic Church
- Elders
- Guild Insurance
- Lumleys
- QBE Mercantile Mutual
- RACV/NRMA/CGU/Swann/HBA
- Ready Plan
- Wesfarmers
- Western QBE
- Zurich

The performance of those insurance companies most frequently used by respondents is analysed in this report. In the “Distribution of Payments by Insurers” section of this report, multiple groupings of insurance companies with common ownership are referred to by the name of the main insurer in the group, rather than listing all other companies within the group (e.g. the first grouping of insurers above is referred to as AAMI).

In recent years company mergers have resulted in a rationalised Insurance Industry. A pertinent example of this rationalisation is the acquisition of CGU by IAG. Two large companies with a large share of the market, AAMI and RACV, dominate the Insurance Industry in Victoria.

## 6.2 Overall Distribution of Payments

### Question 2(a)

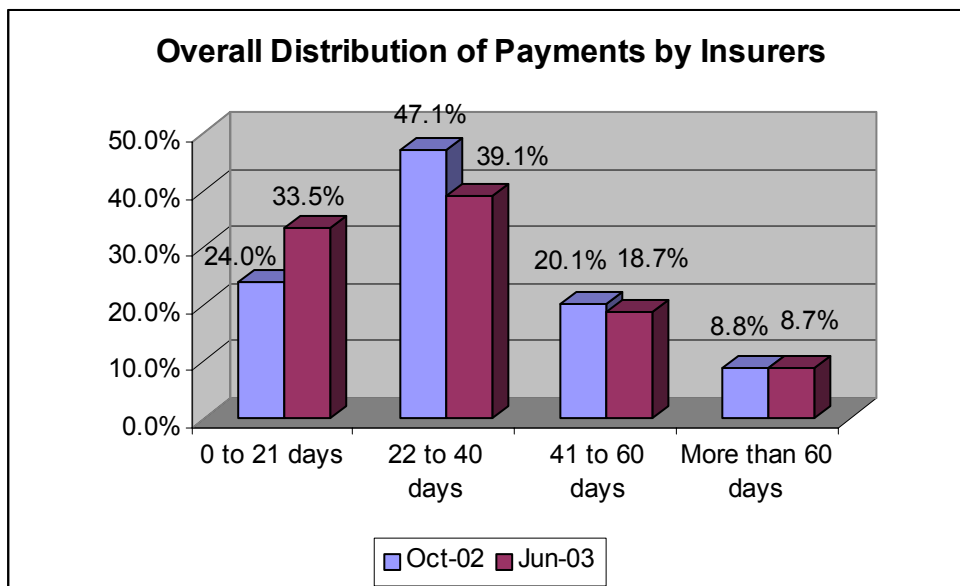
Overall, around one-third (33.5%) of all respondents were being paid between 0 and 21 days after they issued an invoice to an insurance company. Some 39.1% were paid within 22 to 40 days. A further 18.7% received payment from between 41 and 60 days after issuing an invoice, whilst the remaining 8.7% waited more than 60 days for monies owed to them.

Earlier in this report it was noted that just 1.1% of respondents considered that more than 30 days was an appropriate payment time frame. In that context, the survey results show that small businesses are still being badly let down by insurance companies, with 27.4% of all insurer payments taking 41 days or longer.

The graph below does show some positive changes in payments by insurers. The proportion of invoices settled within 21 days has risen from 24.0% in October 2002 to 33.5% in June 2003. The next grouping of payment time frames, 22 to 40 days, shows an offsetting decline from 47.1% in October 2002 to 39.1% in June 2003.

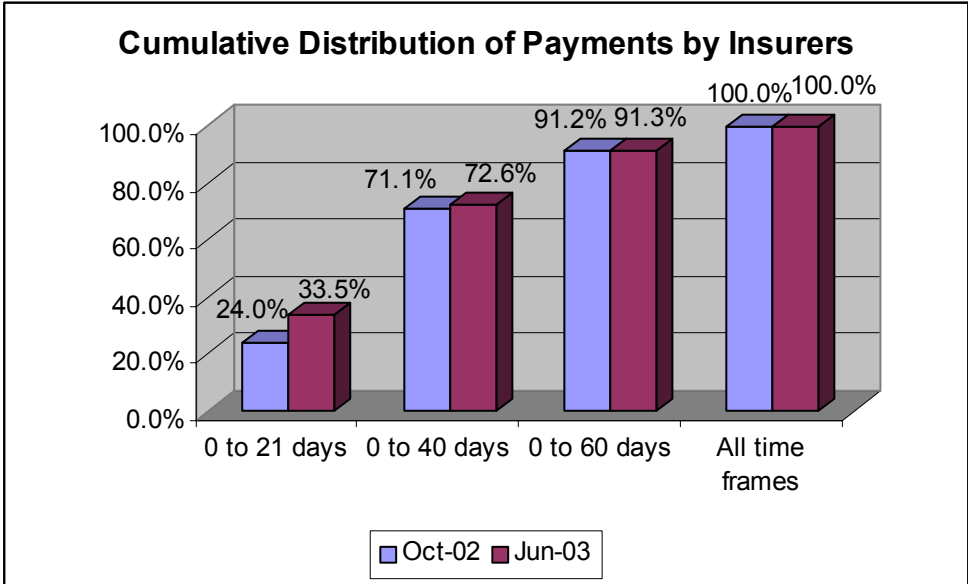
Unfortunately for small business, the improvement in payments in the 0 to 21 day time frame did not translate into a fall in the proportion of payments in the 41 to 60 day and more than 60-day time frames. So while more invoices were being paid within 21 days, there were still an unacceptably high proportion of invoices that were taking more than 40 days to be settled.

The high proportions of payments that are made beyond 40 days is what really hurts small business cash flow, and unfortunately for body repairers there has been little or no progress made by insurers on this important issue.



The graph below shows the cumulative distribution of payments by insurers, and illustrates the points made above. The graph demonstrates that as payment time frames extend, there is no difference in payment time frames between October 2002 and June 2003. In October 2002, 71.1% of payments were made between 0 and 40 days, compared with 72.6% in June 2003. In October 2002 some 91.2% of payments were made between 0 and 60 days compared with 91.3% in June 2003.

Therefore, for those businesses adversely impacted by late payments by insurers, there has been no improvement to their plight since the October 2002 survey.



### 6.3 Payments Within 21 Days

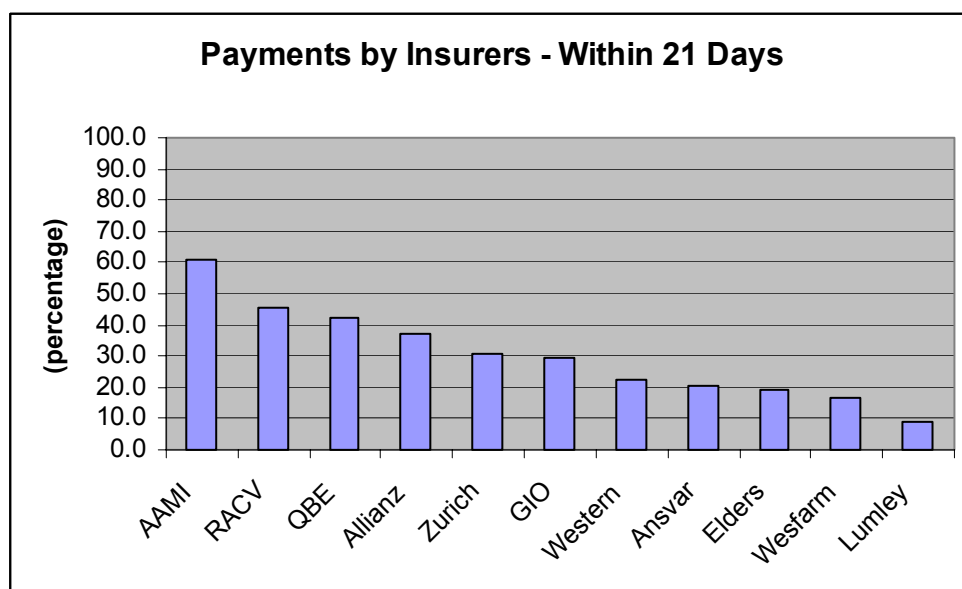
#### Question 2(a)

Respondents were asked to indicate for each insurer with which they had dealings, the percentage of payments that were made between 0 and 21 days from issue of an invoice. Respondents were asked to focus their responses on the previous three months. Only those insurance companies for which 20 or more respondents reported having had dealings with were included in the analysis of payments, as data for the other companies was considered to be too statistically unreliable to provide an accurate assessment of their performance.

AAMI was the best performing insurer in this category, with a reported 61.2% of their payments being made within 21 days. RACV was next best with 45.3% of payments to repairers made within 21 days, followed by QBE/Mercantile Mutual with 42.0%.

Respondents reported Lumley as the worst performing insurance company in this category. Lumley made just 9.0% of their payments to repairers within 21 days. Wesfarmers and Elders also performed particularly poorly, with just 16.7% and 19.2% of payments respectively made within 21 days.

Overall there has been a welcome improvement in the proportion of payments made to repairers within 21 days, with 33.5% recorded in June 2003 compared with 24.0% in October 2002. However, the overall proportion of payments made within 21 days is still much too low, and the insurance industry still has a long way to go in lifting their service standards to acceptable levels.



## 6.4 Payments Within 40 Days

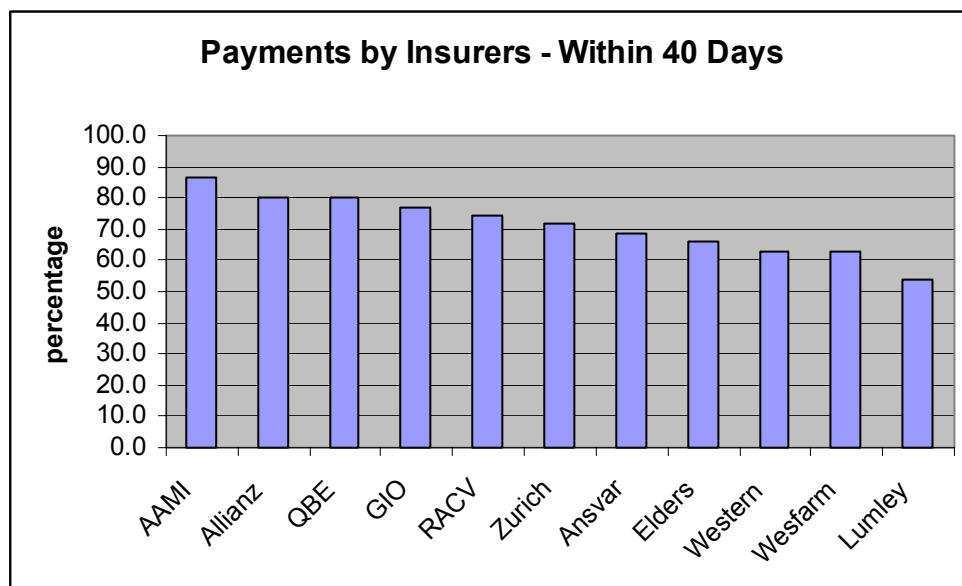
### Question 2(a)

The graph below represents the cumulative proportion of payments by insurers made within 40 days (i.e. those payments made within 0-21 days or 22-40 days). Analysis of this graph is interesting, given that just 1.1% of respondents considered that more than 30 days was an appropriate time frame to receive payment from an insurer.

According to information from respondents, 86.3% of all AAMI payments to body repairers were made within 40 days, the best performance of all insurers. Allianz was the second best insurer in this category with 80.2%. Allianz's high proportion of payments made in the 22 to 40 days time period moved it substantially up the rankings, when compared with their ranking for payments made within 0 to 21 days. QBE/Mercantile was again in third place with 80.1% of payments made within 40 days.

The worst performing companies were Lumley (53.6%), Wesfarmers (62.7%), Western QBE (63.0%), and Elders (66.0%). Each of these companies made less than 65% of their payments to body repairers within 40 days, an unacceptable standard of customer service.

Overall there has been no improvement in the proportion of insurer payments made between 0 and 40 days. Some 72.6% of all payments were made between 0 and 40 days in June 2003, marginally up from 71.1% in October 2002. It is unacceptable that 27.4% of payments by insurers are made 41 or more days after an invoice has been raised.



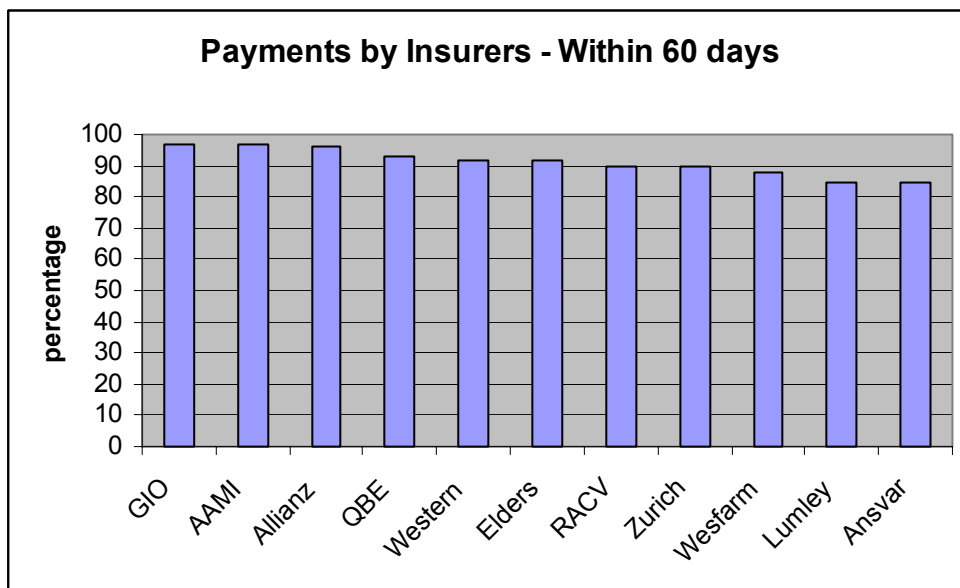
## 6.5 Payments Within 60 Days

### Question 2(a)

The graph below shows the proportion of payments by insurers made within 60 days. More importantly, it conversely identifies the proportion of payments that took more than 60 days.

For the second consecutive survey, Ansvar had the highest proportion of payments made beyond 60 days, an unacceptable 15.7%. Lumley's performance was also very poor, with 15.5% of payments to insurers made beyond 60 days. Other insurers with more than 10% of payments made beyond 60 days were Wesfarmers (12.1%), Zurich (10.4%) and RACV (10.1%). Special mention should be made of GIO, AAMI and Allianz, who had the lowest proportion of payments made beyond 60 days.

Overall, the proportion of payments made by insurers beyond 60 days is still unacceptably high. In October 2002 some 91.2% of all payments by insurers were made within 60 days, remaining virtually unchanged at 91.3% in June 2003. Therefore, almost one in ten payments by insurers to body repairers take more than 60 days from issue of invoice, severely constricting the cash flow of those businesses.



## **6.6 Payments when Supplementary Assessments are attached**

### Question 3

Respondents were asked to indicate which insurers were the slowest in settling final payment when a “supp” is attached to an original invoice. Supplementary assessments are usually additional repairs or parts and work that are attached to an original quote. Supps are sometimes necessary due to unforeseen damage or additional parts that may be required, but were not included in the original quote or assessment.

CGU (26 respondents) and RACV (24 respondents) were by far the most frequently nominated by respondents as the slowest insurers in settling final payments where there is a supp attached to an invoice. Whilst RACV and CGU are large insurers and it is expected that they would be nominated more than other smaller companies, the results in comparison with other insurers indicates problems in their supp assessment and payment processes. These problems are leading to long payment delays for body repairers. CGU and RACV were also the two slowest payers of invoices with attached supps in the October 2002 survey.

<b>Insurer</b>	<b>Frequency</b>
CGU	26
RACV	24
AAMI	11
Allianz	11
Lumleys	9
Zurich	6
QBE	6

## 7. Insurer's Badges or Signs Held by Repairers

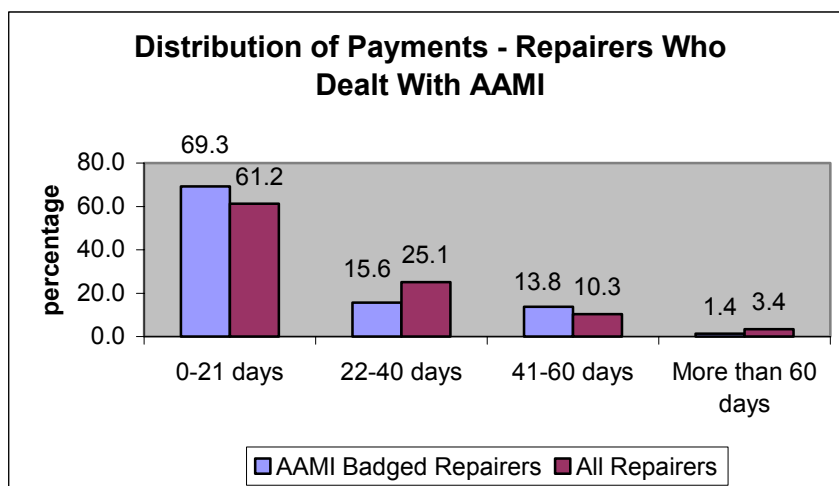
### Question 7

Respondents were asked which insurers badges or signs they currently held. AAMI (27 respondents) and RACV (24 respondents) were the most commonly held badges. There were 19 respondents who reported having a GIO badge, 15 had a CGU badge and 9 reported having an Allianz badge. Some respondents stated a strong opposition to preferred repairer schemes and therefore did not hold any badges.

Insurer	Frequency
AAMI	27
RACV	24
GIO	19
CGU	15
Allianz	9

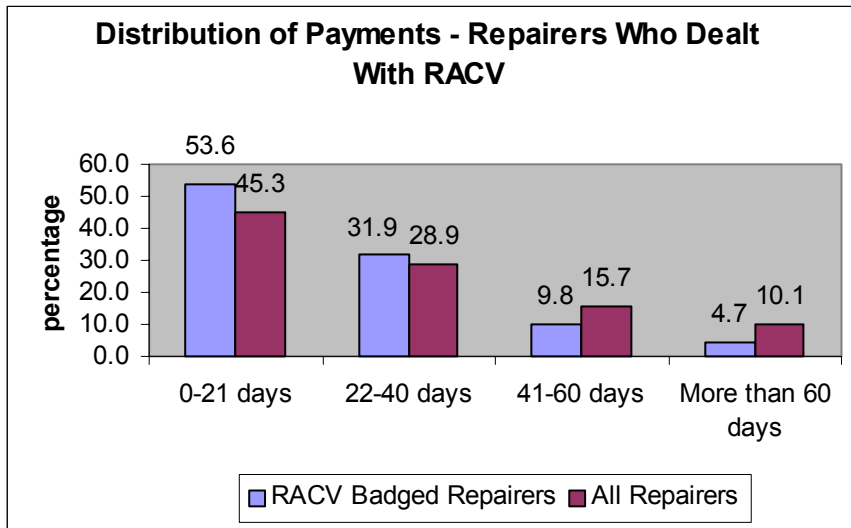
Further analysis was undertaken to examine whether or not holding an insurer's badge made any difference to payment time frames for repairers. The graphs below, showing payment distribution for the two most widely held insurer's badges, indicate that repairers receive faster payment from insurers whose badge they hold.

Some 69.3% of AAMI badged respondents received payments from AAMI within 0 to 21 days, compared with 61.2% of all respondents who dealt with AAMI. A slightly higher proportion of AAMI badged respondents than all repairers who dealt with AAMI received payment between 41 and 60 days (13.8% compared with 10.3%). This difference is accounted for in the more than 60 days responses, with 1.4% of AAMI badged respondents receiving payment in that time period, compared with 3.4% of all repairers who dealt with AAMI.



Some 53.6% of RACV badged respondents received payments from RACV within 0 to 21 days, compared with 45.3% of all respondents who dealt with RACV. Respondents with an RACV badge received a smaller proportion of payments within 41-60 days than all insurers who dealt with RACV (9.8% compared with 15.7%). The difference was even more striking for the more than 60 days time period, with 4.7% of RACV badged respondents receiving payment within this time frame, compared with 10.1% of all respondents.





Therefore the survey data suggests that repairers holding an insurance company's badge are generally paid in a shorter time frame than those repairers who do not hold that insurer's badge. The payment time frame performance of insurance companies to their badged repairers is commendable. However, insurers need to extend the same quality of service to all repairers, not just the select few with badges.

## 8. Factoring

### Question 2(b)

The survey asked respondents to indicate, for each insurer, whether they had used a factoring agent to obtain payments from the insurer. The percentages shown in the graph below are derived from the number of respondents who reported having used factoring for a given insurer, divided by the number of respondents who dealt with that insurer in the nominated survey period. It is important to note that respondents identified as having used factoring agents for a particular insurer, may not have factored all of their invoices for that company.

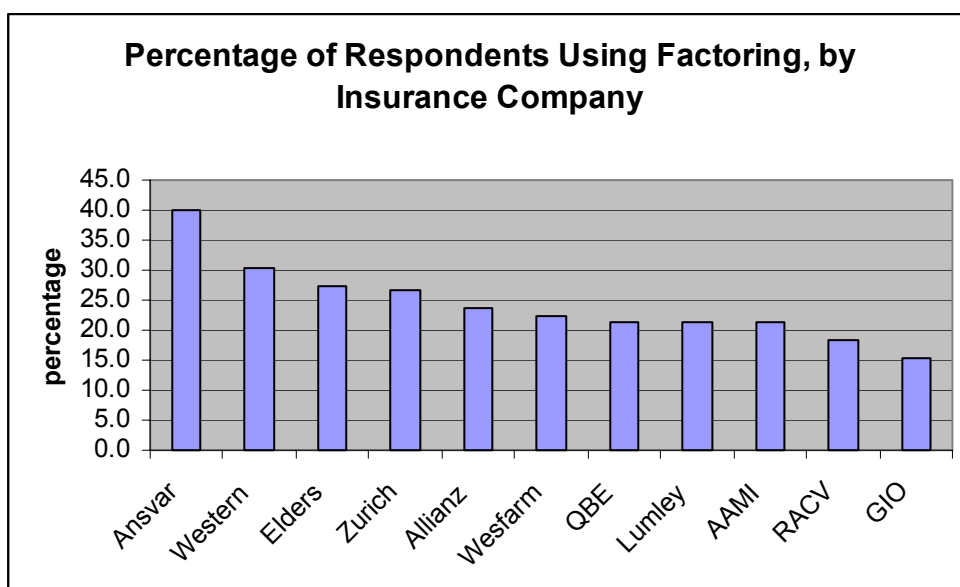
Three of the largest insurers, GIO, RACV and AAMI were the best-performing companies in relation to factoring. They were the three companies which repairers made least use of a factoring agent with.

Insurers whose debts were most likely to be given to a factoring agent by repairers were Ansva (40.0%), Western (30.2%), Elders (27.5%), and Zurich (26.6%). There is a strong correlation between those insurers that had the highest incidence of factoring and those that had the slowest payment time frames. It is indicative of systemic problems at a number of insurance companies, with body repairers suffering the consequences via cash flow problems.

The rate of factoring in the body repair industry is much too high, and factoring costs eat into the already very small profit margins for repairers, most of whom are small businesses. The proliferation of factoring is indicative of the struggle that repairers face in getting paid on time, and the resultant cash flow crises that can emerge.

One respondent neatly summarised body repairers problems associated with factoring.

*“Unfortunately factoring is the quickest and easiest way to receive payment but the cost of factoring continues to impact on the business. If we were guaranteed payment from insurance companies this would save us a great deal of money.”*



## 9. Reasons for Delays in Payments

### Question 4

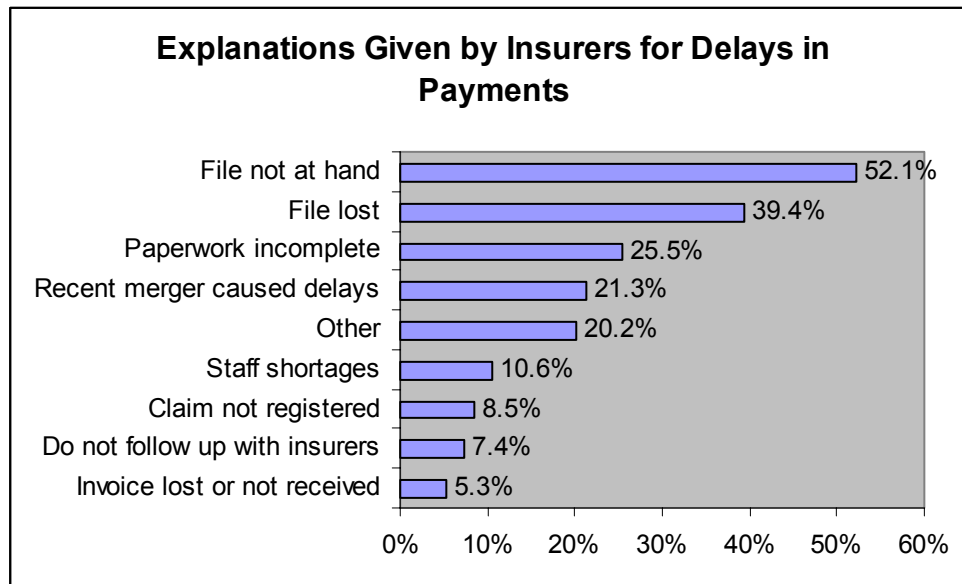
Respondents were asked to list the explanations given by insurers for payment delays. The most common explanation given was that “that file is not at hand” (52.1% of respondents were given this explanation) and “the file was lost” (39.4%).

A further 25.5% of respondents have been told that “paperwork is incomplete”, 21.3% have been advised that a “recent merger has caused delays”, and 10.6% of respondents have been told that “staff shortages” have caused the delay.

This comment from one survey respondent highlights the problems endured by many body repairers.

*“When chasing payments from most insurance companies it is usually quite obvious that the staff member you are speaking with has no intention of doing anything to help you and despite the fact that you can name names and times that you have rung previously they insist that there are no notes on their system and they never received an invoice.”*

In summary, the explanations given by insurers for delays in payment are a sign of poor customer service, inadequate training, high staff turnover and unreliable systems. Insurers must act to improve their performance in the areas that delay payments to repairers. Insurers’ inaction on these issues is hurting a large number of repairers whose cash flow is hit hard by payment delays.



## 10. Improvements by Insurers in the Past Three Months

### Question 6

Whilst this report has focused on the problems and difficulties related to payments to repairers by insurers, it is also important to acknowledge improved performances by some insurers. Respondents were asked to nominate those insurers that had improved their payment time frame in the past three months.

AAMI and RACV are to be congratulated on their progress, with 38 respondents nominating those companies as having improved payment time frames. AAMI and RACV were also nominated as the two most improved companies in October 2002, so their sustained improvement is welcome news. Allianz (21 respondents) and GIO (20 respondents) were also identified as having improved their performance in the June 2003 survey.

Improvements in payment time frames by insurers is a welcome development, but much more improvement is needed before late payments by insurers ceases to be a problem that is damaging body repair businesses. Some respondents were sceptical about improvements to payment time frames, suggesting that the motivation was insurer self-interest rather than equity and fairness for small business.

*“It appears some insurance companies have improved on payment time, probably to hoodwink the Federal Government that they are always trying to assist repairers.”*

<b>Insurer</b>	<b>Frequency</b>
AAMI	38
RACV	38
Allianz	21
GIO	20
CGU	16
QBE	9

## **11. Respondent Comments**

### Question 8

#### **11.1 Factoring**

*“Our company factors everything, we cannot afford to do it any other way.”*

*“I began using factoring because insurance companies were taking too long to send payments.”*

*“Although factoring is an expensive means of receiving money quickly, it is worth it. There is just so much time spent running around ringing insurance companies, sending copies of invoices, never being able to speak to the same claims officer etc, basically getting the run around. Factoring just makes sense.”*

*“At this point in time factoring is more efficient for me.”*

*“Amounts less than \$1000 are generally paid promptly. Amounts greater than \$1000, we factor a good percentage of these because of the uncertainty of time frame for payments.”*

*“Unfortunately factoring is the quickest and easiest way to receive payment but the cost of factoring continues to impact on the business. If we were guaranteed payment from insurance companies this would save us a great deal of money.”*

#### **11.2 The Worst**

*“RACV are the worst when it comes to having to chase up late payments.”*

*“CGU are by far the worst for settling claims.”*

*“With GIO one claim took 42 days and another claim took 54 days to be paid - not good enough.”*

#### **11.3 Hourly Rates**

*“Small businesses are struggling to keep going with the disgusting hourly rate that is paid.”*

*“Personally, the biggest issue facing the body repair industry is not payment time frame. The main issue is the pathetic hourly rate, insurance company manipulation, and the impending labour shortage disaster.”*

*“Earlier payments from insurance companies has helped our cash flow but we still need an increase in labour rates to survive these hard times.”*

*“Hourly rate is insufficient to maintain business.”*

*“Again! \$23.00 per hour does not cover costs. Urgent need for hourly rate to be increased dramatically even doubled, to cover latest pay rise and administration costs.”*

*"I think it must be law that all rates should, at a minimum, be increased with CPI. We have not had an increase for years yet wages go up every 12 months, paid 2 to 3 times a year, and materials and the like 3 to 4 times a year. It is about time VACC demanded our just rights. If no achievement is made then the ACCC should be forced into action."*

### **11.4 Improvement**

*"In the last 6 months all insurance companies have made a huge improvement in payments."*

*"Payments seem to be slowly improving."*

*"It appears some insurance companies have improved on payment time probably to hoodwink the Federal Government that they are always trying to assist repairers. Repairers need to stand up to be counted and heard if they want to progress professionally."*

*"There has been a definite improvement all round as we no longer need to factor."*

*"There has been a definite improvement in payments since the ORM has been introduced."*

*"Generally all insurance companies seem to have improved. We currently have no outstanding accounts over 75 days 0- about time!"*

### **11.5 The Run Around**

*"When chasing payments from most insurance companies it is usually quite obvious that the staff member you are speaking with has no intention of doing anything to help you and despite the fact that you can name names and times that you have rung previously they insist that there are no notes on their system and they never received an invoice."*

*"When chasing payments it takes 3 to 5 phone transfers to find someone who will deal with the request and then not always successfully. Some companies make you feel like you should not ask them for payment. The '13' phone numbers make it difficult to get to the right department quickly - not enough detail for each option. It would make it easier if there were phone numbers for business to use."*

*"Nothing seems to have changed. Since the companies have merged it seems to be getting worse and more excuses. Companies do not seem to care whether we are paid or not, if we complain about the time taken for an account to be paid they use all the excuses and tell us there is nothing they can do depending on each account area to be checked."*

## **11.6 Other Issues**

*“The idea of being able to charge a late payment fee to the insurance company sounds great!”*

*“Allianz, HIC, CIC, FAI, WMG: In liquidation with \$5,500 still owing [to my business].”*

*“If some sort of rules were set down for insurance companies they may stop having the attitude that they are God and can do anything they want.”*

*“It would be good if all insurance companies assessed on-line and paid by direct debit within 14 days, and also raised their hourly labour rate to keep up with the increase of materials and wages which we have no control over.”*

*“When insurance companies change their method of dealing with claims (usually due to merger) this is where delays can occur because we do not know the new format so we cannot comply. Allianz recently withdrew our recommended repairer status without informing us or giving us the chance to appeal. This is because they now only have one recommended repairer in each zone. I feel this was unfair.”*

*“VACC should be making the public aware of our issues. WE are looked upon as rogues, not the insurer.”*

*“Insurance companies are sending us broke. We will be out of business in six months.”*

*“It is not my problem if an assessor has not put in a report, and it should not delay payment. RACV still tell our customers they cannot have their cars repaired here but buckle as soon as they are challenged.”*

## Attachment A - Questionnaire



# Payments by Insurers June 2003

- The purpose of this survey is to collect information on payments made by insurers to body repairers. VACC is particularly interested in collecting information about the time frame within which claims are settled with final payment.
- This information will be used to compile a report that will be passed on to Government and organisations that are related to the insurance industry. **It is important that you complete and return this survey** to VACC so that **your business is represented** in VACC submissions.
- This is a **confidential** survey and you are not required to identify yourself. Any details on the survey will not be used or published in a way that could identify you or your business.
- If you have any questions regarding this survey, please contact:  
Jim Reddy at VACC, (03) 9829 1111, jreddy@vacc.motor.net.au
- Please return the completed questionnaire by **4 July 2003** to:

**Fax Number: (03) 9820 3401**

Jim Reddy  
Manager Body Repairers Division  
VACC  
Level 7, 464 St. Kilda Road  
Melbourne VIC 3004

### SURVEY QUESTIONS

1. In which area is your business located?

- Metropolitan
- Rural



2. Thinking of the last three months, please tell us for each insurance company that you have dealings with:

a) For each time range indicated below, what percentages of all payments by this insurer were made within each range?

b) Do you use factoring for any of the insurers?

<i>Insurer</i>	<b>a)</b>				<b>b)</b>
	<b>0-21 Days</b>	<b>22-40 Days</b>	<b>41-60 Days</b>	<b>60+ Days</b>	<b>Tick the insurer that you use factoring for:</b>
AAMI, Aust. Alliance, Aust. Pensioners, Sun Royal	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Allianz, HIC, CIC, FAI, WMG	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
GIO, Sun Corp	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Ansvar	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Catholic Church	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Elders	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Guild Insurance	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Lumleys	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
QBE, Mercantile Mutual	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
RACV/NRMA/CGU/Swann/HBA	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Ready Plan	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Wesfarmers	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Western/QBE	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>
Zurich	_____ %	_____ %	_____ %	_____ %	<input type="checkbox"/>

**Note:**

- The percentages for **each insurer** should **total** 100%.
- 'Days' refers to the time from when your business issues an invoice to an insurance company; to the date you receive the payment.

**3.** If supps are attached to the original invoice, which insurers are the slowest in settling final payment?

a).....

b).....

c).....

**4.** When you are following up with an insurer about a delayed payment, what are the explanations given about delays? *(Please tick all that apply)*

- I generally don't follow up with the insurers
- File not at hand
- Paperwork incomplete
- Claim not registered
- Staff shortages
- Recent merger caused delays
- File lost
- Other, *please specify:*

**5.** In your opinion, what is an appropriate time frame for receiving payment from an insurer for completed work?

- Up to 7 days
- Up to 14 days
- Up to 21 days
- Up to 30 days
- Up to 60 days
- Up to 90 days

**6.** Thinking of the past three months, which insurer(s), in your opinion, have improved the timeframe in which they are paying you?

1).....

2).....

3).....

4).....

**7.** Which insurers badges or signs do you currently hold?

- a).....
- b).....
- c).....
- d).....
- e).....
- f).....

**8.** Do you have any other comments?


Please fax the completed questionnaire by **4 July 2003** to:

Jim Reddy  
Fax Number: **(03) 9820 3401**

**Thank you for completing this questionnaire**