



motor claims management platform

Funny time, funny money: Funny ha-ha or funny strange?

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Arnie dives into the issues and opportunities in solving “funny time, funny money” between insurers and repairers.

Try explaining in simple terms what “funny time, funny money” means to someone who hasn’t been along for the ride with insurers and repairers since 2007. And no, there isn’t a punchline.

There’s an opportunity to standardize the way repairers quote their labour rates when it comes to repairing vehicles, for motor vehicle claim repairs. There is currently no consistent calculation of labour rates or times for repairers or insurers to us when estimating and quoting for a vehicle repair.

For example, an insurer could send a quote for repairs to ten different repairers, and receive ten different estimated labour times from each shop. Each of these labour times are then possibly calculated at a different hourly rate per shop depending on the arrangement between the bodyshop and the insurance company.

We break down the pros and cons as the discussions rise to the surface again after several years of negotiations across the trade.

For insurers today

We have said it before; no one truly knows the cost of a claim. The relationship between the insurer and repairers is pivotal in maintaining profitability, trust, fairness and a foundation for growth. Both parties share the same end customer lodging the vehicle claim, and they pay premiums and excesses which are often driven by the end (claim) cost.

For insurers to price their products and premiums competitively, while fairly supporting the growth of the business, pricing needs to be data-driven. For businesses and systems to be data-driven, the input needs to be high quality, accurate and justifiable. Actuaries are constantly evaluating the risk of customers making a claim, and the opportunity to manipulate the product and pricing for strategic decisions.

With an inconsistent approach to repairers rate quotes, insurers are limited to their own statistical data within their own repairer network. For some, this suits perfectly. For others, comparison and transparency across the industry would strengthen relationships with repairers, providing a wider network to service their claims customers and highlighting deviations from industry standard, not just historical standards for your business or your agreement with the specific repairer. This would be a proactive approach for an ever-evolving industry where labour shortages and technological advancements are increasing the need for industry readiness.

Some insurers have set a rate for every repairer in their network. Some insurers have set rates per repairer, set by the repairer and approved by the insurer. Some insurers have even partnered with an endorsed calculator by an external accounting party to present a fair and reasonable rate per hour. The industry has been unable to agree on a set method to calculate the hourly rate of a repair shop for consistency across the Australian industry. An expected time or effort for repair is sometimes available directly from the manufacturer when relating to panels and reassembly, however other elements of vehicle repairs are still up for debate when standardising or benchmarking the time for repair. This poses an issue with identifying estimates from repairers which are not fair or reasonable, as this is subjective by both insurers and repairers.





For the repairer today

In order to work with repairers, insurers have to accept a fixed rate per hour of labour. This is acceptable if the rate matches your professional experience, productivity and helps you meet the needs of operating expenses. If not, your performance and business success is somewhat dictated by the insurer, if you decide to join their network and accept business.

If not, you're limiting your customers as insurers simply may not authorise repairs for the vehicle in your shop. Particularly as claims handling is not regulated as a financial service, and all insurers are authorising their representatives to handle claims on their behalf. This means they are liable for any work the repairer completes that does not meet the obligations of the code or legislation.

Like any business, running a repair shop creates overheads including floor space to rent, workshop space, and storage to meet the capacity of the shop. Productivity varies based on the number of staff, their skill level, qualifications and experience, as shops are able to turn around vehicles more efficiently with a highly skilled workforce. Wages aren't just the cost for the technician to repair the vehicle, there's estimating costs and general operating costs for the body shop which are not always taken into account.

Another key factor for repairers is the type of repair. Are we talking paint? Parts? Entire panel repair or replacement? Or all of the above? This is why it may not be the best option to apply a blanket rate or time. Some repairs are simpler than others. Further, manufacturers will soon be required to share their method of repairs. This ensures a vehicle is repaired by manufacturer's warranty specifications. Not to mention when sublet repairers are required to complete the job. For example, when calibration of ADAS technology is outsourced to a separate technician and skillset.

Those repairers who have experienced stagnant labour rates for a long period will benefit from being rewarded for their performance, productivity and skill levels. Particularly as we see the environment for vehicle technology ramp up, requiring repairs to stay engaged and developing their own expertise.

Realistically, any operating repair shop should have a reasonable understanding of their profit and loss, and already be using management programs enabling them to measure their performance, efficiency, cycle time and reinforce quality of repairs. The need to calculate operating and retail rates should only empower the repair shop to better manage their business profitability. It is most likely to be the poor performing and low productivity repair shops who suffer from a loss of insurance business, as the hourly rate will blow out without a set repair time, or they will be spending more on wages than the insurer will have to pay. Thanks to other large insurers in Australia implementing real time, real money back (RTRM) in 2007-2009, there are accounting-backed calculators for repairers to access and apply.

How do we find a balance between a profitable repair shop, continued business from insurers, and maintaining the expected level of quality and customer satisfaction while keeping repairs local, convenient and trusted? Arnie demonstrates functionality to manage both, from external data to repairer management.



Real time real money

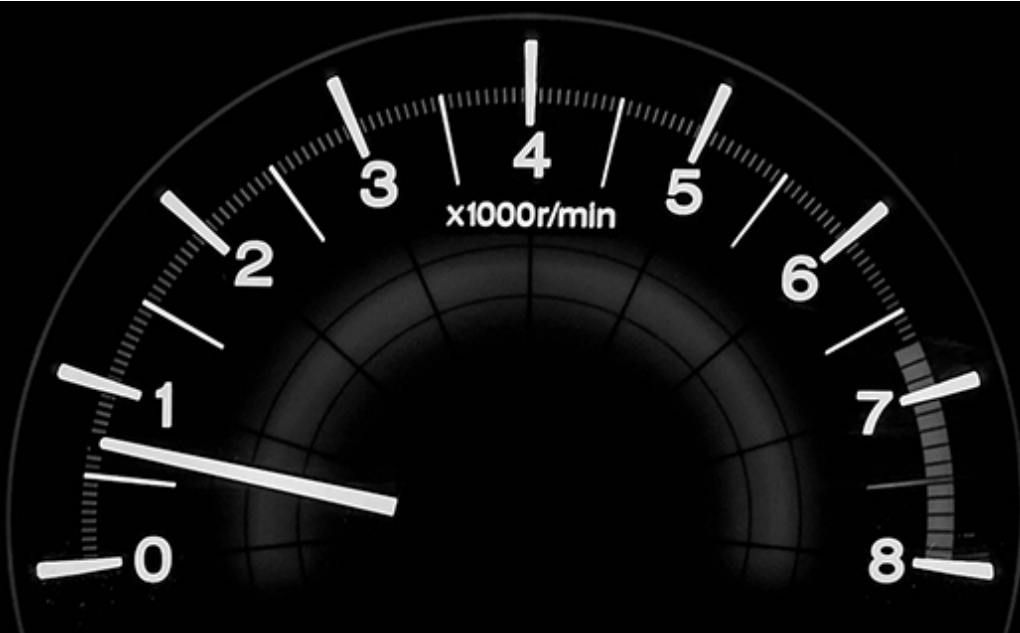
The Motor Trade Association (MTA) recommends the change from what's known as today's 'funny time' (inconsistent times), 'funny money' (inconsistent rates) to a 'real time' (the actual time it takes for the repair), 'real money' (the actual cost for the repair business, backed by science and evidence.)

The intent is to find a reasonable expectation for both insurer and repairer to better the opportunity for all repairers to receive business from insurers, and for insurers to control their relations with repairers and highlight the outliers, creating benchmarks for the industry.

NRMA transitioned to RTRM between 2007-2009 across their entire repairer network. Their approach sees repairers submit their repair rates using endorsed calculators by industry stakeholders and accountants, and times directly from the manufacturer, or if unavailable from the manufacturer, sourced by industry professional research centres with evidence-based methods.

The potential for the industry to implement these across the board becomes more viable and beneficial as manufacturers are bound to make their methods of repair available following the introduction of the Competition and Consumer Amendment (Motor Vehicle Service and Repair Information Sharing Scheme) Bill 2021, effective as of 1 July 2022. Currently, there are databases available which centralise this information, plus offer advanced insights for vehicle technology advancements.

With approximately 3,000 repair shops in Australia, and electric vehicles and other technology taking the market by storm, the need for standardisation is more important than ever. We are excited to systemise this approach once the industry comes to an agreement so our insurers and repairers can reap the benefits of greater visibility and process automation, simplifying what is now a complex realm for quoting and authorising repair jobs.





The *funny* thing is

There are many variables and edge cases to consider. There are significant reasons there has not been a simple negotiation across the automotive industry. These variables include:

- **Methods of repair:** this information is available from manufacturers, but is optional to adopt and not currently enforced, although some insurers will audit repairer quotes against information.
- **Paint:** this information is also available from MTA who developed a manual with insurers and repairers and is maintained by the industry. This is also optional to adopt and not currently enforced.
- **Labour:** there is no standard approach to repairers setting their labour rates for insurance dealings.
- **Parts and materials:** creates complexity when attempting to acquire parts catalogs, industry standard prices for OEM and secondhand parts, warranties, parts numbers and images, although the industry is getting a grip on this data in parallel.

Arnie integrates with external sources of data that are trusted by industry leaders. Arnie also provides a historical view of repairer times and rates for an alternative, hybrid approach. We are currently developing a solution to support and simplify this change.



The future and how we can help

The MTA is dedicated to protecting and growing the automotive retail, service and repair industry. They've recognised the opportunity and have been advocating for change and uniformity in labour rates and times for years.

Insurers are reluctant to change their existing models, unless it is a cost neutral change between insurer and repairer, meaning not grossly marked-up by repair shops.

Repairers want a cash positive model which protects their business profitability, while remaining competitive in the insurance market. Many repairers have remained at the same rates for years, even as the economy and other environmental factors have caused costs to rise exponentially.

While there are barriers on both sides of the fence, the benefits of collaboration in real time, real money are profound. Change will rely on industry partners guiding and facilitating discussion and solutions between parties to find a mutual ground.

Through integrated systems and extensive data, an ecosystem is formed to enable a view of a claim from end-to-end. Processes are automated for operational efficiency and we open doors for further machine learning and artificial intelligence.

Arnie simplifies the complex service of motor claims from end-to-end using a cloud-based platform and industry expert consulting and partnership. Arnie supports a landscape where insurers and repairers are working in unison, claims are transparent and streamlined and the end customer is satisfied. We envision our industry where motor claims are sleek and simple; from the customer, insurer, assessor and other third-parties, right through to the repair and finalisation of the claim.

Arnie strives to lead the industry as a motor claims expert and partner with insurers, repairers and other industry champions. We understand the issues for insurers, repairers and their shared customers and we look forward to working collaboratively with key players in the industry to produce mutually beneficial changes, supported by Arnie claims management platform.

Please visit our website to learn more about our [repair quoting](#) and [AI solutions](#).