

# Motor Vehicle Insurance and Repair Industry Code of Conduct

This fact sheet provides general information about the Motor Vehicle Insurance and Repair Industry Code of Conduct. The Code is intended to promote transparent, informed, effective and cooperative relationships between smash repairers and insurance companies based on mutual respect and open communication.

Compliance with the Code is mandatory in NSW for all repairers and insurers from 30 March 2007. It applies to all motor vehicles that are repaired in NSW, irrespective of where they are registered, but does not apply to motor vehicles owned or used by repairers.

## Minimum standards

The code provides for minimum standards in:

- transparency, disclosure and fairness in relation to insurers' Network Smash Repairer Schemes, quotation processes, times and rates, repairer choice and use of parts
- responsibility for quality, safety, and warranties
- terms of payment, and
- an independent external dispute resolution mechanism.

## Where the Code doesn't apply

The Code does not attempt to specify:

- minimum hourly rates or prices
- 'standard' hours for repair jobs
- types of parts to be used
- industry-wide Preferred Smash Repairer selection criteria and/or weightings
- compulsory choice of repairer
- requirements to spread work among repairers
- particular conditions of guarantees.

## Principles of the Code

Insurers will authorise repairs covered by the policy with the objective of:

- restoring the safety, structural integrity, presentation and utility of the vehicle
- complying with relevant legislation, and
- fulfilling their obligations to the policy holder.

Repairers will carry out repairs with the objective of:

- restoring the safety, structural integrity, presentation and utility of the vehicle
- complying with relevant legislation, and
- fulfilling their obligations to the insurer.

Having regard to the age and condition of the motor vehicle, repairers will carry out repairs (and insurers must not require them to do otherwise) that:

- are in accordance with the manufacturers' documented technical specifications, including those supplied by other industry recognised agencies or authorities, or any lawful mandatory specifications and/or standards, or
- use methods that are consistent with vehicle warranty conditions, or
- in the absence of the points above, are in accordance with accepted industry standards and practice.

## Repairers requirements

Under the Code, repairers are required to:

- prepare estimates that provide for an appropriate scope of repairs, ensuring that all repairs are carried out in a safe, ethical, timely and professional manner and in accordance with the method of repair and the parts specified by the insurer

- not dismantle a vehicle for the purpose of preparing an estimate unless requested or authorised to do so by the insurer, and
- not engage in practices designed to hinder or prevent the insurer or claimant seeking to obtain an alternative quotation.

## Insurers requirements

Under the Code, insurers are required to:

- provide repairers with relevant details to enable them to prepare a repair estimate or undertake the repair including details of sub-let repairs and payments by customers including any excess and contributions
- not refuse to consider an estimate on unreasonable or capricious grounds
- pay the agreed amount for all work that has been authorised or requested by the insurer and has been completed
- ensure all assessors engaged by the insurer are:
  - appropriately trained and have appropriate technical experience, or
  - have successfully completed an approved assessors course, or
  - have not less than five years experience as an insurance (motor) assessor
- not remove a motor vehicle from a repairer's premises without notifying the repairer in advance and compensating the repairer for any legitimate or reasonable towing or storage costs associated with the vehicle and in compliance with relevant legislation, and
- not knowingly ask claimants to drive unsafe motor vehicles for the purposes of obtaining alternative estimates.

## Estimate, repair and authorisation process

Insurers must ensure that their competitive estimation processes are fair and transparent and as far as is practicable, that estimates are comprehensive, complete and inclusive of all obvious damage. They must clearly state the estimation methodology to be applied.

Insurers may not unreasonably or arbitrarily alter a repair estimate unless the insurer insists on changing the repair process, parts or materials to be used.

Insurers may enter into commercial arrangements with repairers that specify performance targets but must not unduly influence any repairer to submit estimates on the basis of inducements of further work.

Repairers may separately cost paint, parts, significant consumables and any mandatory government environmental levies.

## Repair warranties

Insurers must provide details in writing to repairers of the warranty cover the insurer provides to insureds, including the insurer's responsibilities under lifetime warranties.

Repairers must provide insurers with a warranty in respect of their workmanship for a period of at least three years.

Repairers are only required to provide a guarantee for parts or paint to the extent that the manufacturer, distributor, supplier or importer of the parts or paint is so liable under an express warranty or under the law, other than to the extent that the quality of the repair arising from the use of the parts or paint arises from faulty workmanship.

If repairs are carried out under a contract between the insurer and a repairer, where an insurer requires a repairer to use a repair method or part that differs from that recommended by the repairer, and the insurer and repairer are unable to reach agreement to that change, the insurer will provide such a requirement in writing.

Where the insurer provides such a written requirement, the insurer will pay the direct loss or liability incurred by the repairer by reason of a quality, structural, presentation or safety defect caused by complying with the requirement.

The insurer is not liable to pay any loss or liability incurred by the repairer where the loss or liability arises from faulty workmanship.

Where rectification is required, the repairer must be offered the first option to do so where practicable, taking into account customer preferences.

Where repairs are undertaken at the insurer's direction by sub-let repairers, the insurer will take full responsibility for any claim that arises from their work and reimburse any reasonable costs incurred by the principal repairer resulting from the sub-let repairers not completing their work on time.

## Payment terms

An insurer's maximum payment terms for repair invoices is not to exceed 30 days from receipt of invoice by the insurer or authorised assessor or agent.

Where the price, work or documentation is disputed, payment of the undisputed component must not be withheld, but paid within the normal payment terms.

## Disclosure obligations

Insurers must provide information to consumers in their Product Disclosure Statements and over the telephone about their policy in relation to choice of repairer, the use of new, non-genuine and recycled parts, sub-let repairs, and guarantees and warranties.

Insurers must not make misleading or deceptive comments about the quality, capability or timeliness of repairers that are not members of an insurer's Network Smash Repairer scheme.

Similarly, repairers must not make misleading or deceptive statements about the quality, safety or timeliness of repairs based on who the insurer is or the approach the insurer uses to allocate repairs or manage claims.

## Network Smash Repairer schemes

Insurers must document and publish their criteria for membership in Network Smash Repairer (NSR) schemes and the mechanisms for repairers to register interest in joining.

Repairers have a 14 day cooling-off period to reconsider after signing a NSR scheme contract.

All NSR scheme agreements must be for a term of not less than three years. If there is a change in the repairer's business structure the business can continue under the NSR scheme for the remainder of the term, subject to the insurer being notified and the NSR scheme selection criteria, performance, probity and prudential standards being met.

Unreasonable termination of an NSR agreement is not allowed.

## Dispute resolution – repairs

If a repair has not commenced or been completed and the repairer believes that the safety, structural integrity, presentation or utility of the vehicle will be compromised by the proposed repair method, the repairer must notify the insurer, providing full details of the dispute, supporting evidence and the redress sought.

Insurers must investigate and make a determination within two business days. If the repairer disagrees with the determination, the repairer has the right to refuse to carry out the repairs and the insurer may transfer the vehicle to another repairer.

Disagreements relating to the amount to be paid for repairs or differences of opinion as to the preferred repair method, other than those outlined above, are matters for individual repairer/assessor negotiation and cannot be disputed under the code.

## Dispute resolution – Code of practice

Any dispute related to an alleged breach of the Code or disputes of a contractual nature must first go through internal dispute resolution, conducted by the insurer.

Insurers must provide repairers with a written acknowledgment of receipt of such a dispute within five business days.

The internal dispute resolution process must be concluded within a further ten business days, unless both parties agree to an extension of time.

If a repairer disagrees with the outcome of the internal dispute resolution process, they can elevate the dispute to external dispute resolution by lodging a notice of dispute with the Code Administration Committee and the insurer. The cost of mediation is borne equally by the repairer and the insurer.

## Code Administration Committee

The Code Administration Committee administers the Code on a national basis and is comprised of three appointees of the Insurance Council of Australia and three appointees of the Motor Trades Association of Australia.

## Role of the Office of Fair Trading

The NSW Fair Trading Act has been amended to require insurers and repairers comply with the Code. Failure to comply with the Code constitutes a contravention of the Act.

If an insurer or repairer has failed to comply with the Code, a party to a dispute which has not been able to be resolved through the dispute resolution process, can take court action under the Fair Trading Act for compensation or other orders against the party contravening the Code.

The Commissioner for Fair Trading can also take action under the Fair Trading Act to enforce compliance with the Code.

## Further information

For further information or to download a copy of the Code visit the Code Administration Committee's website at [www.abrcode.com.au](http://www.abrcode.com.au) or contact:

Code Administration Committee  
PO Box 7115  
MELBOURNE VIC 8004

[www.fairtrading.nsw.gov.au](http://www.fairtrading.nsw.gov.au)  
Fair Trading enquiries 13 32 20  
TTY 1300 723 404  
Language assistance 13 14 50

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