

Consumer Counselor

Insurance Information for Michigan Consumers

Auto Repair Rights Under a Michigan Automobile Policy

Public Act 190 of 2004 was enacted to clarify a consumer's auto repair rights under a Michigan automobile policy. These rights are granted only to those policyholders who choose to purchase **optional** physical damage coverage (comprehensive and collision) on their Michigan automobile policy.

In order to reduce the cost of auto repairs, auto insurers often survey repair costs at various repair facilities, and may refer policyholders with auto damage claims to the facilities that meet the insurance company's criteria for cost and quality. These programs are commonly referred to as "*direct repair programs*" and are designed to reduce the costs of claims, which ultimately help contain insurance rates for collision and comprehensive coverage. The direct repair programs work like preferred provider arrangements, under which an insurance company guarantees repairs will be done at no additional cost or that the repairs will be completed to the policyholder's satisfaction if the policyholder uses one of the repair facilities participating in the insurance company's program.

Although insurance companies select the repair facilities that will participate in the insurer's direct repair program, these programs should not restrict the policyholder's choice of repair facilities. While some policyholders may prefer assistance in locating a repair facility, the insurance company should not restrict a policyholder from choosing a repair facility of their choice. In fact, the insurance company should advise the policyholder at the time a physical damage claim is filed if the company has an agreement with a particular repair

facility and should also advise the policyholder that they are under no obligation to use that particular repair facility.

However, the insurance company should make the policyholder aware that the insurance company may use a different claim settlement process if the auto repair work is to be completed at a repair facility of the policyholder's choice. For example, if the insurance company can have the vehicle repaired at one of its direct repair facilities for \$2,000 and an independent repair facility charges \$4,000 for the same repair, insurance company approval may need to be obtained for the additional amount since the insurance company is not required to pay more than a reasonable amount for repairs and parts based on the insurance policy terms. The insurance company may work with the independent shop to resolve the difference in repair cost based on how much a similar repair would cost at other repair facilities in the area. In these situations, if the difference in cost cannot be resolved, the policyholder will be informed and may be required to pay some or all of the difference in repair cost if they want the repair to be completed at the repair facility of their choice.

Michigan consumers should contact the **Office of Consumer Services in the Department of Insurance and Financial Services (DIFS) toll free at 1-877-999-6442** if they are denied coverage or benefits based on their choice of auto repair facilities or if they are unable to resolve a dispute with their insurance company. Assistance is also available from the DIFS web site at: www.michigan.gov/difs.

About DIFS

The mission of the Michigan Department of Insurance and Financial Services is to ensure that the insurance and financial services industries are safe, sound, and entitled to public confidence, while providing a business climate that promotes economic growth. In addition, the Department provides consumer protection, outreach, and financial literacy and education services to Michigan citizens. For more information please contact DIFS at 877-999-6442 or visit www.michigan.gov/DIFS.