



**Ontario's Anti-Fraud Task Force    Monday August 27, 2012**

Thank you for the invitation to speak with you today.

I am John Norris, and I am Executive Director of the provincial collision repair and auto body and auto refinishing industry trade association, CIIA--Collision Industry Information Assistance. With over 300 collision repair facilities as members, we originally started out and I think Mr. Cooke will remember back in the days of the Ontario Collision Repair Standards Act, as the Hamilton District Autobody Repair Association or HARA.

As an association for the industry we provide training, compliance assistance, update technical information, better business practices and work hard to encourage an industry to be professional and competent.

We operate two web sites and electronic newsletters for the industry including the [www.ciia.com](http://www.ciia.com) web site with 4.2 million hits last year, and the [www.autobodyhelp.ca](http://www.autobodyhelp.ca) web site, which is a compliance help web site for the industry in co-operation with the Ontario Ministry of Environment.

We also work closely with various government Ministries, providing services and programs that help the province and our member shops and customers. We tested the current environmental approval program which is a much simpler and easier process for environmental approvals to a successful use in Regulation. We help shops meet or exceed their environmental reporting requirements with the City of Toronto's new CHEMtrac reporting emissions program.

***“To represent the best interests of the industry, providing opportunities for growth for environmentally sound, profitable businesses, having trained professionals serving the public”***

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**Toll Free: 1-866-309-4272    Fax: 1-866 286 8160**  
**E-Mail: [info@ciia.com](mailto:info@ciia.com)    Web: [www.ciia.com](http://www.ciia.com) and [www.autobodyhelp.ca](http://www.autobodyhelp.ca)**

We sponsor a significant number of training programs such as satellite-type location planned training, pre-apprenticeship, fee payer and work with standardized apprenticeship in Ontario and have converted curriculums in three high school districts to a college level one apprenticeship auto body program.

In September, we will be launching our latest web site at [www.vehiclesecurityprofessional.ca](http://www.vehiclesecurityprofessional.ca), which is the web site for the CASIS (Canadian Automotive Service Information Standard) agreement security access for the automotive repair industry. Much of the security information that shops require for specific vehicle repairs can only come from the manufacturer, and many shops were bypassing that process and obtaining repair data from less than legitimate sources, often in eastern-bloc countries.

Although car insurers do not insist that their repair facility obtain security repair data legitimately, we do, and the individual and the repair facility must be accredited, which includes criminal record check, prior to the shop receiving vehicle security data.

The Vehicle Security Professional (VSP) program is a data exchange system conceived and designed cooperatively by automakers and the independent auto repair community, in co-operation with the insurance and law-enforcement communities. It allows the accredited aftermarket technician or approved locksmith to access security-sensitive information related to the vehicle. (i.e.- key codes, immobilizer resets and similar types of information). It is expected that the Vehicle Security Professional accredited technician will also be able to access information to repair accident avoidance technology systems in the future. Those systems have a potential of being able to reduce accidents (and then claims and injuries) by up to 81%. This would be a huge technological advantage for drivers, and a vast reduction in insurance claims and liabilities. Because our system is linked with the Insurance Bureau of Canada's Investigative Services group, IBC can also use the system to track who had keys made or received security information that was used in car thefts and the program has already shown great success in cutting car thefts and increasing arrests and convictions.

The challenge now is to make sure insurers recognize the anti-fraud and anti-theft advantages and convince more repair shops and dealerships to use it more frequently. This program would have a huge impact on reducing the number of stolen vehicles, reducing insurance costs dramatically and fraud costs.

In a presentation recently to the Ontario Standing Committee on Economic Affairs and Finance on the subject of auto insurance, I highlighted a number of fraud activities in the insurance-paid vehicle repair industry.

I was hoping to again highlight those challenges and provide some further recommendations for your next report.

## COLLISION REPAIR FACILITIES

In December 2011, Ontario collision repair shops were repairing a vehicle for an insurance company for 1% less than the industry provided that repaired car in December 2004. I don't believe the towing industry nor the medical assessment industry will advise you that their prices are lower than they were seven years ago.

As you might expect, many collision repair shops are closing as they become more and more unprofitable as actual labour rates do not increase enough to cover increased business costs.

While this trend continues this year, it also means that those shops, may be more likely to look at other creative solutions to staying profitable. Those can include, improper billings (billing for new original equipment manufacturer's parts but using aftermarket or used or stolen parts), and paying fees or kickbacks to tow operators in order to have damaged vehicles dropped off at their shop.

This "chase" tow operator may work for the shop or may be a roving commission-based free agent that then tries to "sell" the repair to the highest bidding shop.

Our association has been active in efforts to stop this abuse and obligate collision repair facilities to operate within ethical and legal guidelines.

What can be done to combat fraud "on the street"?

Just as this Task Force is looking at a Designated Administrative Authority for the towing industry, it already has one that can be used for towing and collision shops in the Collision Repair Standards Act (copy attached). This Act, which was supported by the Insurance Bureau of Canada and major insurers in 2002, would force ALL collision repair facilities to "register" and all facilities must meet a minimum legal compliance standard and equipment standard. That standard can easily include the prohibition on paying referral fees to tow firms or "chasers" and the Unfair and Deceptive Practices section of Reg. 7/00 now allows action to be taken against those shops as required.

A further recommendation is to copy what the City of Hamilton does regarding towing issues, which is an update over the Halton Region program you may have looked at earlier.

In Hamilton (copy attached), only police authorized tow firms can tow from “security” accidents and they tow by specific geographic areas under “rotation” outlined in their police agreement. They pay a fee to the police department to monitor the process and handle any inquiries. If they chase-they are off the police list and will not be called to tow again.

Hamilton, however, still had a problem with the non-security accidents, the “fender-benders” that make up the majority of vehicle collision police calls. To solve this, the City of Hamilton first passed an anti-solicitation bylaw that prohibited persons from obtaining business at accident scenes. Then they just recently, instituted tow truck and driver licensing, that set standards, as all tow trucks must now be licensed. The new bylaw also has the advantage of allowing a show-cause hearing for license revocation for those tow truck operators that do not follow the rules.

The new licensing fees pay for staff dedicated to the tow enforcement program and last month, between the bylaw staff and police, five charges were laid in the city. Note, these are not tickets which tow operators consider to be the price of doing business and simply add to their tow bill, but charges that the tow operator must take a day off work to explain to a judge and is recorded on their license record with the bylaw office.

These municipal operations are effective. Brochures are given out (attached) to warn and inform motorists. If tow operators do not get the message the next step would be to classify ALL tows as “security” and only police authorized towers would be allowed to tow ALL cars, removing a “chase” threat and removing the financial benefits from the “chaser” entirely.

Our fear with “chasing” is simply this: with profit margins so low at collision repair facilities, the only way to recover the funds paid to the “chaser” is some sort of fraud or improper invoicing for that repair. This is where the complaints of the \$1000 storage fee come into play, the attempt to file a lien on the car under the Storage and Liens Act, \$500 for a piece of cardboard under the car for any possible fluid leaks, work done that is not authorized or orders placed for stolen parts. Harmonized municipal licensing would be great to use across the province but difficult to implement. Having the Collision Repair Standards Act in place would diminish this abuse and fraud.

We used to have an Association initiative where the customer was provided a form when entering one of our member repair facilities. It explained their rights and asked them whether they have been subjected to solicitation at the accident scene and by whom (usually they had the “chaser’s” business card). Similar questions could be included relative to whether the motorist provided personal information to the tow operator that could be sold to a medical assessment clinic.

We must also remember that insurers have a part to play in this business. When insurers simply issue cheques to oil and lube shops for collision repair payment, knowing that the facility does not have the trades licensed personnel or equipment to perform safe and legal repairs, then the insurer is part of the problem. The Ontario Ministry of Labour

found in the joint industry blitz during 2009 and 2010 of 820 locations, six oil and lube shops that were using insurance cheques to pay for collision damage. They were charged with health and safety and trades violations. We understand that some of these vehicles were repaired so badly they had to be purchased by the insurance company after the repairs were done and paid for and sold for scrap, as the repaired vehicle was too dangerous and unsafe to drive.

Last month, an insurer advised the owner at one of our member shops north of Hamilton, that despite his repair work being flawless and his customers thrilled with their collision repair and paint work, they were removing “their” business from him, some 20% of his sales volume, because another shop in town had offered them a further 5% discount. That other shop had neither licensed technicians nor a frame rack for vehicle repair, yet they received the insurer’s volume of work. Insurers too, in our view, must deal with legitimate shops that meet or exceed minimum compliance levels for trade certification, environmental protection and proper equipment. Again having a list of accredited facilities like the Collision Repair Standards Act requires will solve the problem of paying phantom or illegitimate repair shops.

## INSURANCE INDUSTRY

On Friday, a senior staff person at the Ministry of Training, Colleges and Universities called me with a question. He had an accident with his car and took it to a repair facility he deals with and trusts, with all licensed techs. He received a written damage assessment, and advised his insurance company, who told him he must take his car to another shop that they deal with for the estimate. He objected but did so, and received a damage estimate for \$3000 higher than the first, including parts that he did not need in his assessment as a trades licensed individual.

He explained this to the insurer who still insisted he have the repair work done at the more expensive shop as they would not guarantee the work at the first shop nor could come to see the vehicle damage anytime soon. We hear this story a lot, and don’t understand why the insurers continue to take this stand.

We hear from shop owners with bizarre tales of fraud activities in the industry but are too scared to speak in case their testimony or openness leads to revocation of their approved or preferred status with the insurer.

A recommendation from this Task Force should be, as we also told FSCO, a “Whistleblower” protection that extends to collision repair shop owners who bring forward evidence of fraud. FSCO should have the right and obligation to protect these individuals from actions taken against them when they come forward. That’s why no other shop owner is brave enough to come here today with me. They are scared of losing a relationship with an insurer or being “blacklisted” by an insurer if they speak out about what happens at their shop.

When we receive a shop complaint on an environmental issue, we have a 1-800 number at the Ministry where we or the shop can anonymously identify an illegal activity. It works well. We do not have that for industry or insurance complaints unfortunately and that should be changed.

We provided the Standing Committee and FSCO with an example of a shop in northwest Ontario that is in an area where one insurance company is the carrier for more than 50% of all auto insurance policies and is the massively dominant insurer in that marketplace.

Without that insurer's business, a shop will fail in that marketplace. Our fear is that the insurer knows this and may use improper and abusive efforts to reduce its costs in that marketplace.

Shops in Thunder Bay, for instance, must buy used parts from a London or Thorold based recycler and endure the wait time for the 1-3 day trip to Thunder Bay, even if the same part is available from a local supplier that the shop has dealt with for 30 years. That's because the insurer receives a 3% fee rebate from the approved long-distance supplier and not from the local supplier.

One shop advised us that an insurer, after lowering the shop's labour rate and demanding additional free services, then takes a 5% discount from the repair facility's cheque (including 5% of the HST), before sending the cheque to the shop and boasts that if the shop does not co-operate with them they have a 70% success rate in being able to convince customers not to use his repair facility, forcing his business collapse. This shop owner is scared.

We worry that demands by insurers (who are dominant in their marketplace and can demand of repair shops under threat of the shop's business collapse) to only use parts suppliers (and we believe paint companies) that pay a fee back to the insurer may be anti-competitive and not in compliance with federal Competition Bureau regulations.

We worry that abusive impacts on shops from all sides and the shops' perception that if they don't co-operate with the insurer they will be out of business, leads, regrettably to an atmosphere where fraud becomes a viable alternative to a desperate shop owner.

None of us want that to happen here.

Thank you for your kind invitation to speak.

John Norris

Executive Director

Collision Industry Information Assistance

1 866 309 4272 [www.ciiia.com](http://www.ciiia.com) [www.autobodyhelp.ca](http://www.autobodyhelp.ca)

