

COLLISION REPAIRERS AND REPOSSESSION

WE ALL KNOW THAT WHEN THE ECONOMY SLOWS AS IT HAS IN THE PAST TWO YEARS, THE INCIDENCE OF THE REPOSSESSION OF VEHICLES INCREASES SIGNIFICANTLY. THE LAWS DEALING WITH THE ACT OF REPOSSESSING VEHICLES ARE CONFUSING AND COMPLICATED BUT THERE IS ONE THING THAT IS CERTAIN, THESE LAWS, WHILE REASONABLE TO THE GENERAL AUTO MECHANICAL REPAIR SHOP, ARE NOT FRIENDLY IN NATURE TO THE COLLISION SHOP AND COULD DRIVE A SMALL SHOP OWNER OUT OF BUSINESS IF INVOLVED IN THE REPOSSESSION OF A VEHICLE REPAIRED BY THE SHOP.

WHEN BUSINESS GETS SLOW, AS IT IS RIGHT NOW, COLLISION REPAIRERS ARE COMPETING FOR EVERY JOB. EVEN THOSE SHOPS WITH MULTIPLE D.R.P. AGREEMENTS WITH THE LARGE INSURERS ARE STRUGGLING TO KEEP THEIR SHOPS FULL. BECAUSE OF THIS, SHOP OWNERS, MANAGERS AND ESTIMATORS FAIL TO RECOGNIZE SOME KEY INDICATORS THAT WOULD INDICATE THAT A VEHICLE MAY BE A PRIME TARGET FOR REPOSSESSION.

OUTLINED BELOW ARE SOME OF THE MOST COMMON INDICATORS THAT SHOULD ALERT THE SHOP STAFF THAT THEY SHOULD TAKE SPECIAL CARE TO ENSURE THAT THE SHOP WILL BE PAID IN FULL FOR EVERY REPAIR THEY COMPLETE.

COVERAGE NOT CONFIRMED:

WHEN THE ECONOMY GOES INTO A LONG TERM RECESSION, ONE OF THE FIRST THINGS MANY PEOPLE WILL DO IS MISS AN INSURANCE PAYMENT. THIS WASN'T A PROBLEM IN THE PAST, BUT A FEW YEARS BACK, INSURERS PUT AN ABSOLUTE CANCELLATION DATE ON THE MONTHLY PAYMENT. IF THE PAYMENT DATE IS MISSED, COVERAGE WILL LAPSE WITH NO GRACE PERIOD. WHAT MANY CUSTOMERS DO AFTER AN INCIDENT, IS IMMEDIATELY RUN TO THEIR AGENT, PAY THE PREMIUM AND THE AGENT WILL RE-INSTATE THE POLICY. THE PROBLEM IS, THE POLICY IS RE-INSTATED AFTER THE INCIDENT DATE AND NO COVERAGE WILL EXIST FOR THAT DATE. WHEN THE CUSTOMER REPORTS THE CLAIM, THE INSURER WILL SET UP THE CLAIM, ARRANGE TO SEND THE VEHICLE TO THE SHOP AND SCHEDULE AN ADJUSTER INSPECTION. HOWEVER, ALL THIS WILL BE DONE SUBJECT TO THE CONFIRMATION OF COVERAGE. IN MOST CASES A D.R.P. SHOP WILL BE TOLD THAT COVERAGE NEEDS TO BE CONFIRMED, BUT THE SHOP IS COMMITTED TO COMPLETE REPAIRS WITHIN A PRESCRIBED TIME FRAME SO THE REPAIRS ARE STARTED AND FREQUENTLY COMPLETED, BEFORE COVERAGE IS CONFIRMED. IN THE CASE OF THE NON-D.R.P. SITUATION, GENERALLY THE REPAIRER DOESN'T KNOW COVERAGE IS AN ISSUE UNTIL THE REPAIRS ARE WELL UNDER WAY OR COMPLETED.

THESE CUSTOMERS ARE THE MOST AT RISK TO LET THEIR VEHICLE BE REPOSSESSED BECAUSE THEY WILL HAVE TO PAY FOR THE REPAIRS THEMSELVES AND THEY DON'T HAVE THE MONEY TO DO SO. IF IT'S A VEHICLE THAT THEY OWE THE LIEN HOLDER MORE OR THE SAME DOLLARS AS THE VEHICLE VALUE, THERE IS A GOOD CHANCE FOR REPOSSESSION AND YOU SHOULD BE VERY CAREFUL.

SOME THINGS YOU CAN DO TO MINIMIZE YOUR RISK IS:

[1] DO NOT ACTUALLY START REPAIRS UNTIL YOU HAVE VERIFIED VALID COVERAGE EXISTS FOR THAT VEHICLE BEFORE YOU START REPAIRS. WE UNDERSTAND THAT THIS IS A PROBLEM WITH SOME D.R.P. AGREEMENTS, BUT YOU MUST PROTECT YOUR BUSINESS FIRST. ALSO, THERE ARE A FEW COMPANIES WRITING POLICIES THAT WILL EXCLUDE ALL LOSSES IF THE DRIVER OF THE INSURED VEHICLE WAS ARRESTED FOR A D.U.I. OFFENSE. VEHICLES INVOLVED WITH THESE TYPE POLICIES ARE USUALLY NEWER OR NEW VEHICLES BECAUSE THE POLICIES ARE SOLD BY THE AUTO DEALER. WHAT MAKES THIS DANGEROUS FOR THE SHOP IS THAT THEY ARE USUALLY NOT THE TYPE VEHICLE THAT WOULD RAISE SHOP SUSPICION THAT THE VEHICLE MAY NOT BE INSURED, OR BE A CANDIDATE FOR REPOSSESSION.

[2] IF A CUSTOMER PRESSURES YOU TO START REPAIRS [D.R.P. OR NON D.R.P.] YOU SHOULD CALL THE INSURER AND VERIFY COVERAGE EXISTS BEFORE STARTING REPAIRS. IN MANY CASES, THE INSURER WILL NOT CONFIRM COVERAGE TO YOU BECAUSE YOU ARE NOT A PARTY TO THE INSURANCE CONTRACT. IF THE INSURER WILL NOT VERIFY COVERAGE, PROCEED WITH EXTREME CAUTION. YOU MAY WANT TO INSIST ON THE CUSTOMER PAYING FOR PARTS BEFORE YOU START REPAIRING THE VEHICLE. IF THE INSURER CONFIRMS THE EXISTENCE OF VALID COVERAGE, MAKE SURE YOU TAKE AND KEEP CLEAR AND CONCISE NOTES OF THE CONVERSATION BECAUSE IT IS QUITE COMMON FOR AN INSURER TO VERIFY COVERAGE ONE DAY AND REVERSE THAT POSITION THE NEXT DAY. YOU WILL NEED ALL THE DETAILED INFORMATION YOU HAVE TO PERSUE PAYMENT FROM THE INSURER IF THE VEHICLE IS REPOSED.

ALSO, BE CAREFUL OF CLAIMS WHERE THE INSURER PAID THE INSURED DIRECT WITHOUT NAMING THE SHOP OR LIEN HOLDER ON THE CHECK. SOME CUSTOMERS WILL DECIDE AFTER REPAIRS ARE STARTED THAT THEY HAVE MONEY AND DON'T WANT THE VEHICLE. THIS WILL PUT YOU IN A DISPUTE WITH THE LIEN HOLDER AND INSURER OVER PAYMENT.

THIRD PARTY CLAIMS:

GENERALLY THIRD PARTY CLAIMS ARE PAID DIRECTLY TO THE THIRD PARTY CLAIMANT BECAUSE THE INSURER HAS A STATUTORY OBLIGATION TO THE CLAIMANT WHEN THEIR INSURED IS AT FAULT. MANY TIMES A CLAIMANT WILL REALIZE THAT HE/SHE HAS A LOT OF MONEY IN HIS/HER HAND AND DECIDES TO KEEP THE MONEY AND LET THE LEIN HOLDER REPOSSESS THE VEHICLE AFTER REPAIRS ARE STARTED.

THIRD PARTY CLAIMANTS ARE ALSO THE VICTIMS OF THE PERSON IN THE FIRST SENARIO THAT DOESN'T PAY HIS/HER PREMIUM. THIS PUTS THE REPAIRER AT RISK IF THE CLAIMANT DOESN'T HAVE FIRST PARTY COVERAGE ON THE VEHICLE.

THERE IS A SOLUTION TO THIS DILEMMA... GET SOME MONEY UP FRONT TO AT LEAST COVER THE PARTS YOU WILL PUT ON THE VEHICLE. HOLDING THE CHECK DOESN'T SOLVE THE PROBLEM BECAUSE CLAIMANTS ROUTINELY HAVE INSURERS CANCEL AND RE-ISSUE CHECKS.

CASH PAY REPAIRS:

THIS ONE IS EASY. ALWAYS GET PARTS MONEY UP FRONT.

TIPS:

THERE IS ONE TIP OFF THAT A CAR IS ABOUT TO BE REPOSSESSED BUT THE SHOP STAFF HAS TO BE VIGILANT TO RECOGNIZE IT. CALLS FROM SOMEONE OTHER THAN YOUR CUSTOMER REQUESTING INFORMATION ON REPAIR STATUS CUSTOMER SHOULD BE AN INSTANT TIP OFF. IT IS RECOMMENDED THAT THE SHOP STANDARD OPERATING PROCEDURES LIMIT DISCUSSIONS OF VEHICLE REPAIRS AND THE STATUS OF CUSTOMERS VEHICLE REPAIRS TO THE CUSTOMER [THE PERSON WHO AUTHORIZED REPAIRS] OR FOR THE PURPOSES OF RENTAL EXTENTIONS, AN ADJUSTER OR RENTAL AGENCY .IF SOMEONE IN THE SHOP TAKES THAT CALL, YOU SHOULD STOP REPAIRS AND INVESTIGATE. NEVER TELL NON-KNOWN CALLER A VEHICLE IS READY FOR DELIVERY.

THE LAW:

THE LAWS RELATING TO REPOSSESSIONS ARE IN THE VEHICLE CODE. WITHOUT GOING INTO A LOT OF DETAIL, THE LAW THAT AFFECTS THE COLLISION INDUSTRY THE MOST IS SECTION 3068 OF THE VEHICLE CODE. IT ALLOWS A MAXIMUM PAYMENT OF \$1,500.00 FOR REPAIRS AND \$1,025.00 FOR STORAGE [\$1,250.00 IF A LIEN IS FILED]. A COLLISION REPAIRER CAN EASILY LOSE THOUSANDS OF DOLLARS ON ONE REPOSSESSION IF HE/SHE IS NOT CAREFUL.

ATTENTION: THIS DOCUMENT IS GENERAL IN NATURE AND DEALS WITH VARIOUS LAWS AND REGULATIONS. IT SHOULD NOT BE CONSIDERED LEGAL ADVICE. IT IS RECOMMENDED YOU SEEK THE ADVICE OF AN ATTORNEY SPECIALIZING IN THIS AREA OF THE LAW IF YOU ENCOUNTER A PROBLEM.