

Undertaking # 43

MPI to provide the value of supplements for the past year relative to the total repair cost for physical damage.

RESPONSE:

MPI has determined for the last two complete fiscal years, after all supplements are processed, that the initial value for all paid repairs increases by about 25%.

Paid Repairs	Count	Initial Value of all estimates	Final Value of all estimates	% Change in Value due to Supplements
FY 2012-13	91,739	\$180,172,466	\$225,918,201	25.39%
FY 2011-12	101,126	\$188,840,954	\$234,976,776	24.43%

Representative information is for payments made to autobody shops for a repair in fiscal years 2012-13 and 2011-12.

To clarify, this does not mean that the actual required repair work has also increased by 25%; the nature of the process limits what the initial estimate can do.

The primary purpose of the initial estimate is twofold;

1. Determine if the vehicle should be repaired
 - a. Given the age and general condition of the vehicle is it more cost effective to write off the vehicle?
 - b. If this is the case the estimate focuses on determining if the cost to repair the visible damage is enough to exceed the value of the vehicle.
2. Based on visible damage, determine the scope of the authorized repair related to the accident;
 - a. Damage associated with a front end collision will not suddenly grow to include scratches on the left rear fender.
 - b. Since this is about damaged parts and not regular maintenance like a brake job or oil change; Initial estimates are not prescriptive;
 - i. Quite often the scope of repair will include authorized additional damages that are only obvious after some disassembly has occurred.

- c. To minimize the impact to customers so as to get the repair process started sooner rather than later, it is not cost effective or even readily feasible to do a complete tear down at a MPI service centre to find all the things that may need fixing up front.
- d. As a standard approach, Initial estimates tend to understate the damage so as to not overly inflate the work if it is not actually needed.
 - i. This technique sets a low initial value for the repair on purpose so as to control the overall costs of repairs.
- e. The method encourages more accurate complete estimates based on what is directly observable by staff or repair technicians vs. what someone thinks might be there, hidden under a bent fender.
- f. The use of supplements is a necessary and effective method to control the overall costs of repairs. This is a standard industry practice.
- g. Depending on the scope of the accident, multiple supplements may be needed to fully resolve the necessary vs. the desired repair items.
- h. At the end of the process; both MPI and the repair shop need to be satisfied that the repair is safe and reliable.