

Auto insurers accused of pushing cheap and sometimes dangerous repairs

AC360°

By Scott Bronstein and Drew Griffin, CNN

Updated 10:15 PM ET, Wed February 11, 2015



Are cheap repairs part of an insurance scheme?

-
- Some car repair shops say insurers are pushing them to use cheap parts
 - More than 500 garages from 36 states are joining lawsuit against top insurance companies
 - Major insurers deny the claims of impropriety

(CNN) Car repair shops say auto insurance companies are coercing them to use cheap parts and sometimes dangerous practices to fix vehicles involved in accidents.

Headlights held together by glue, dented rims and a new hood that's already coming apart are among the kinds of parts allegedly being pushed to go into cars as part of the repairs, according to some repair shops and attorneys general.



A body shop says it was being pushed to use this rusty part in a repair, according to the Louisiana Attorney General's office.

Owners say the insurance companies steer their policy holders toward body shops that follow their rules, providing a vital source of business. And they add, if a body shop refuses to make the suggested repairs because of quality issues, the insurers steer their clients elsewhere.

Major insurers deny the claims of impropriety.

More than 500 garages from 36 states are joining in a lawsuit against the top insurance companies, and states like Louisiana, Mississippi and Oklahoma are also getting involved.

Buddy Caldwell, attorney general of Louisiana, has filed suit against State Farm insurance, saying its low-cost repair program could be dangerous for customers who get back on the road in vehicles that are not roadworthy.

He said he fears thousands of Americans could be driving round in vehicles repaired with what he calls junkyard parts after seeking repairs from body shops recommended by their auto insurance companies who took their premiums and picked up the bill.

The issue is a nationwide one, said John Eaves, the lead attorney for the body shops involved in the lawsuit.

"It involves people from Maine to Mississippi to California. Every state in the Union has experienced the same sort of struggle here between the body shops trying to do the work the right way, and the insurance companies trying to cut corners and force them to use unsafe parts and unsafe methods on their cars," he said.

Risky business for shops, customers

U.S. Sen. Richard Blumenthal, who used to be Connecticut's attorney general, says not only is there a potential for small businesses to be hurt, but he, too, believes cars repaired through insurance company's preferred service centers pose a safety risk. He has asked the U.S. Department of Justice to investigate.

"The practice of steering involves jeopardy to the consumer because of the concern about parts," said Blumenthal, referring to the practice of steering customers towards certain preferred service centers.

"Safety concerns are raised by this practice of steering because often it involves the use of parts that may be salvaged or inferior or even counterfeit and that is a real urgent and imminent safety concern for the consumer who may have no idea what the origin of the parts are, who made them, or even whether they're installed properly."

"I have been concerned for years about it and why I think the Department of Justice should be investigating," he said.

"I believe strongly that federal watchdog agencies have a role in protecting consumers because serious safety concerns are raised by this practice of steering often involving the use of inferior or even salvaged or counterfeit parts," Blumenthal said.

John Mosley, an auto body shop owner in Clinton, Mississippi, explained how he saw insurance companies pushing consumers to "preferred" shops where repairs are done faster, cheaper, and at times unsafely.

"The insurance industry has set up networks of shops, direct repair programs," he said. "And the way these shops' performance are measured is by the amount that it cost to repair cars at that particular shop. ... Just get the car in, make it look like it's fixed and get it out the door."

Insurance companies can cut costs by approving recycled parts or those not made by the original car manufacturer.

'This is junk'

In Parker Auto Body shop in Monroe, Louisiana, Matt Parker has plenty of examples. He takes a replacement Toyota Tacoma headlight out of its wrapping. It's clearly been damaged and later glued and screwed back together.

"You can see right here where this bracket was knocked off from a previous accident," Parker told CNN. "It's got a hole in it here, and you can see where they screwed this bracket back on the vehicle. You can see here where all these parts were knocked off and glued back together."

Parker pointed to a crack in the lens that he says will fill with water the first time it rains.

"This came wrapped up, out of this box, like it was supposed to be a new part," he said.

"The insurance company wants us to put this stuff on their cars. If we refuse to use the part, then they label us as a shop not willing to go along with their program, and then they try to steer our business away from us.

"This is refurbished junk is what it is," he said. "This is junk."

Louisiana Attorney General Caldwell said he chose to sue State Farm Insurance because State Farm is the biggest insurer in his state.



The Louisiana Attorney General's office says when this car was in a wreck, an "aftermarket" bumper didn't perform as it should.



The Louisiana Attorney General says this car had what it calls an "aftermarket" hood part, and when the car was in a wreck, the hood crumpled in a way it should not have.

In legal filings, the company denies all the allegations, including that it insists on using aftermarket parts.

State Farm would not grant an interview, but said in a statement: "Our customers choose where their vehicles are going to be repaired. We provide information about our Select Service program while at the same time making it clear they can select which shop will do the work."

State Farm told CNN to talk to Neil Alldredge, of the National Association of Mutual Insurance Companies, for more specifics.

"It is just not in the economic interest of the insurer to have a car go in and out of an auto body shop three or four times to get it right," said Alldredge. "And so the notion that somehow this is meant to ... do shoddy work or to encourage the idea that we have to get it done quickly and move on to the next one really isn't in the insurance company's economic interest."

When asked why insurance companies would require or recommend used parts, fixed parts, or aftermarket parts, he said: "Most companies don't require this. Most companies offer a choice to consumer. Any sort of aftermarket part that you might hear about are usually cosmetic parts. So they're nothing related to the safety, the mechanical parts of the operation of the vehicle. ... In many cases these parts are no different. They're made in the same factories. One just comes out with an auto manufacturer's name on it."

He declined to comment on recycled parts -- such as the broken headlight CNN saw -- saying he did not know the circumstances.

Allredge said he did not believe "steering" was happening. He said a benefit of a preferred-shop program came for customers getting repairs done quickly, but it was always a customer's choice.

CNN Investigations

Email your story ideas and tips to CNNTips@cnn.com.

"The insurance company may provide a list of auto body shops, and the customer can say, 'No. I wanna go to Joe's Body Shop around the corner.' And that's their choice. The issue of steering is already something that's not consistent with state law and not something that insurance companies do," he said.

Watch Anderson Cooper 360° weeknights 8pm ET. For the latest from AC360° [click here](#).