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COMMISSIONER OF INSURANCE

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BULLETIN 12-04

To: All Insurance Companies Licensed to Sell Auto Insurance in the State of Iowa

From: Susan E. Voss, Insurance Commissioner
Angel N. Robinson, Iowa Consumer Advocate for Insurance

Re: Vehicle Repairs under Iowa Administrative Code 191.43(5)

Date: May 9, 2012

In 2011 the Iowa Insurance Division (the Division) was asked to review the vehicle repair practices of Iowa's auto insurers. The Division was provided with information from various sources including the top auto insurers in Iowa's market and Iowa's Collision Repair Association. The Division also reviewed Iowa Administrative Code section 191-15.43(5). IAC 191-15.43(5) provides that repair estimates prepared for or by an insurer must be "reasonable". Upon review of all information, the Division has found that additional guidance to insurers in the area of reasonable repair estimates would be beneficial. The purpose of this bulletin is to provide that guidance regarding reasonable repair estimates.

I. Methods of Calculating Reasonable Repair Estimates

While insurers are required to have reasonable estimates, the Division does not require a uniform method of obtaining reasonable repair estimates. This allows more than one method for obtaining reasonable estimates to be considered compliant under Iowa Administrative Code 191-15.43(5). Though, a uniform method of determining estimates is not required, a reasonable method for determining estimated repair rates must be formally established and documented. An insurer's chosen method must be available upon the request of the Division for review. Insurer's are expected to document data captured or used to figure reasonable repair estimates. Insurers are also expected to maintain and provide documented data in order to demonstrate an insurer's compliance with Iowa Administrative Code 191-15.43(5) to the Division upon request.

II. Frequency of Review of Reasonable Estimated Rates

When an insurer fails to regularly review their estimated rates, a disparity may be caused in the amount charged by auto repair facilities and the amount estimated by the insurer for a repair. In some situations, a disparity of costs may lead to a claimant paying additional out of pocket costs to repair their vehicle. In an effort to avoid pricing disparities, insurers are expected to review their estimated rates minimally once every 24 months per market. Insurers may need to review their rates more often than 24 months in an effort to maintain accurate reasonable estimated rates, but review periods longer than 24 months will not be considered reasonable under Iowa Administrative Code 191-15.43(5).

Insurers that do not use direct repair facilities (or contracted repair facilities) and choose to pay the rates set by each auto repair facility as their company's method of determining reasonable estimates, will not need to review estimated repair rates as the rates used by those insurers will automatically be updated.

For questions regarding this bulletin, please contact Angel Robinson at 515-281-4038 or angel.robinson@iid.iowa.gov.



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