MEMORANDUM

INTRODUCTION

The special Commission has been assigned a number of tasks by the Legislature, including a study of auto body labor rates in Massachusetts and an investigation of the benefits and costs associated with the development of a system under which the State would set those labor rates.

A study of auto body labor rates in Massachusetts must, of course, include a comparison of current Massachusetts labor rates with those which exist in the rest of the nation, including the labor rates presently being paid by insurers in the neighboring New England states.

A realistic comparison of labor rates must include a comparison of a number of variables.

- The average dollar amount being paid to repairers per hour.
- The average labor hours per claim.
- The average labor dollars being paid per claim.
- The average total cost of repairs per claim.

As the information contained in Section B of this document indicates, a comparison of all of these variables leads to at least three significant conclusions. First, in 2007, the last fully developed year for data, Massachusetts insurers have on the average paid more money per claim for auto body repairs than have insurers nationally. Second, in the six New England states, only insurers in Rhode Island (where the state has adopted a labor rate setting system) have paid more money for labor per claim than have insurers in Massachusetts. Third, the average labor hour per claim is higher in Massachusetts than anywhere in New England, and it is significantly higher than the National Average. The available data suggests that, all things considered, the Massachusetts total dollars paid for labor is actually significantly higher than most other states.

That this is the case is strongly suggested by the fact that, as shown in Section B of this document, the number of registered shops in Massachusetts has changed little during the past decade. Indeed, according to the Division of Standards, there were more registered auto body shops (1,826) in Massachusetts in August, 2008 than there were in August, 2000 (when there were 1,765 registered shops). It is also instructive to note that a number of auto body repair shops in Massachusetts give large volume non-insurance customers (such as rental car companies) labor rate discounts which result in the

acceptance by those shops of lower labor rates than those paid by insurers (see Section D of this document).

To understand why labor rates paid by insurers in Massachusetts have not risen significantly during the past several years requires a look at a number of factors which have influenced auto repair labor rates. Those factors (addressed in Sections B and D of this document) include the slight decrease in recent years in the number of registered vehicles which are insured in Massachusetts; the large number of registered repair shops which continue to elect to become contract referral shops of insurers; recent declines in the volume of accidents which have resulted in fewer claims; and the unacceptably high incidents of fraud in the auto repair process which neither the Commonwealth nor the auto repair industry have effectively addressed.

One of the most important contributing factors to the leveling off in auto repair labor rates during the past twenty years has been the anti-competitive regulatory system which has governed the auto insurance industry during that period. Under that system, the state has fixed and established the rates which auto insurance companies could offer their customers. The rates were fixed and established largely based on costs. As part of the rate setting process, Cost Containment Regulations promulgated by the Commissioner of Insurance required insurers to contain costs in a number of areas, most notably in the repair of damaged motor vehicles.

The auto insurance market in Massachusetts has, of course, recently and dramatically changed. Under the new managed competition system, the Commonwealth no longer fixes and establishes auto insurance rates. The Cost Containment Regulations which applied to the insurance industry are in the process of being repealed. On September 5, 2008, amended appraisal regulations in 212 CMR 2.00 et. seq. went into effect which permit insurers and repair shops to work together to expedite the supplemental appraisal process and, as a result, the repair process. Market forces are now at work in Massachusetts for the first time in decades. Many observers feel that, given time, these new forces will cause market corrections to occur in a number of areas. One result of all of the recent changes may be increases in the labor rates which insurers pay auto repair shops. Only time, and the patience to let the market work, will determine whether the new market forces will result in a better, more equitable system for the compensation of auto repair labor.

Commerce Insurance Company respectfully submits this document with the hope that its contents will assist the Commission in successfully completing its legislative mission.

Economic Conditions and the Competitive Market

It is economically irresponsible for anyone to take any labor rate in a vacuum. Things that must be considered regarding Auto Body Rates are many and include:

Managed Competition
Supply and Demand
Labor Hours
Cost Shifting and Fraud
Non Insurance Repairs
Economies of Scale
Recent Regulatory Changes
Current Economic Factors

The following charts and graphs will also demonstrate other factors in the state. The items to consider include:

State and National Labor Hours for 2007 **Exhibit A**
Number of Insured Vehicles in Massachusetts (2004-2007) **Exhibit B**
Accident Frequency (2000-2007) **Exhibit C**
Number of Registered Repair Shops in Massachusetts (2000-2008) **Exhibit D**

Exhibit A

State & National Industry Labor 2007

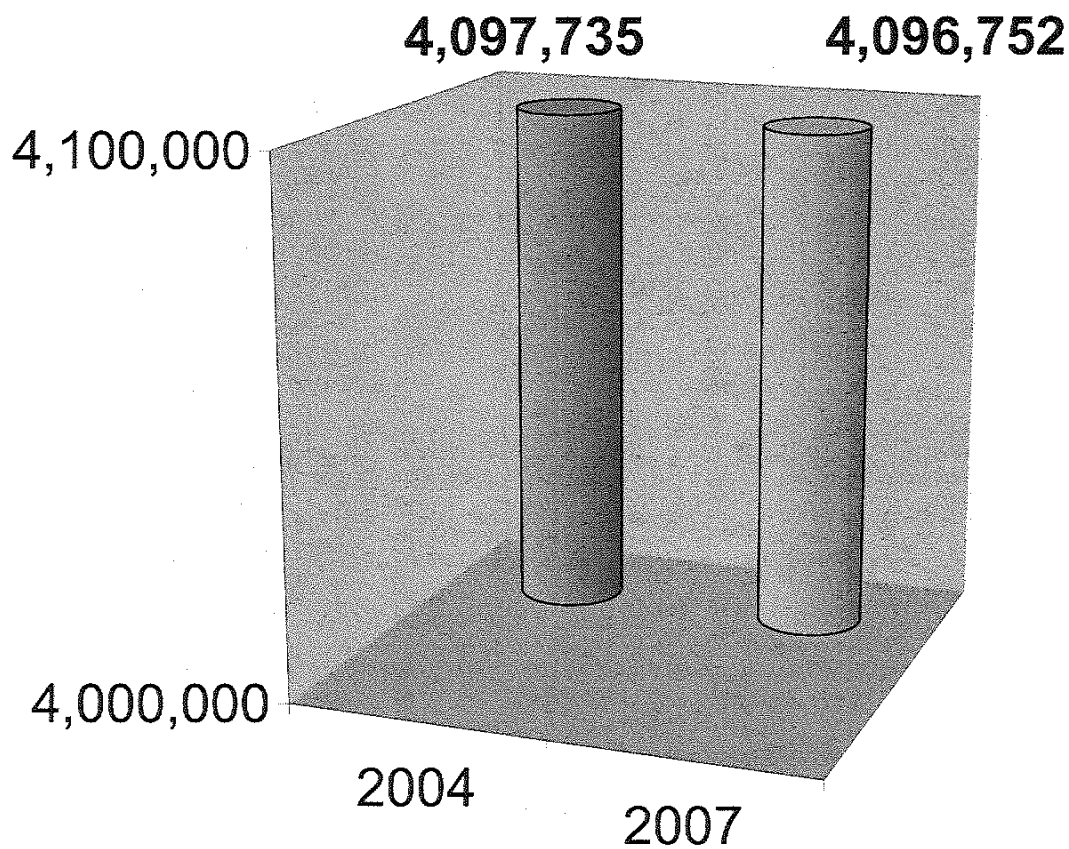
State Industry & National Industry 2007	Avg. Total Cost of Repairs	Avg. Labor Hours Per Claim	Avg. Labor Rate	Avg. Labor Hours Per Claim *X* Avg. Labor Rate
National Industry	$2418	23.5	$42.24	$992.64
Connecticut	$2516	23.6	$44.97	$1,061.29
Massachusetts	$2372	30.3	$36.39	$1,102.62
New Hampshire	$2246	22.9	$42.20	$966.38
Rhode Island	$2436	26.1	$40.55	$1,058.35
Vermont	$2144	21.1	$42.02	$886.62
Total State Industry	$2408	26.5	$40.38	$1,070.07

- The above State and National Industry Labor information was developed from reports obtained from CCC Information Services Inc.

- Note that Massachusetts has the lowest Average Labor Rate of $36.39 per hour, while maintaining the highest Average Labor Hours Per Claim of 30.3 hours.

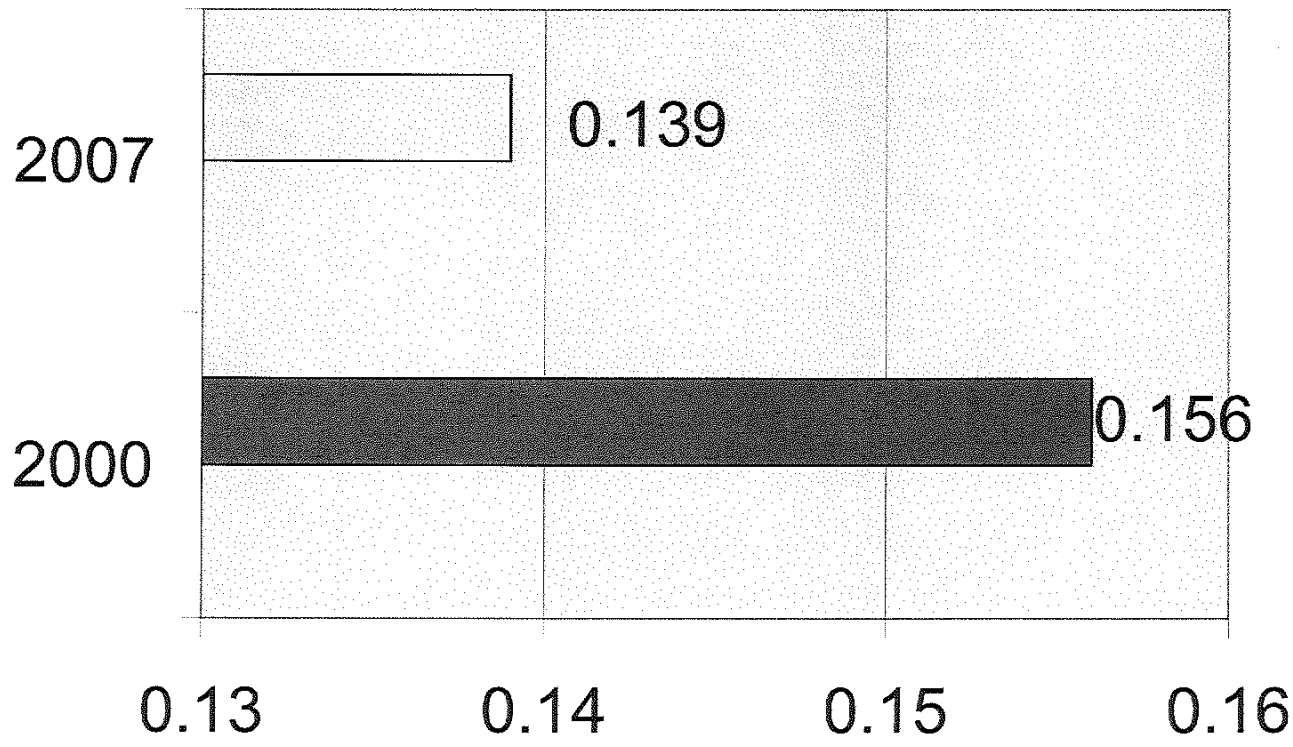
The Number of Vehicles Insured in Massachusetts has Remained Flat

Exhibit B



Accident Frequency is Down 6.7% from 2000-2007

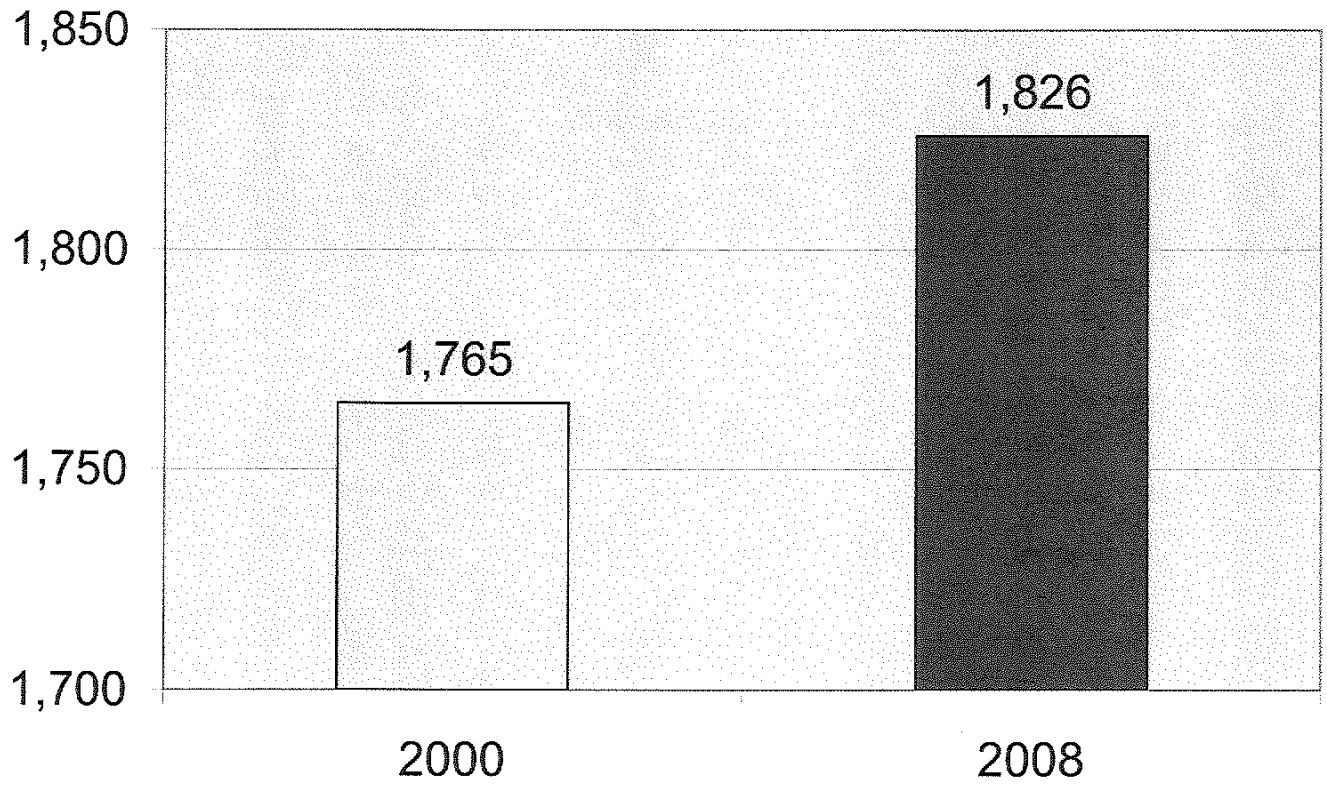
Exhibit C



Registered Shops August 2000 vs. August 2008

Exhibit D

3.5 % Increase from 2000-2008



Information Obtained from the Division of Standards/AIB

Non Insurance Repairs-Fleet/Rentals

Commerce Insurance has conducted a study of non-insurance repairs based on payments made to rental companies. A sample of 65 files was reviewed. Nineteen different Registered Massachusetts Auto Body Shops were represented. The appraisal dates ranged from October 20, 2005 to September 12, 2008. The following information was discovered:

- The Body Labor Rates ranged from $20.00 to $35.00 per hour. The median Body Labor Rate was $24.00 per hour.
- The Frame Labor Rates ranged from $30.00 to $38.00 per hour. The median Frame Labor Rate was $35.00 per hour.
- Part discounts were taken from 19% to 34%. The median part discount was 26%.

212 CMR Regulatory Changes

(i) Expedited Supplemental Appraisals.

If an insurer, a repair shop, and the claimant agree to utilize an expedited supplemental appraisal process, an insurer shall not be required to assign an appraiser to personally inspect the damaged vehicle. In such event, the repair shop shall fax or electronically submit to the insurer a request for a supplemental appraisal allowance in the form of an itemized supplemental appraisal of the additional cost to complete the repair of the damaged vehicle, prepared by a licensed appraiser employed by the repair shop, together with such supporting information and documentation as may be agreed upon between the insurer and the repair shop. The insurer shall then be required to fax or electronically submit to the repair shop within two business days its decision as to whether it accepts the requested supplemental appraisal allowance. Within this same period, a licensed appraiser representing the insurer and a licensed appraiser representing the repair shop may attempt to agree upon any differences. In the event that an insurer does not accept the repair shop's request for the supplemental appraisal allowance, or if the insurer fails to respond to the repair shop within two business days, the insurer and the repair shop shall be obligated to proceed in accordance with 212 CMR 2.04(1)(h), and within the time limits set forth in such provision. In such event, the date of the initial request for a supplemental appraisal allowance shall be the starting date for when the insurer must assign an appraiser to personally inspect the damaged vehicle.

No insurer or repair shop shall be obligated to utilize an expedited supplemental appraisal process and the determination of whether to utilize such process shall be made separately by an insurer or by a repair shop only on an individual claim basis. Utilization of an expedited supplemental appraisal process shall not be used as a criterion by an insurer in determining the insurer's choice of shops for a referral repair shop program under an insurer's direct payment plan; and being a referral shop shall not be a criterion in determining whether to utilize an expedited supplemental appraisal process.

Forensic Reinspections Variances 2004-2007

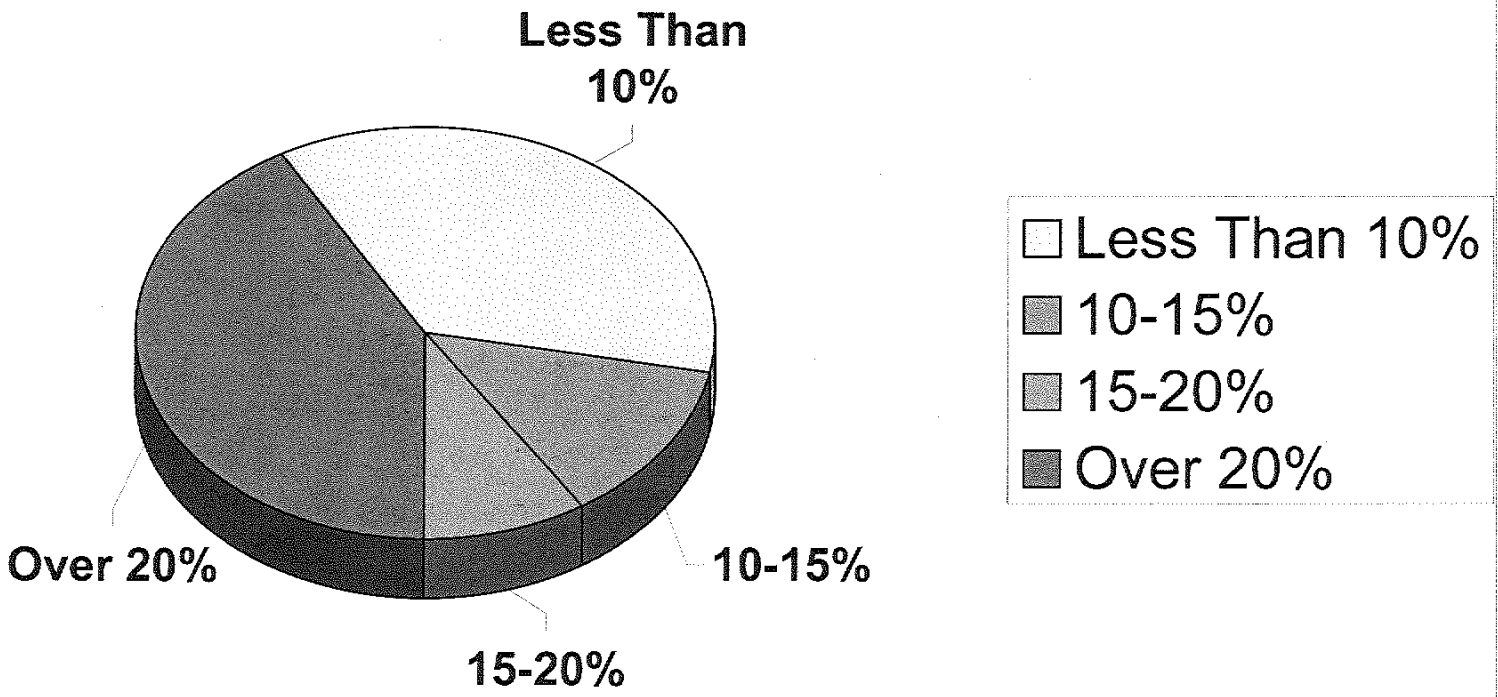
Five years ago, Commerce Insurance began a program of forensic type reinspections. These reinspections are conducted on vehicles that the average consumer would see nothing wrong with the results but were not repaired as they were negotiated to be repaired. These reinspections included the use of mil-gauges that measure thickness of paint, along with a very thorough review of the repairs made compared to what was negotiated for in and appraisal and supplements. Our findings have been astonishing.

During the period of 2004 through 2007, 249 Forensic Reinspections were completed on repaired vehicles in Massachusetts. These vehicles were repaired at 146 different registered shops in the Commonwealth. Out of the 249 Forensic Reinspections, 44 vehicles had work completed as negotiated and paid, while 205 had work not completed as negotiated and paid. The average variance per claim ranged from a low of $810.43 in 2006 to a high of $961.58 in 2004.

Please see the chart below and the graph on the next page which illustrates the number of variances and the percentages.

Calandar Year	# Reinsp. Completed	# Reinsp. With Var.	# Reinsp. w/o w/out Var.	% w/out Var.	# Shops	Total $ Variance	Avg. $ Variance
2007	97	75	22	22.68%	55	$67,182.02	$895.76
2006	44	35	9	20.45%	38	$35,658.82	$810.43
2005	49	43	6	12.24%	27	$43,435.47	$886.44
2004	59	52	7	11.86%	26	$50,002.21	$961.58

Reinspection Variances 2004-2007



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MARTHA COAKLEY
ATTORNEY GENERAL

Contact:
Amie Breton
(617) 727-2543

June 20, 2008 - For immediate release:

Attorney General Martha Coakley Obtains Restitution and Penalties From Central Autoworks Repair Shop For Unfair and Deceptive Business Practices

BOSTON – Attorney General Martha Coakley's Office entered into an agreement today with a Worcester auto repair shop resolving allegations that it allegedly failed to comply with Massachusetts law by failing to obtain consumer authorization before performing repair work and failing to provide the consumer with invoices for the work performed. According to the Assurance of Discontinuance, filed today in Suffolk Superior Court, Central Autoworks agreed to resolve the allegations by paying $10,000 into a restitution fund, $5,000 in civil penalties, and $10,000 in suspended penalties. The restitution fund will be used to pay any legitimate claims as a result of allegations brought by the Attorney General's Office.

"Second to a home, a car is one of the most expensive investments a consumer will make in their lifetime," said Attorney General Coakley. "Repair shops must be forthright in their dealings with consumers and treat these everyday transactions with the transparency the law calls for."

In 2006, Commerce Insurance Company contacted the Attorney General's Office alleging that Central Autoworks was in violation of Massachusetts Law by failing to maintain essential documentation that resulted in the insurance company's inability to monitor the repair work it insured. The failure to comply with the law constitutes unfair and deceptive business practices. The company has been in compliance with the regulations since the involvement of the Attorney General's Office in 2006.

The Attorney General's Office advises consumers in need of auto repairs of the following rights as outlined in the Attorney General's Regulation's:

- To a written estimate before repairs are made, unless you sign a specific waiver stating a maximum cost;
- To know if there will be any charge for diagnosing your car problem;
- To be contacted before any work is done if the repair cost cannot be determined immediately;
- To be asked to authorize any additional repairs that are found to be necessary as the work progresses;
- Not to be charged more than $10 over the estimate, unless you are contacted and approve the higher amount;
- To get back your old parts;
- To receive an itemized bill listing all parts and labor, unless work is done based on a flat rate

posted in the shop;

- Not to be charged for unnecessary repairs, or for repairs that were not made;
- To expect that ads for repairs will include the total charge for the work;
- To same-day repairs, unless you agree to a longer period;
- To know in advance if there will be any storage charges;
- To have shoddy repair work corrected at no charge.

For additional repair advice, please see the CarSmart Brochure by the Massachusetts Consumers' Coalition on the Attorney General's website visit www.mass.gov/ago or by clicking here.

Consumers with concerns about auto repair shops are encouraged to contact the Attorney General's Consumer Hotline at (617) 727-8400.

This matter was handled by Assistant Attorney General Lee Hettinger of Attorney General Coakley's Central Massachusetts Division.

##########

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The California BAR
The Bureau of Automotive Repair

In 1971, the California Legislature enacted the Automotive Repair Act. This created The Bureau of Automotive Repair in order to regulate the auto repair industry. BAR investigates auto repair complaints and handles approximately 14,800 complaints each year. The BAR returned $6.3 million to California consumers in the past year in direct refunds, rework or adjustments. In some cases, fraud, gross negligence or other serious violations have been investigated. In 2007-2008, 522 BAR licensees received formal discipline. A majority were for fraud related acts.

- **Education:** One of The BAR's activities is to educate repairers on prevention and corrective actions in order to foster compliance in the auto repair laws. Inspections, conferences, presentations and "Write It Right" invoice training are some typical proactive education methods.

- **Investigations:** The Bar also launches formal investigations into repair shop practices based on consumer complaints or other sources of alleged fraud. These inspections can include vehicle reinspections, undercover operations, surveillance, record reviews and analysis of vehicle information data. BAR also reviews transactions including, whether a shop provided a written estimate to the customer prior to beginning repairs or if the shop obtained the customer's authorization for additional parts and repairs before doing the repairs that exceed the original written estimate.

- **Fraud:** Auto body repair fraud can occur in many forms. It may occur when a shop lists a new replacement part on the invoice and charges the customer, but actually installed used parts or repaired and reinstalled the damaged parts.

- **False And Misleading Statements:** Administrative actions can be taken against an auto repairer for making false or misleading statements to a customer using scare tactics or twisting an advertisement for a low-priced repair procedure, then convincing the customer that he or she needs costly additional repairs that are often not needed.

- **Legal Action:** When the BAR investigations substantiate significant violations of the Automotive Repair Act, the findings are documented and submitted to the District Attorney and/or the state Attorney General for prosecution. The DA or AG will review the case and if appropriate file legal action for civil, criminal, or administrative prosecution. Typical disciplinary actions include revocation of the shop registration/license, suspension of operations for a specific period of time, probation, or any combination of these actions. The Director of the Department of Consumer Affairs can order restitution to the victims and reimbursement of prosecution and investigation costs. Shop owners and technicians if convicted of criminal charges brought by the DA can be required to serve time in jail.

CONCLUSION

The materials in this document will hopefully assist the Commission in understanding the forces which during the past have led to the present level of auto repair labor rates in Massachusetts. They will hopefully also assist the Commission in understanding how current Massachusetts labor dollars compare in fact with those in the rest of the United States, especially the New England states.

As noted in the Introduction to this document, recent changes in Massachusetts – including the movement away from auto insurance rate setting by the Commonwealth; the repeal by the Commissioner of Insurance of the Cost Containment Regulations; and the adoption by the Auto Damage Appraiser Licensing Board of Regulations (supported by both the insurance and auto repair industries) which permit the expedited handling of supplemental appraisals – have created market forces which may well lead to a more equitable free market system for labor rates for auto body repairers and Insurers.

Steve Regan, spokesman for the Massachusetts Auto Body Association, made this observation in connection with the repeal of the Commissioner's Cost Containment Regulations:

- "Massachusetts has begun to disassemble a process that had the state set rates for insurance premiums and mandate certain discounts for policy holders by insurers in order to promote competition … It is good to know that the state is also seeking to remove the barriers that repairers have faced, which allowed insurers to control their businesses and their customers. With the repeal of 'cost containment' repairers are now also free to compete for customers and to be paid rates and fees that reflect their costs of doing business".**

This new market system must be given time and freedom from new rate setting measures by the state if it is to evolve and function in the positive manner envisioned by Mr. Regan and other observers from both the auto repair and insurance industries.

In conclusion we would ask the Commission with all the changes implemented in the last year to give the market time to adjust and let the free market work.

** ABRN, "MABA Testifies to Repeal Cost Containment Regs" (publish date: October 9, 2008).

BALISE

BALISE MOTOR SALES
122 Doty Circle, West Springfield, MA 01089
(413) 733-8604 • Fax 781-0744

November 1, 2008

RE: Auto Body Labor Rate and how it has impacted our Business

Undersecretary, Daniel Crane
Office of Consumer Affairs and Business Regulations
10 Park Plaza, Suite 5170
Boston, MA 02116

1. **How the artificially depressed reimbursable labor rate negatively impacts your cash flow:** Operating a Collision Repair Shop in the state of Massachusetts, collecting the lowest labor rates in the United States. Absorbing enormous increase in product costs, real estate, utilities, equipment and tools, fuel, liability insurance, technology, wages paid, health insurance, workers compensation, and employee training has been nothing less than challenging to be able to operate with any positive cash flow.

2. **How it impedes your ability to grow the business:** Operating our business under the labor rate restriction has certainly prevented us to grow our collision repair business. The constant training, and the equipment that you must have to repair vehicles properly has become extremely challenging at the current rates.

3. **How it impedes hiring younger techs into the profession:** Many vocational and high schools have given up on the auto body industry for lack of students. Most kids can make more at the local convenience stores than as the new guy starting out at collision repair shop. The short term effects of s sub-standard hourly rate are now, and are going to continue to be felt for a long time into the future. What we need, plain and simple, is more money so we can continue to make investments in our business, pay people decent wages both presently as well as in the future.

Sincerely,

Dan Elmer
Fixed Operations Director

Murray, David (SCA)

From: Peter Cronin [peter.cronin@bernardiautogroup.com]
Sent: Wednesday, November 12, 2008 3:33 PM
To: Murray, David (SCA)
Subject: Auto Body Labor Rates

11/11/08

David Murray, General Counsel
Office of Consumer Affairs and Business Regulations
10 Park Plaza, Suite 5170
Boston, MA 02116

Dear Mr. Murray and Members of the Special Commission on Auto Body Labor Rates,

I am writing to implore you to change the process used to establish reimbursable hourly labor rates for the auto body repair industry in Massachusetts.

The current system has been unable to keep up with the extreme rise in virtually every expense category of our business. In the past several years we have seen our shop expenses climb so much faster than our revenue that the last 2 years have been unprofitable for this business. Our personnel costs alone are up by over 25% during this period while costs for paint, materials, petroleum based solvents and other supplies have skyrocketed even more. It necessitates the conversation of whether this business is viable going forward at the current reimbursement structure.

In addition to the basic financial concerns, there is an even greater need for your reconsideration of the current labor rate setting process. Auto body work is technically advanced, physically demanding and fewer and fewer prospects consider it as a viable profession. The expected hourly rate of pay is so considerably less than for other trades that work in similarly harsh environments, that we are failing to recruit, train and retain quality professionals for our body shops. This is exacerbated by the advances in manufacturing and materials that require even greater expertise to ensure a safe, quality product reaches the insured. As required skill sets increase, so does the need for reasonable compensation rates for those interested in an auto body career that will sustain their families.

Underscoring the fact that our mechanism to provide for labor rate reimbursement is so inadequate and outdated is that all our neighboring New England states have higher auto body labor rate reimbursements than Massachusetts. This causes us to lose potential employees to border communities thereby further reducing our workforce.

All owners and employees of Body Shops across the Commonwealth appreciate the Commission's effort to find a solution to this problem. We have been encouraged by discussions involving DRP and shop ranking reimbursement rates. However, we cannot afford any delay in providing a fair and reasonable labor rate for our businesses and employees. We ask that you implement a system that will provide the mechanism for regular, justified increases that can keep pace with the market.

Thank you again for your consideration.

Sincerely,

Peter F. Cronin

Peter F. Cronin
General Manager
Bernardi Acura of Boston
Peter.Cronin@BernardiAutoGroup.com

(p) 800-800-5401

Bernardi For Now... Bernardi For Life

THE HANOVER INSURANCE GROUP STATEMENT FOR THE AUTO BODY LABOR RATE STUDY COMMISSION HEARING 11/13/08

The Hanover Insurance Group ("The Hanover") submits the following statement to the Special Commission on Auto Body Rates (the "Commission") established by Section 108 of the Fiscal Year 2009 Massachusetts budget.

The Hanover, headquartered in Worcester, Massachusetts, ranks among the top 40 of more than 950 property and casualty insurance groups in the United States. It employs approximately 2,000 Massachusetts residents and wrote over $146 million in private passenger auto insurance premiums in 2007 in Massachusetts, representing 3.7% of the market. It is thankful for the opportunity to address the Commission on this very important issue.

The Hanover urges the Commission not to create a new regulatory system to set labor rates as proposed in House Bill No. 1085. State fixed labor rates will result in the creation of a complicated and costly bureaucracy, the first of its kind in the U.S., that will ultimately increase auto insurance premiums for Massachusetts residents. The Hanover encourages the Commission to: (1) follow the lead of Governor Patrick's Administration and reject state-set rates in favor of competition; (2) allow the new system of managed competition to develop and unfold unfettered by a new rate setting scheme; (3) examine the existing statutory and regulatory schemes that may have contributed to reduced labor rates; and (4) examine the root causes of all the statistics advanced by each side of this debate to craft a market based solution.

440 Lincoln Street ■ Worcester, MA 01653 *Phone* | 508 - 853 - 7200 *Fax* | 508 - 853 - 6332
The Hanover Insurance Company | Citizens Insurance Company of America

1-0016 (12/06)

Managed Competition: Another government agency that will legislate and regulate a remedy to the labor rate issue only compounds the problem. This fact has been amply demonstrated by the ongoing process to allow managed competition. The Commissioner took a giant step this year and established the model for restoring competition to the market place. Early indications and results confirm that managed competition and reform efforts have successfully reduced insurance premiums and are providing consumers with more options than ever before. All indications are that this bold move was a resounding success. The new insurance market should be allowed to grow and flourish, unfettered by a state mandated labor rate – The Hanover believes this would be a step backward.

The Bureaucracy: One can only imagine the infrastructure necessary to effectively, efficiently, and fairly deliver on the promises of House Bill No. 1085 if it becomes law. For example, the creation and updating of the tiered classification system alone is a regulatory intensive process that warrants constant reform as technology and service standards evolve. The monitoring and enforcement mechanisms necessary to rank and oversee the hundreds of collision repair shops will be enormous. The repair shops' understandable drive to receive the highest tiered ranking may result in appeals and litigation when they fall short per the classification system that would need to be established by the Commission. The preceding comments reflect but a few of the infrastructure challenges the Commission will face if it chooses to heavily regulate the repair shop industry as contemplated under H.B. 1085.

Existing Statutes and Regulations: Massachusetts has some of the most restrictive regulations and statutes governing the repair and appraisal of damaged motor

vehicles. In the late 1980's, Cost Containment Regulations were established to deal with the escalating cost of auto insurance. The regulations also created an annual process to review insurers' efforts to contain costs as part of their claim handling procedures. This process required auto insurers to testify annually at the "Cost Containment" hearings to demonstrate that their efforts to contain costs were adequate. If not considered adequate, the industry was penalized by imposing a reduction of the annual insurance rate set by the Commissioner of Insurance at the conclusion of the rate setting hearings.

The insurance industry today continues to be subject to the CAR (Commonwealth Automobile Reinsurers) performance standards for the handling and payment of claims by servicing carriers which are approved by the Commissioner of Insurance. These performance standards were developed pursuant to the requirements of the Cost and Expense Containment Regulation 211 CMR 93.00. CAR also requires insurers to periodically complete a "Questionnaire" to provide CAR with additional background information on the claims handling programs they have established to comply with the cost containment requirements.

Now that the constraints imposed by the Cost Containment hearing process have been eliminated, auto body labor rates can be determined in the same competitive spirit as insurance rates. The fundamental principals of free enterprise and free market should prevail to determine the correct and appropriate auto body labor rate. Under the new more flexible system, insurers and body shops will be able to discuss and negotiate appropriate labor rates.

To that end, some existing regulations and the CAR performance standards may need to be changed. Fortunately, progress has already been made as a result of several

significant recent changes to Regulation 212 CMR 2.04, and more are being considered. We need to continue this momentum to eliminate the unnecessary legislative and regulatory barriers that impede competition and reform. We do not need to create more of them.

The Data:

The Automobile Insurance Bureau ("AIB") has estimated that if insurers were no longer allowed to negotiate labor rates with repair shops and the labor rate were set at a level comparable to the national average, the cost of automobile repairs in Massachusetts would increase between $128 million and $146 million annually. These costs will ultimately be borne by consumers resulting in a potential 2.4% increase in premium charge.

For 2007, hourly average labor rates for auto repair in Massachusetts were the lowest in the country and well below the national average. However, average labor hours per repair were the highest in the country and substantially above the national average. The net result of these two statistics is that the average labor cost per auto repair (labor hours times hourly rate) in Massachusetts is near the national average.

The Hanover strongly encourages the Commission to factor in the potential premium ramifications its recommendations may have and to examine the data in total, in conjunction with the existing laws, in order to craft a solution that does <u>not</u> impose state set labor rates.

Conclusion: Hanover does not disagree with the need for periodic reasonable labor rate adjustments as driven by market forces; however creating a governmental agency to regulate labor rates and to establish and administer a complicated tiered rating

system for auto body shops is not the solution. Managed competition and the current market environment need time to adjust to the many changes that are occurring, including what the appropriate labor rate ought to be. To do otherwise would be potentially harmful to the new competitive system that is evolving, not solve the problem, potentially create many new unintended consequences, and would be a major step backwards. No other state in the country regulates autobody labor rates, and a special commission to set labor rates is not the answer for Massachusetts.

The Commission's research and analysis of the labor rate issue should surface many helpful ideas to accelerate the market reaction to make appropriate and necessary adjustments to the labor rate consistent with free market principles. The Hanover looks forward to working with the Commission and the collision repair shop industry to craft mutually beneficial long term solutions to any problems that need to be addressed. The Hanover, however, cannot support state labor rate setting and hopes the Commission will not venture in this direction. As evidenced by the prior condition of the State's insurance industry, to do so would be a tragic mistake.

Respectfully submitted

Francis N. Delage, CIC

Francis N Delage

Regional Claims Director
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The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON 02133-1054

BRUCE J. AYERS
REPRESENTATIVE
1ST NORFOLK DISTRICT
QUINCY • RANDOLPH

Committees:
Public Safety & Homeland Security
Elder Affairs
Post Audit & Oversight

ROOM 167, STATE HOUSE
BOSTON 02133-1054
TEL. (617) 722-2230
FAX (617) 626-0118

November 13, 2008

RECEIVED
NOV 1 2008

Mary Ellen Thompson
Division of Insurance
One South Station, 5th Floor
Boston, MA 02110

To Ms. Thompson and Members of the Special Commission,

I am writing to you today in support of fair and increased labor rates for automotive service providers throughout the Commonwealth of Massachusetts.

For years the automotive repair industry in Massachusetts has been operating under some of the Nation's lowest repair rates despite operating within one of the highest cost areas in the country.

By supporting increased labor rates, automotive repair shops will be able to operate at competitive rates as opposed to those set forth by the insurance industry. Under your newly established commission, higher standards of service have been established ensuring high quality, competitive labor throughout Massachusetts. I have consistently heard over the years from auto body owners and technicians in the trade who are gravely concerned about the future of this business if rates are not raised.

I respectfully ask that the Special Commission on Auto Body Rates raise the rates for automotive repair providers in Massachusetts to a fair and equitable standard. Please know I will continue to provide you with additional information and testimony that substantiate the need for this increase. Please feel free to contact my office at 617 722 2230.

Sincerely,

Bruce Ayers
State Representative

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NICKOLE
AutoBody
819 Broadway • Saugus, MA 01906
(781) 233-0920 • (781) 233-8666 • FAX # (781) 233-7751

My name is Ernie Nickole and I am the owner of Nickole Auto Body in Saugus. I was the first president of the North Shore Chapter of MABA, and am currently a member of AASP. I had started my business thirty eight years ago as a junior in high school, and worked my way through Bentley College getting a Bachelor Science degree in Business Administration in 1976. When I came out I decided to stay with collision repair career, a decision I'm regretting only now. I've been brought up with family values and a strong work ethic. I was taught that if you work hard, do a great job, and treat people right, you will always do well. This isn't the case anymore. I have two daughters ready to go to college. My oldest next year and we have no savings. I feel as if I failed after all these years not being able to help them get what I got.

Nickole Auto Body is a 10,000 square foot facility, well known for doing high quality repairs. This shop is equipped with 2 downdraft spray booths, 2 frame machines, alignment racks, and mig, pulse, and resistance welders. This is some of the equipment needed to do a high quality repair on today's vehicles. My commitment to this industry is evident by the investment I have made to having the proper equipment and training of my employees. This has insured the proper repair of my customer's vehicles. I have opened up my facility to both auto body technicians from other shops and the insurance industry, to I-CAR training which teaches these proper repair procedures. I have also volunteered time over a two year period with the EPA to create a manual for the auto body industry. All this was done at my expense.

Nickole Auto Body hasn't invested in new equipment in three years. In the past it was a top priority of our establishment to have whatever equipment was needed, and trained technicians to do whatever job is out there. I was told that twenty five percent of new vehicles have aluminum or alloy parts which require quite a bit of investment and training to repair. I don't know of one repair shop, including dealerships that have met all of the manufacturer's recommendations to repair these vehicles properly.

The issues our industry is facing aren't so much a product of a bad economy as much as being treated unfairly by the insurance industry. Case in point, my gross sales have increased every year since I started business, but my net is one third of what it was five years ago. I'm busy, but not making any money. I have gone through all personal savings trying to keep my business afloat, which has left me without a dime for retirement. You can't have the lowest labor rate in the entire country and the highest labor cost without negative ramifications.

In 1980 Aetna Insurance was paying me $32.00 per hour; back then I could make a proper living. Last week I had an insurance company write an appraisal at $33.00 per hour, a one dollar increase over a twenty eight year period. Most companies are at $35.00 per hour which is a three dollar increase. This is a slap in the face!

A good Auto Body Technician gets all of the labor dollars, figure in health insurance, social security, Medicare, workman's compensation, 401k, etc., and now we are losing money and have to depend on a markup on parts.

Only five years ago I had thirteen employees, I'm down to five employees; some left to other trades. They said the money they got wasn't bad, but the industry was too

shaky for them to count on it. I did have to lay off employees in 2006 which was the first time ever for me. In my office I had a secretary, office manager, estimator, and myself. I'm down to just myself. This means coming in as early as 2:00 a.m. when times are busy. I shouldn't have to work eighty hour weeks after thirty eight years in business to break even, or worse. I should be able to take a vacation, pay my bills, invest in new equipment, have a retirement, and leave my wife and daughters with something other than my debt.

In my opinion it's not only the labor rate that is an issue, but the insurance industry is also squeezing on labor hours allowed, procedures allowed, and lowering what has been allowed for years in materials. My expenses have gone up, not down. It is imperative that our industry doesn't absorb any losses the insurance industry is feeling because of the economy. We have no more to give, the squeeze is over. If our legislators don't act immediately like they did with the Bail Out Bill for the financial institutions, our industry will also fail. Unlike the financial institutions mess, we didn't bring it upon ourselves. The mess we are in was because David can't fight Goliath. We need our legislators to support us and tell the insurance industry what they have to do. We need you to even the playing field.

Please do the right thing. I want to continue doing a good job, serving my customers, supporting my employees, and supplying what I consider a valuable service.

Respectfully,

Ernest Nickole/President

Massachusetts Auto Body Association, Inc.
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TESTIMONY OF STEPHEN REGAN
COMMISSION ON LABOR RATES, INFORMATIONAL HEARING

DIVISION OF INSURANCE, BOSTON, MASS
NOVEMBER 13, 2008, 2 PM - 4 PM

Good afternoon. My name is Stephen Regan and I am here today on behalf of the Massachusetts Auto Body Association (MABA). MABA is an organization of over 250 collision repair shops and affiliates, which also provides consumers with advice and counsel about their rights after they are involved in an accident.

Last month my testimony covered three primary areas. The first of which was how insurers in Massachusetts determine the amounts they pay for labor. My testimony then was primarily theoretical, however, today I can offer more substantive information, based upon a report by the Automobile Insurers Bureau of Massachusetts delivered to the Massachusetts Senate, copies of which I have provided the Commission.

In this report the AIB contends that the current Direct Pay and Referral Repair Shop program is what insurers in Massachusetts use to establish what they pay for labor. They contend that the rate they negotiate with their referral shops "is presumptively reasonable because shops have agreed to that negotiated rate."

However, we take exception to the use of the word negotiated, as it implies that the insurer and each individual repairer enter into a negotiation of the labor rate portion of their agreement. We all know this is not the case. Each insurer has only one rate and to the best of my understanding this rate is not negotiable when insurers and repairers are discussing entering into agreements.

What is more alarming, however, is that the use of the words "presumptively reasonable" reinforces that insurers use this one rate for both referral and non referral shops, and that the current "system" is the insurers justification for this policy.

Furthermore, the AIB argues that if the Senate were to adopt the proposed legislative changes to the current Direct Pay and Referral Repair Shop program that, quote, "the systematic control on the hourly labor rate and other aspects of the repair process that have limited the cost in Massachusetts will vanish, allowing the labor rate to rise to the levels experienced elsewhere in the country."

Those levels according to the report are that the Massachusetts labor rate is 23% below the national average and that it is 21% below what insurers pay in the neighboring New England states. The AIB report contends that the amount insurers save by paying these below market labor rates is $96 million dollars annually. But to be clear it is not a free market system that is driving these insurer savings, once again, according to the report, it is the current system.

I contend that the Massachusetts repairer is no less qualified than his counterparts in Iowa, New Hampshire, or Texas. There is no reason that they should be subjected to insurers use of a state authorized program as justification to subject them to being paid 23% less than their out of state colleagues. If the current system is not changed, then I fear that collision repair business in Massachusetts will continue to suffer, but not only at the hands of insurers paying below market rates, but also at the government that sanctions it.

AUTOMOBILE INSURERS BUREAU
OF MASSACHUSETTS
SINCE 1925

ACTUARIAL ANALYSIS OF HOUSE BILL 5056

At the request of member companies, the Automobile Insurers Bureau (AIB) has evaluated the operational and financial impact of pending legislation (House Bill 5056) which alters the procedures in the appraisal and repair of damaged motor vehicles covered by automobile insurance. Provisions of the bill are designed to curtail the insurers' use of referral repair shops and glass networks that have been successfully employed to contain the costs of automobile repairs. The AIB's actuarial analysis indicates that House Bill 5056 will add at least $100 million annually to the cost of automobile insurance, representing a 3.2% increase in the premiums paid by Massachusetts insureds.

The Legislation

Among other measures governing the repair of damaged motor vehicles, House Bill 5056 incorporates several restrictions on the direct payment referral repair shops and the glass networks. Collectively, these provisions will add to the cost of automobile repairs and the associated insurance coverage.

(1) Referral Shops. The limitations on referral shops begin in section 2 of the bill which amends G. L. c. 26, § 8G, to prohibit appraisers and insurers from "requir[ing], suggest[ing], request[ing] or recommend[ing]" that repairs be made in a specified repair shop and to establish fines for any violation. Another section (§ 3) of the bill adds specific procedures to direct the inspection and payment of supplemental repairs, including a detailed

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process for appraisals and negotiations directed by the repair shop and fines for the insurance company (but not the repair shop) for any violation. With several sections (§§ 4-8, 15-18), the bill then alters the direct payment and referral shop system authorized by G. L. c. 90, § 34O, and G. L. c. 175, § 113O, including making mandatory certain elements that are now at the Commissioner's discretion. Of greater importance, the bill requires an insurer to provide a single list of registered repair facilities, without any indication or reference to the insurer's referral shops, and prohibits the insurer from guaranteeing the quality of repairs by any shop. The legislation restates the prohibition on requiring, suggesting, requesting or recommending repairs at a specified shop and establishes fines for any violation. The net effect of these provisions is to eliminate the effective use of referral repair shops in the direct payment system.

(2) Glass Networks. The restrictions on the insurers' efficient use of networks to control the cost of glass repair and replacement appear in two sections of the bill. The first (§ 13) prohibits a company which acts as the third party administrator for an insurance company from providing glass repair or replacement services for that insurer or being related to any glass company. (The prohibition also extends to vehicle rental and replacement services often provided by insurers.) All contracts between insurers and third party administrators are to be filed with Commissioner, along with statements of ownership. The bill (§ 14) next prohibits an insurer or third party administrator from requiring an insured to use of a particular glass company or location and allowing or facilitating telephonic claims information with a preferred glass company (or vehicle rental service). A violation of these provisions is subject to specified fines and the Commissioner is authorized to adopt enforcement regulations. The statutory restrictions will together curtail or eliminate the insurers' use of networks to handle glass claims.

(3) Additional Items. The legislation also requires the Commissioner to conduct a market conduct examination of the insurers' direct payment and referral shop plans (§ 1) and increases the standards for licensing of repair shops (§§ 9-12). The costs of these requirements are not quantifiable, but the minimum equipment standards will likely increase the operational

costs for repair shops that will be passed along to insurers and other customers. The additional requirements may also minimize competitive pressures within the repair industry and lead to increased costs.

The Operational Effects

The provisions of House Bill 5056 will substantially alter the referral repair shops and glass networks which the insurers now operate in order to provide cost effective and efficient claim services for customers damaged vehicles.

(1) Referral Shops. The Massachusetts insurers control the costs of automobile repairs through the direct payment and referral repair shop plans authorized by G. L. c. 90, § 34O, and G. L. c. 175, §113O, and approved by the Commissioner of Insurance under 211 CMR 123.00. Under this system, the damage to a vehicle is appraised by a licensed appraiser employed or designated by the insurer and the claimant is given a check for the cost of the repair and a list of geographically convenient registered repair shops which clearly identifies the insurer's referral shops. Each insurer has made arrangements with certain repair shops to perform the necessary repairs in accordance with the insurer's appraisal at a fixed labor rate and with a guarantee of the quality of the work. A registered repair shop can be included on an insurer's referral list if it agrees in writing to comply with the insurer's written guidelines. 211 CMR 123.06(3)(b). Although a claimant can use any registered shop, a referral shop is under agreement with the insurer to complete the repairs without undue delay for the amount of the direct payment and the insurer will guarantee of the quality of the work. The insurer is able to identify its referral shops by highlighting the list of registered repair shops distributed to each claimant. 211 CMR 123.06(2)(a).

As a result of the direct payment and referral shop system, the hourly labor rates for collision repairs in Massachusetts are significantly less than the rates in other states and the costs of supplemental repairs are minimized. The labor rate established by each insurer under its

referral shop program is presumptively reasonable because shops have agreed to that negotiated rate, and it can be periodically adjusted to account for changing market conditions in the cost of repairs. (Division of Insurance Docket No. 2006-06, Exhibit 2, pp. 12, 20-21). The average hourly labor rate in Massachusetts ($34.55) is 23% less than the national average ($42.45), and 21% less than average rate in the other New England states ($41.98). (Industry Trends Report, Mitchell International, Inc., Vol. 7, No. 1, 2007, p. 20). The referral shop system also limits unnecessary costs associated with supplemental repairs because the working relationship between the insurer and the shop allows for the prompt and cost effective resolution of claims for supplemental repairs.

The prohibitions on an insurer's recommendation of specified repair shops and the inability to identify its referral shops, as required by House Bill 5056, will eliminate the effectiveness of the direct pay and referral shop system. Without the prospect of being identified and obtaining the insurer's claimants, a repair shop will have little incentive to accept the insurer's labor rate and other terms. In addition, claimants will lose the insurer's guarantee of the quality of the repairs. In the absence of willing referral shops and satisfied claimants, the systematic control on the hourly labor rate and other aspects of the repair process that have limited the cost in Massachusetts will vanish, allowing the labor rate to rise to the levels experienced elsewhere in the country.

(2) Glass Networks. The Massachusetts automobile insurers currently rely on a network of approved glass companies which are available to perform glass repair or replacement at an agreed price and with a guarantee of quality. An insurer uses either a third party administrator or a specialized call center to handle the report of all glass claims and to arrange for the repair or replacement of the damaged glass. The administrator evaluates the claim and then coordinates the repair or replacement of the glass and the payment of the claim, with minimal burden on the claimant. If the claimant has selected a glass shop, the administrator will confirm with it the work to be performed and the amount of the payment that will be allowed. If

the claimant has not selected a glass shop, the administrator will identify for the claimant the network shops and schedule an appointment immediately, usually with a three-way telephone conversation with the claimant and the shop.

Each insurer employs a network of approved glass shops which are prepared to perform the work at the price specified by the insurer and with a guarantee of quality. A claimant is not required to use a network shop and can choose any glass shop provided it is registered under G. L. c. 100A, but the payment is limited to the amount established with the network shops. The network shops and highly automated procedures for glass claims have limited the opportunities for fraud and error through strict audit and quality control procedures. (Division of Insurance Docket No. 20006-06, Exhibit 2, pp. 64-66).

The provisions of House Bill 5056 will substantially diminish, if not eliminate, the value of the insurers' networks for handling glass claims, which have produced savings of approximately 20% each year in the cost of glass claims. The restrictions on the use of third party administrators, the prohibitions on telephone communication with preferred shops, and the penalties for any violation will prevent the insurers from effectively utilizing the glass networks to coordinate claims and control the costs of glass repair and replacement.

The Actuarial Impact

As noted, the prohibitions of House Bill 5056 on the insurers' use of referral repair shops will defeat the effective operation of the direct payment system. The actuarial effect can be measured, in part, by evaluating the impact on the average hourly labor rate in Massachusetts. The elimination of the negotiated labor rates available with referral shops will lead to an increase that approaches or equals the national average labor rate which is now 23% greater than the Massachusetts rate. If the rate were to rise by only 15%, the cost of automobile repairs in Massachusetts would increase $80-90 million annually and the average insurance premium would rise by at least 2.4%, as shown in the attached Exhibit A. Each additional percentage

point increase in the labor rate would produce approximately $6-7 million in additional repair costs. This projection does not include the additional costs attributable to the insurers' increased loss adjustment expenses.

The elimination of glass networks due the restrictions on third party administrators and preferred shop communications would potentially add more than $22 million to the annual cost of the comprehensive coverage and $6 million in costs for the property damage liability and collision coverages. This cost increase represents about a 0.8% increase in the premium charges to insureds, as shown in the attached Exhibit B.

Kim A. Barber
Vice President, Chief Actuary

E. Michael Sloman
Vice President, General Counsel

August 25, 2008

Massachusetts Private Passenger Automobile

EXHIBIT A

Estimated Impact of Potential Increase in Auto Repair Labor Rate (HB 5056)

	PDL	Collision	Comprehensive (non-glass)	All Covgs.
Est'd Ultimate Losses (net of ded)	518,836,374	608,869,424	113,077,628	1,240,783,425
Est'd Ultimate Claims	252,200	201,400	38,800	
First Dollar Losses	518,836,374	709,569,424	132,477,628	
Labor %	46%	42%	42%	
Labor Costs	238,664,732	298,019,158	55,640,604	592,324,494
Potential Increase in Labor Rate	15%	15%	15%	
Adj'd Labor Costs	274,464,442	342,722,032	63,986,694	681,173,168
Potential Chg in Claim Costs	35,799,710	44,702,874	8,346,091	88,848,674
Adj'd Ult Losses (net of ded)	554,636,083	653,572,297	121,423,719	1,329,632,099
E. Exposures (2006)	4,008,594	2,822,275	3,152,116	4,008,594
Chg in Loss Pure Prem per Veh	$8.93	$15.84	$2.65	$22.16
Prem Tax & Profit	1.57%	2.71%	2.71%	
Add'l Cost per Insured Veh	$9.07	$16.28	$2.72	$22.68
2007 Average Premium	$188.04	$310.91	$99.21	$932.18
% Effect on				
Coverage Losses	6.90%	7.34%	7.38%	7.16%
Avg. Premium	4.83%	5.24%	2.74%	2.4%

Additional effects:

- new claims that exceed deductible
- loss adjustment expense
- company expense for Labor Rate Commission

Notes:

- loss and claim estimates for PY 2007 (last AIB industry filing)
- number of claims estimated from AY 2007 @ 15 months

Massachusetts Private Passenger Automobile

EXHIBIT B

Estimated Impact of Reducing Efficiencies from Glass Networks (HB 5056)

	Comprehensive
Est'd Ultimate Losses - AY 2007	178,300,000
Glass Losses % of Total	50.0%
Est'd Ultimate Glass Losses	89,150,000
Est'd Glass Savings from Networks	20%
Est'd Cost Impact of HB1003	22,287,500
E. Exposures (2007)	3,152,116
Add'l Loss per Insured Veh.	$7.07
Prem Tax & Profit	2.71%
Cost per Insured Veh	$7.27
2007 Average Premium	$99.21
% Effect on	
Glass Losses	25.0%
Coverage Losses	12.5%
Avg. Premium	6.8%

	PDL	Coll.	All Covgs.
Est'd Ultimate Losses - AY 2007	472,200,000	552,500,000	
Parts %	50.0%	50.0%	
Glass as % of Parts	5.0%	5.0%	
Est'd Ultimate Glass Losses	11,805,000	13,812,500	114,767,500
Est'd Glass Savings from Networks	20.0%	20.0%	
Est'd Cost Impact of HB1003	2,951,250	3,453,125	28,691,875
E. Exposures (2006)	4,008,594	2,822,275	4,008,594
Add'l Loss per Insured Veh.	$0.74	$1.22	$7.16
Prem Tax & Profit	1.57%	2.71%	
Cost per Insured Veh	$0.75	$1.26	$7.35
2007 Average Premium	$188.04	$310.91	$932.18
% Effect on			
Glass Losses	25.0%	25.0%	25.0%
Coverage Losses	0.6%	0.6%	
Avg. Premium	0.4%	0.4%	0.8%

Notes:

assumes loss trends are flat from 2007

does not include impact on company loss adjustment expenses

November 13, 2008

Good afternoon. My name is Steve Williams. I own Middlesex Auto Body in Natick, Massachusetts. My company has been performing auto body repairs since 1952 and presently employs 3 technicians ages 50, 60, and 65.

In addition to auto body repairs we also have two other areas of business, police ordered towing and rental cars similar to Enterprise and other car rental companies. All three of these areas of business receive payments from Massachusetts auto insurance companies.

In the last 20 years I have experienced substantial cost increases in all three of these areas. Compensation has kept pace with cost increases in towing and car rental services, but in no way shape or form has compensation kept pace with costs in the auto body repair segment of my business.

A Quick Comparison

In 1988 the tow rate was $35.00 for a police ordered tow. Now, in 2008 it is $90.00 plus a fuel surcharge factor which is presently 5.8% for an effective rate of just over $95.00 per tow.

$95.00 is almost 3 times as much as $35.00. Why did the rate need to increase so much?... because equipment costs, labor costs, training costs, and all other costs of doing business have increased substantially. These rates are regulated by the Commonwealth of Massachusetts through the Department of Public Utilities and are paid regularly by the general public as well as all insurance companies.

I don't recall any serious opposition to the tow rate increases in the last 20 years and even if there was any, the fact is the rate increases were approved.

It wasn't that long ago that $15.00 per day was adequate for substitute transportation or insurance related car rental reimbursement. In other words in 1988 insurance companies paid or reimbursed $15.00 per day for car rentals.

When $15.00 per day was no longer adequate to cover car rental costs, the Massachusetts insurance companies doubled the coverage to $30.00 per day and at the same time simply doubled the premium charged to consumers. Again, I don't recall any opposition to a 100% increase in premium. Simply put the costs went up and the premiums were increased to cover those costs.

Presently $30.00 per day coverage costs over 5 times what $15.00 per day coverage costs. How can that be? Could it be that the costs associated are higher and therefore the premium charged to the insured is adjusted upward, accordingly?

Did you know you can now get $45.00 per day and even $100.00 per day car rental insurance coverage if you are willing to pay the much higher premium?

To summerize, substantial increases in costs have led to substantial increases in state regulated police tow rates. Also, because of cost increases we have seen the Massachusetts insurance companies increase car rental coverage significantly but also substantially increase the premiums charged to their insured. So why is it insurance company Labor Rates paid to registered Auto Body Shops have not increased in a similar manner?

Sincerely,

Stephen Williams

State Commission To Study Auto Body Labor Rates

Presenter:

Brendan Connolly
General Manager
Herb Connolly Motors
Framingham, MA

State Commission To Study Auto Body Labor Rates

Biography

- 13 Years experience in the automotive industry

Graduated from Vanderbilt University with a degree in Economics

Managed Herb Connolly Auto Body for 2 years from 2005-2007

Massachusetts Licensed Auto Damage Appraiser

Currently General Manager of Herb Connolly Chevrolet

State Commission To Study Auto Body Labor Rates

Challenges Facing our Industry – Cost of doing business

- At the current labor rate it is extremely difficult to maintain profitability as every other cost associated with doing business has risen.

Fixed costs such as rent, real estate taxes, heat, light, water and health insurance for our employees

The cost of equipment required to repair vehicles to pre-accident condition have skyrocketed:

Downdraft spray booths equipped with additional airflow for water based paints of the future, that are safer for painters and better for the environment

Frame pulling machines that can support and repair heavy duty trucks

Laser measuring systems that ensure each bent or shifted piece of a consumer's frame is at exact manufacturer specification

Safer and more effective welding equipment

State Commission To Study Auto Body Labor Rates

Challenges Facing our Industry – The technicians of the future?

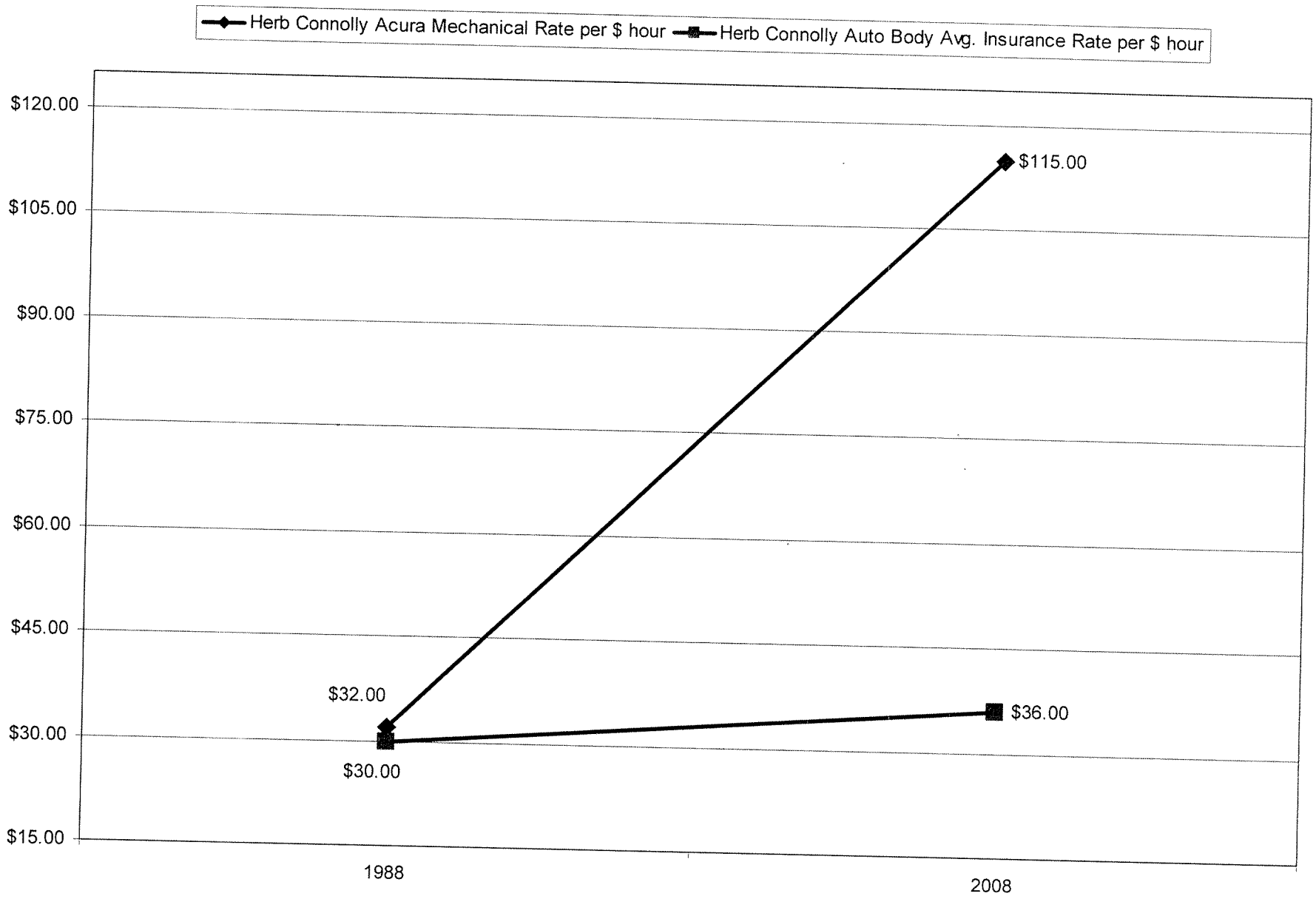
- Rates have been held so low for so many years, many of our industry's employment candidates have chosen a more lucrative path into the mechanical repair industry, where labor rates have grown at a substantially higher annual basis.
- Auto body repair facilities can only pay a % of the labor rate collected from repairs to their body repairmen and painters, resulting in wages that have not risen for most in close to 20 years.
- Future and current recruitment of younger individuals is getting harder and harder and our skilled labor is literally retiring out of the workforce.
- The average age of a bodyman at Herb Connolly Auto Body is 57 years of age.

State Commission To Study Auto Body Labor Rates

Examples of Rising Costs – Mechanical Labor Vs. Auto Body Labor in $/Hour

	1988	2008	Annual % Increase	Avg. $ Annual Increase
Herb Connolly Acura Mechanical Rate per $ hour	$32.00	$115.00	6.60%	$4.15
Herb Connolly Auto Body Avg. Insurance Rate per $ hour	$30.00	$36.00	0.92%	$0.30
CPI Index (data from www.bls.gov/CPI)	$119.50	$219.96	3.10%	$5.02
Cost @ Same Annual Increase from Mechanical Rate	$30.00	$107.81		
Cost @ Same Annual Increase from Inflation	$30.00	$55.22		
Cost of Stamp	$0.22	$0.42	3.29%	$0.01
Cost of Hershey Bar	$0.50	$0.85	2.69%	$0.02
Cost of 4 year state college tuition	$4,000.00	$12,000.00	5.65%	$400.00

Artificially lower rates – Mechanical Labor Vs. Auto Body Labor in $/Hour Graphic Presentation



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MA Reg.#RS2228

My name is Mark Shadley and I along with my brother Paul, own Auto Tec on Bedford Street in Whitman. We have been in business for 27 years the last 8 of which have been in our current location. We are a full service auto service/ auto body shop including Massachusetts inspection stickers, Insurance company pre-inspections, full auto repair and auto body.

When we moved to our current location from a smaller facility in Whitman, we fully upgraded our facility to the most current technologies available including computer assistance, newest auto repair innovations, a new state of the art spray bake paint booth and oven to assure that all of our work is of the highest possible quality. We take great pride in our facility and our work but are finding it increasingly difficult to operate our auto body repair shop under the current rate structure from the Massachusetts automobile insurance carriers.

Our auto repair shop has been able to adjust to current labor and labor related costs as well as to operational costs and still remain

Auto Tec- Whitman Massachusetts

Body Shop

Cost analysis 2001 to 2008

Category	Percentage Change 2001-2008
Worker's comp insurance	Plus 29.2%
Garage Insurance	Plus 71.1%
Liability Insurance	Plus 43.8%
Heat	Plus 34.6%
Electric	Plus 59.8%
Telephone	Plus 4.9%
Wages	Plus 25%
Benefits	Plus 25.5%
Auto Body Labor Rate	**0%**

Auto Body Shop Labor Rates
Special Commission Testimony
Submitted by Gerry Manuel on Behalf of
Travelers Insurance Company

My name is Gerry Manuel. I am a Second Vice President in the Claim Services Division at Travelers Insurance Company, a leading property casualty insurance company selling primarily through independent agents and brokers. The Company sells, among many other insurance products, personal and commercial automobile insurance throughout the United States. Travelers is a Fortune 100 company, with 2007 revenues of $26 billion and total assets of $115 billion. The company has approximately 33,000 employees.

I have 40 years of experience in the auto physical damage and casualty claim areas. I am currently responsible for the auto appraisal program for most of the United States. My role includes defining business requirements, practices, procedures and establishing service level expectations. My past experience includes a series of physical damage technical and leadership positions in both the field and the Travelers home office.

I am a graduate of the State University of New York at Buffalo where I received a Bachelor of Arts degree in Communication and Business Administration.

I appreciate the chance to provide the Commission with some perspective on how labor rates are established in major markets in the U. S. I think this is critical for the Commission to evaluate, because the Massachusetts auto insurance market has never been similar to other markets. It now finally is. Understanding how labor rates are established in healthy, competitive markets and allowing that model to flourish in Massachusetts is crucial to the success of the newly inaugurated competitive auto insurance market in Massachusetts itself. This is particularly so in the case of repair labor rates because the cost of auto repair is a very large part of the overall auto insurance premium dollar. If you fix that cost, it locks down that part of the rate from competitive, market driven, innovative forces.

In most of the country, auto repair labor rates are negotiated between the shop and the insurance company involved. In those markets, when a shop wants to increase its labor rate, the shop owner typically notifies his or her insurer's representatives of their intent to increase the rate. Communication practices vary, with some shops providing both spoken and written notice and others choosing one or the other. Some shops may also post the new rate at its location to reflect the change.

Normally, when carriers start receiving letters or phone inquiries from area shops informing them of a labor rate increase, they generally conduct an area market survey by phone, mail, or face-to-face. The ways in which the resulting data is

Special Commission on Auto Body Rates
Testimony of Susan Scott and Michael Moran on Behalf of
Premier Insurance Company of Massachusetts
November 13, 2008

My name is Susan Scott and I am here with Mike Moran. I am the Senior Vice President and General Counsel of Premier. Mike is the Associate Manager of Premier's Concierge Claim facility. Prior to his current position at Premier, Mike represented Liberty Mutual Insurance Company in capacities of increasing responsibility in the body shop and appraisal setting, culminating in performing as the Regional Appraising Manager, managing the auto damage appraisal program and staff within the Northeast Region.

With the passage of the Insurance Reform Act of 1986, "Cost Containment" became a concept with which Commissioners of Insurance historically grappled every year in his or her annual fixing and establishing of automobile insurance rates pursuant to MGL c. 175, sec. 113(B). The purpose of injecting a concept such as Cost Containment in a rate-setting process that required all carriers to charge the same rate for any given risk was to encourage carriers to "utilize adequate programs to control costs and expenses, in accordance with standards determined or approved by the commissioner." MGL c. 175, 113B. Subsequent to this statutory amendment, the Commissioner at the time promulgated 211 CMR 93.00, the regulation that came to be known as the "Cost Containment Regulation (the Regulation). In the Regulation, the Commissioner set out broad areas of inquiry that were to be developed to determine whether the insurance industry had done an appropriate job in containing costs adequately or not. One of the areas of inquiry under the Regulation was Body Shop Payments, including, among other things, the average hourly labor rate the industry paid to body shops. Under the Regulation, the Commissioner had the authority to penalize the insurance industry through adjusting the rate downward if he or she found that the industry had failed to contain costs as effectively as it might have. Since the promulgation of the Regulation, Commissioners routinely penalized the industry for allegedly failing to contain costs adequately, often citing differences among carriers in their cost containment efforts (including variations within the industry in the body shop labor rate paid) as a reason to penalize the whole industry by artificially suppressing the insurance rates. This system has led to body shop labor rates that have not moved with general market conditions, competition or fluctuations in claim volume in the past several years.

For the first time in decades, the insurance rates were released from the fixed and established rate setting mechanism of MGL c. 175, sec 113(B) and allowed to be set competitively pursuant to the "file and use" approval system provided by MGL c. 175E and, significantly to the labor rate issue, the Commissioner in late October, 2008 repealed 211 CMR 93.00, the punitive Cost Containment Regulation. Free from the strictures of uniform cost containment measures, insurers can for the first time work with body shops on all of the elements of their relationship, including not only reasonable labor rates, but also the quality of the service the shops provide, the time the repairs take to make, and the similar measures. The answer to the body shop woes, however, is most decidedly not to fix and establish their labor rates. The system of fixing a commodity or labor rate by a governmental body is one of the most inefficient rate setting mechanisms we have had the misfortune to create. Such a system leads to mediocrity of service and actually punishes innovation. Moreover, a commission to audit body shops presumably to determine the level of quality of the shop is fraught with practical problems, not to mention, extremely expensive to run. There are some 1800 registered shops located

throughout the Commonwealth. How is an audit program of this magnitude to be funded and staffed? The function of the review of the quality of the shop should be left in the hands of those who provide the body shop service and those who pay for its service and products. For the first time in decades the insurance industry and the body shop industry can actually do just that. More regulation is not a helpful; it is a harmful approach, even to its intended beneficiaries.

The magnitude of the labor rates, taken in isolation from the repair time to fix a vehicle, is extremely misleading especially since Commissioners, in their cost containment inquiry, tended to focus on the labor rate, not the repair times. When the average repair time is included in the equation, the total repair costs in Massachusetts have moved in a direction similar to those of other states.

While it is correct that the Massachusetts body shop hourly labor rate is below the national and regional averages, the total cost to repair and the average number of repair hours it takes to repair a vehicle are equal to or more than national and regional averages. This phenomenon has developed over the long history of the fixed and established rate setting mechanism and the Cost Containment Regulation. In order to live within the Massachusetts system, shops have negotiated favorable concessions from appraisers for procedure items commonly know as "P page" items and to request additional time for repairing body damage. Due to the regulatory requirement to negotiate in good faith with the body shops, many appraisers have felt compelled and often pressured to concede many of these items in order to get an agreement for the total cost of repair.

Adjusting the hourly rate, without making other, concomitant adjustments to these historical practices of adding labor times and procedures would add staggering costs to the price of property damage insurance coverage and result in significant increases in automobile insurance premiums. With managed competition in its infancy and consumers realizing for the first time in their memories the benefits of discounts and product offerings that have never been available before, it would be disheartening to create another one-size-fits all solution and more regulation precisely when competition and agreements between insurers and body shops, made possible for the first time by managed competition, could work to the mutual benefit of shops, insurers and not contrary to the interests of consumers.

Data from two appraisal platform companies show that the labor rate issue is not as dramatic as the body shop associations have depicted it to be. These companies, who sell their services to both body shops and insurers, have a vested interest in the accuracy of their information. One of the larger data collection services nationwide, CCC, determined that for 2007, the average labor rate in Massachusetts was $32.36 and the average time it took to repair a vehicle in Massachusetts was 30.4 hours, for a total of $984 of labor cost per repair. [1] In the same year, the CCC National average labor rate was $43.44, while the average repair time was 23.5 hours, for a total of $1021 of labor cost per repair. The cost difference of $37 per repair is 3.7% of the total cost, while the labor rate difference is $11.08 or 25.5%. The difference in the average repair time between Massachusetts and the rest of the country was 6.9 hours, or 22.7% more in Massachusetts.

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[1] Reference is made to the November 13, 2008 Supplemental Statement of PCI and submitted at the above-referenced hearing. The source of the data referred to herein is published in CCC Crash Course and is made available to PCI members who are CCC subscribers.

If the shops were to fail to change their behaviors and companies were forced to pay an "indexed" labor rate of $44-46/hour, the additional rate multiplied by the additional hours would add over $243-274 to the average repair cost based on today's average labor rate the companies pay of $36-37/hour. The labor cost of repairs would then be more than 20 – 23% higher than the national average and by far the highest in New England. This additional labor cost of 25.5% would be passed on to consumers in the form of additional premium, loss of discounts and loss of new product offerings.

An additional impact of this change would be a shift in the ratio of the number of total loss vehicles to repairable vehicles. A rise in the repair costs means a rise in the number of vehicles that would be declared total losses and, ironically, a decline in the number of repairable vehicles, which are, of course, the bread and butter of the body shop industry. This would also place a burden on consumers needing to find a replacement for their, now totaled, vehicle.

A system that effectively freezes labor rates at an unrealistic value over time is admittedly bankrupt. Allowing the new competitive market in Massachusetts to mature by allowing companies to negotiate in good faith with shops for fair and reasonable costs of repair will ultimately help solve the immediate issue and insure the long term health of the whole system. We do agree that shops should have a mechanism in place to be graded on the quality of there services, just as other businesses have. That grading system and the CIC system, which provides objective standards of quality for the body shop industry, are sound and would actually help insurers and customers understand the quality of repairs that a shop offers. The free market offers a better option for providing that quality review than a state-run system.

It is our desire to provide the best possible service to our customers. That service includes not only the repair quality, but also the speed in which vehicles are returned to its owners so that they can get back on the road in their own vehicles. Shops that have an incentive to repair vehicles quickly with the highest possible quality would be shops we would want our customers to use and to which we would have an incentive to pay well. This market-based grading system, if allowed to develop, could help consumers make more informed choices than they are able to make today.

We urge the Commission not to recommend any legislation that would provide for a state rate setting mechanism for the body shop industry. We also suggest that the Commission make a finding that the managed competition auto insurance system is in its formative period such that an overhaul of the body shop payment system would actually be harmful to the long term health of the auto insurance system, to the body shop payment system and to the Massachusetts consumer.

Statement for the Hearing of
The Special Commission on Auto Body Rates
November 13, 2008

Dr. Sharon Tennyson
Associate Professor
Department of Policy Analysis and Management
Cornell University

Introduction

My name is Sharon Tennyson. I am an economist and Associate Professor of Policy Analysis and Management at Cornell University. My expertise is in the industrial organization and regulation of insurance markets, and I have published extensively in these areas. I have been active in insurance research for over fifteen years, and I am a member of the American Risk and Insurance Association, and a former president of the Risk Theory Society. I serve on the editorial boards of two major insurance journals: *The Journal of Risk and Insurance* and the *Journal of Insurance Regulation*. Prior to my position at Cornell I was on the faculty of the Department of Insurance and Risk Management at the Wharton School of the University of Pennsylvania. My curriculum vita is included with my written testimony.

Of specific relevance to these hearings, I have written extensively on the Massachusetts automobile insurance market. My work includes a much-cited study of the economic consequences of the fix-and-establish system of regulation, published by the AEI-Brookings Institution in 2002.[1] In May 2007 I provided testimony at the hearing held by the Massachusetts Division of Insurance on competition in auto insurance, the record from which helped lead Insurance Commissioner Burnes to move away from state-set rates and replace it with the current system of managed competition.

I have been invited by the Massachusetts Insurance Federation to share with you my professional opinions regarding practices in setting auto body rates.

[1] Tennyson, S., M.A. Weiss and L. Regan, Automobile Insurance Regulation: The Massachusetts Experience, in J. David Cummins, ed., *Deregulating Property-Liability Insurance: Restoring Competition and Increasing Market Efficiency*, Brookings Institution Press: 2002.

My testimony applies insights from economic theory and the economics of regulation to the public policy concerns regarding systems for setting auto body rates in Massachusetts. I welcome this opportunity to provide input to your decisions.

The Regulatory Transition in Massachusetts

The first point I want to emphasize is that these hearings take place within the context of the regulatory transition in the Massachusetts automobile insurance market. The Massachusetts auto insurance market is in the process of transitioning from a tightly regulated fix-and-establish rating system to a more flexibly regulated system of managed competition. The problems considered in these hearings should be contemplated within that broader context, and solutions should be understood as part of the process of transitioning from state-set rates to managed competition.

It is now well recognized that the fix-and-establish system substantially distorted the functioning of the auto insurance market in the state. The number of insurance providers operating in the market declined precipitously over the years and market concentration increased as a result. Insurer competition and investment incentives were reduced, and the centrally determined rate structure moved premiums away from those that would prevail in an open market. Large subsidies to high risk drivers encouraged higher risk behaviors, leading to substantially higher claims costs.[2] These adverse effects of the regulations provided much of the rationale for moving to managed competition.

[2] Derrig, R. and S. Tennyson, The Impact of Rate Regulation on Claims: Evidence from Massachusetts Automobile Insurance, presented at the American Risk and Insurance Association meetings 2007.

Other distortions caused by the old system of regulation have received less attention to date, but correcting them is of no less importance to the efficient functioning of the auto insurance market. Chief among these are the distorted relationships between automobile insurers and businesses that provide inputs to the insurance process. This includes the auto body repair shops that are the subject of the current hearings.

Auto Body Rates

During the years of fix-and-establish regulation, contracts and relationships between insurers and repair shops came to be heavily regulated in Massachusetts and remain so today under managed competition. These include regulations regarding appraisals and repairs of damaged automobiles, regulations governing relationships between insurers and repair shops, and those governing insurance payments and repair charges to consumers. Cost-containment regulations that required insurers to proactively contain the costs of auto body repairs also affected business relationships between insurers and auto body shops.

One consequence of these longstanding regulations is distorted input use and cost structures for insured automobile repairs. For 2007 hourly average labor rates for auto repair in Massachusetts were the lowest in the country and well below the national average.[3] However, average labor hours per repair were the highest in the country and substantially above the national average. A similar pattern has persisted since at least 2001, and indeed the differences between Massachusetts and other states appear to have increased over this period.

[3] Data on repair costs and labor hours were provided by PCI.

The average labor cost per auto repair (labor hours times hourly rate) in Massachusetts is near the national average. Nevertheless, if labor rates are set artificially low and labor hours are set artificially high then inefficiencies remain. Low labor rates will lead to lower quality of labor in the industry. Excessive time spent on repairs reflects either a lower quality of labor or a wasteful gaming of a constrained reimbursement system. Neither is desirable, and will lead to potentially lower quality of repairs, reduced quality of the repair experience for consumers, and reduced incentives for innovation in the auto body repair industry.

Approaching the issue of low labor rates by establishing regulated minimum rates may address some of these problems but will create others. While higher labor rates should attract labor of intrinsically higher quality into the industry, if rates are established by regulation then incentives to produce high quality work may be lower. Equally important, regulated labor rates will protect inefficient repair shops and inefficient workers and will make it harder for repair shops to distinguish themselves through high quality.

If higher labor rates are enforced without requiring adjustments in labor hours, higher repair costs will be passed through to consumers who will pay more for automobile insurance without receiving more services. This would also lead to artificially heightened profits for body shops, encouraging entry and engendering new financial pressures for the industry due to lower market shares.

If auto body rates are regulated, the flexibility of insurers to determine premiums will be reduced, hindering the ability of insurers to compete over price. Because of the lowered incentives for quality among body shops, the ability of

insurers to compete over quality will also be reduced. Regulation of auto body rates may also discourage insurers from the marketplace. This will translate into fewer carriers with greater concentration and more market power in relation to auto body shops and consumers.

Insurer and Repair Shop Relationships

A preferable solution for the long run health of the industry would be to reduce restrictions on the ability of insurers and repair shops to form relationships. Auto insurers in most markets, including Massachusetts, establish relationships or referral networks with auto body shops. These arrangements provide consumers with a list of preferred shops for which the insurer will guarantee the quality and timeliness of repairs. The characteristics of the auto body industry and its relationship to the insurance industry suggest that such relationships are desirable for all parties to the repair transaction.

The auto repair industry is a classic example of an industry in which consumers have difficulty knowing (with certainty) the quality of the good or service that they have purchased.[4] Auto repairs fall into this category because consumers do not know the exact nature of the repairs that they require, nor do they typically observe the exact nature of the repairs provided.

In a market with this type of information problem, when a single firm ("shop") provides both the services and the recommendations regarding what level of services are needed, there is substantial scope for "overselling" by the shop. If consumers cannot judge the level of service required the shop has a

[4]Darby, Michael and Edi Karni, Free Competition and the Optimal Amount of Fraud, *Journal of Law and Economics*, 1973, pp. 678-873.

profit incentive to recommend too high a service level (overprovision). If consumers cannot observe the level of service actually received then the shop has a profit incentive to charge for more services than are actually provided (overcharging).[5] Empirical studies confirm that problems of this form occur in some markets for auto repairs.[6]

Auto repair service problems are likely to be even greater when repairs are paid for by automobile insurance, due to customer moral hazard. Insured customers have little incentive to monitor whether a shop overprovides and/or overcharges for services. Monitoring of service quality and charges must therefore become the responsibility of the insurer.[7]

Given the importance of insurer monitoring of repair services and costs, repair shop network arrangements may improve market outcomes. Economic theory suggests that overselling incentives are most easily dealt with in repeat-business settings, where word-of-mouth reputations are important, and where contracts transform the relationship between the shop and a service-buyer into a long-term relationship. The logic here is that the threat of losing repeat business,

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[5]Dulleck, Uwe and Kerschbamer, Rudolf, On Doctors, Mechanics and Computer Specialists: The Economics of Credence Goods, *Journal of Economic Literature*, 2006, provide an integrated treatment of this theoretical literature.

[6] Hubbard, Thomas N., How do Consumers Motivate Experts? Reputational Incentives in an Auto Repair Market, *Journal of Law and Economics*, 2002; Schneider, Henry, Agency Problems and Reputation in Expert Repair Services: Evidence from Auto Repair, Working paper, Cornell University, 2007.

[7] The need for insurer monitoring of repair costs presented a problem under the fix-and-establish regulation system in which insurance rates were based on industry average costs. Under that system individual insurers may not have had sufficient incentives to monitor input costs, because those costs would be reflected in industry average costs and passed on in higher rates. Requiring insurers to engage in and document their cost-containment efforts thus became a means to hold down industry average costs. Under managed competition insurers set rates that reflect only their own costs, and for this reason cost-containment regulations are not needed under this form of regulation.

referrals, or a long-term customer relationship will provide the shop with better incentives to provide appropriate quality and quantities of service.[8]

Auto insurer networks are a natural development in this context. Insurers engage in repeat business with repair shops and can develop expertise that leads to a better (or lower cost) ability than individual consumers to monitor and verify service levels and quality. Through the establishment of a long-term relationship the network arrangement also provides the shop with an attractive stream of profits that could be lost if auto repair services are not of sufficient quality or appropriate quantity. In this way strong network relationships provide positive incentives for repair shops, and protect the interests of higher quality shops. They also enhance average quality in the auto body industry and therefore enhance industry reputation.

Strong auto body repair network relationships allow insurers to distinguish their quality and efficiency to consumers. Competition among insurers will lead to a desire to contract with high quality auto body shops and to develop relationships with a variety of shops. This competition will provide consumers with choice and quality in auto repair services, and will increase the bargaining power of body shops with insurers.

The Regulatory Process

We have extensive experience in this country with the regulation of industries, and economists have both actively participated in and carefully chronicled these policies. Markets for transportation, energy, agriculture,

[8] For the earliest work on this idea see Klein, B. and Leffler, K., The Role of Market Forces in Assuring Contractual Performance, *Journal of Political Economy*, 1981.

communication and media as well as financial services have all been recipients of government-determined prices at some points in their history. The overarching lesson from this regulatory history is that outcomes have nearly always been less desirable than those sought or anticipated.[9]

Empirical studies of regulated industries have provided several specific insights regarding the practical shortcomings of government price-setting. These include: (1) Citizens with an interest in the outcome of regulations attempt to influence their scope and form to their own advantage. This means that the redistributive effects of regulations often outweigh their corrective effects. As a consequence, (2) once put into place regulations are difficult to remove and tend to outlive their initial rationale because vested interests seek their continuation.[10] (3) Designing regulations that don't create unwanted distortions is an extremely complex undertaking, due to the highly imperfect nature of information available to regulators and to the impossibility of regulating private incentives. A common manifestation of the inability to regulate incentives is that (4) regulation has an "imperial" or incremental tendency. Regulations create new and often unanticipated incentives for the behavior of market participants, leading to unintended consequences which regulators attempt to counteract with additional regulations. The complexity of many regulatory systems thus reflects the difficulties of achieving regulatory objectives within a market system. Finally, the combined effects of (1) through (4) imply: (5) the distorting effects of regulation in the long run are difficult to foresee and are often much larger than anticipated.

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[9] For general discussions of regulation and deregulation in the United States, see e.g. Breyer, S. *Regulation and Its Reform*, Harvard University Press 1982; and Weiss, L.W. and M.W. Klass, eds., *Regulatory Reform: What Actually Happened*, Little Brown 1986.

[10] Coate, S. and S. Morris, Policy Persistence, *American Economic Review* 1999.

These forces were much in evidence under the fix-and-establish regulatory system that was in place in Massachusetts for 30 years. The state-determined rate grid that formed the basis for pricing by all insurers in the state provided substantial cross-subsidies across drivers. Attempts to preserve the cross-subsidies led to additional regulation of the market forces that might work to counteract them – including the definitions of driver rate classes, the underwriting criteria used by insurers, residual market rates and deficits, and the exit of insurers from the market.[11] As described previously, the regulations created many market distortions including reduced competition and increased claims costs. Yet, though these problems became clear by the late 1980s the regulations remained in force until 2008. This provides proof of the staying power of even unworkable regulations.

There is every reason to believe that a commission established to set auto body rates would fall victim to these same forces. Determining labor rates through a regulatory process is a difficult undertaking fraught with potential unintended consequences. Labor rates based on average industry costs can lead to gold-plating, cost increases and misallocation of resources. Tiered labor rates based on a ranking system may lead to gaming of the rankings engendering additional cost increases and resource misallocation. Attempts to quell these kinds of developments may in turn lead to additional regulations. If history is any guide, over the long run regulation will become increasingly complex and the benefits will remain disappointingly small.

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[11] Derrig, R., Price Regulation in US Automobile Insurance: A Case Study of Massachusetts Private Passenger Automobile Insurance 1978-1990, *Geneva Papers on Risk and Insurance* 1993; Tennyson, S., M.A. Weiss; and L. Regan, Automobile Insurance Regulation: The Massachusetts Experience, in J. D. Cummins, ed. *Deregulating Property-Liability Insurance*, Brookings Institution Press 2002.

Recommendations

Examination of the situation in Massachusetts suggests that the current contracting difficulties between insurers and auto body repair shops are a residual effect of the former regulatory system and would be best dealt with through a continued effort to adjust regulations to conform to the new managed competition system. Policies that regulate prices in the insurer-body shop relationships – even if intended to be temporary – run the risk of repeating the patterns observed in other regulated industries. Due to the dynamics inherent in regulatory processes a state commission will be unable to assure that rates are set in a beneficial manner.

In addition, instituting regulation of auto body rates will send a signal to the nation's automobile insurers that the move to managed competition will be either short-lived or short-changed. This would represent an undesirable return to more regulation, and slow the recent trends toward greater competition and greater efficiency in the market. I recommend the opposite approach – revising current regulations to reflect the move to managed competition rather than making them more onerous – to facilitate contracting between insurers and auto body shops more so than is permitted now. This will ultimately provide better outcomes for the Massachusetts' market than will be provided by a state rate setting mechanism.

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2003-2008	Faculty Fellow, Program on Pharmaceutical Policy Issues, Department of Policy Analysis and Management, Cornell University
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EDITORSHIPS

Editorial Board member, *Journal of Insurance Regulation*, December 2005-present
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Northwestern University	Ph.D. in Economics, 1990 Major field: Industrial Organization and Public Policy
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"State Prescription Drug Policies, Cost Barriers and the Use of Acute Care Services by Medicaid Beneficiaries," with Hae Kyung Yang, forthcoming in *Journal of Consumer Affairs* (2009).

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The Liability Maze: The Impact of Liability Law on Safety and Innovation, Peter Huber and Robert Litan, eds., *Journal of Policy Analysis and Management*, V11, No.4 (Fall 1992): 728-731.

EXTERNAL SERVICE ACTIVITIES

Service to Government and Industry: Expert witness, Massachusetts Automobile Insurance Competition hearing, May 2007 (consultant to The Fairness for Good Drivers Coalition); Expert witness, Alberta Automobile Insurance hearings, November 2006 (consultant to Insurance Bureau of Canada); Economic Reviewer, Institute for Defense Analysis, 2003-2006; Member, Board of Trustees, Elizabeth Ann Clune Montessori School of Ithaca, 2004-2007; Cornell representative to Board of Directors, Ithaca Community Childcare Center, 2000-2004 (Vice President, 2002-2003; Secretary 2001-2002); Advisor, Consumer Information Task Force of the Coalition Against Insurance Fraud, 1996-97; Expert witness, Maryland State Governor's Commission on Reforming Baltimore City Automobile Insurance, March 1995.

Service to American Risk and Insurance Association: Program Committee, 1992-93, 1995-96, 1996-97, 1999-00, 2005-06, 2006-07, 2007-2008; Nominations Committee, 1995-96; Best Article Awards Committee, 1994-95, 1995-96, 1997-98, 2005-06, 2006-07, 2007-2008; Book Awards Committee, 1991-92, 1998-99 (chair), 2002-03, 2003-04.

OTHER PROFESSIONAL ACTIVITIES

Ad Hoc Reviewing: Journal of Risk and Insurance (Assistant Editor award 1996, 1997), Risk Management and Insurance Review, Journal of Law, Economics and Organization, Journal of Banking and Finance, Journal of Political Economy, American Economic Review, Journal of Law and Economics, Journal of Business Ethics, National Science Foundation, Geneva Papers on Risk and Insurance Theory, Journal of Legal Studies, Journal of Insurance Regulation, Journal of Consumer Affairs, European Economic Review, Journal of Consumer Policy, International Review of Economics and Finance, Industrial and Labor Relations Review, Journal of Insurance Issues, Economic Journal, Journal of Financial Intermediation, Journal of Risk and Uncertainty, Review of Industrial Organization, MIT Press, Elsevier Press.

Presentations at Conferences: American Health Economics Association Meeting, 2008; American Economic Association Meetings 2008, 1993; Searle Center Conference on Insurance Markets and Regulation, Northwestern University 2008; International Society for New Institutional Economics 2006; American Risk and Insurance Association Meetings 2008, 2007, 1996, 1995, 1994, 1992, 1991; AEI-Brookings Joint Center for Regulatory Studies Conference on Property-Liability Insurance Price Deregulation 2001; American Council on Consumer Interests Meetings 2001; Risk Theory Society Seminar 2001, 1996, 1992; Seminar of the European Group of Risk and Insurance Economists 2000; Insurance: Mathematics and Economics 2000; Fifth International Conference on Insurance Solvency and Finance 1997; International Conference on Automobile Insurance (University of Montreal) 1997; NBER Pre-Conferences on Property-Casualty Insurance 1994-1995; Econometric Society North American Summer Meeting 1994; Franco-American Economics Seminar 1994.

Other Conference Participation: Session organizer, American Economic Association meetings 2008; Discussant, Conference on Empirical Legal Studies, 2008; Resident Academic, annual CEO Conference of Canadian property-casualty insurance companies 2007; Discussant, American Risk and Insurance Association meeting, 2006; Session moderator, American Risk and Insurance Association meetings 2000, 2004, 2006, 2007, 2008; Program Chair, Risk Theory Society Seminar 2002; Session moderator, American Council on Consumer Interests Meetings 2001; Session organizer, CSWEP session, Western Economic Association meetings 1999.

Presentations to Non-Academic Groups: "Unintended Consequences of Insurance Rate Regulation", Regulatory Affairs Symposium of the Insurance Bureau of Canada, November 2008; "Consequences of First-Party Insurance Bad Faith Liability", NAMIC Annual Conference, September 2008; "Consumer Complaints in the Insurance Industry," 5th Annual Insurance Reform Summit, March 2008; "The Impact of Rate Regulation on Claims: Evidence from Massachusetts Automobile Insurance", Casualty Actuary Society Northeast Regional Meeting, September 2007; "Efficiency Consequences of Insurance Rate Regulation," 4th Annual Insurance Reform Summit, March 2007; "Insurance Fraud and Optimal Claims Settlement Strategies," Insurance Research Council/Massachusetts Automobile Insurers' Bureau Conference on Insurance Fraud, November 2002; "Understanding Insurance Fraud: Theory and Practice," Casualty Actuarial Society National Meeting November 2001 and May 2002; "Life is a Risky Business: Making Insurance Choices Wisely", ACCEE Conference, October 2001; "Improving Insurance Knowledge of New York State Consumers," Cornell Cooperative Extension, March 2000; Discussant, "The Benefits of Mileage

Based Auto Insurance Policies," Economic Policy Institute conference, December 1998; "The Future of Insurance Marketing Systems," Minnesota Independent Insurance Agents Association, October 1996.

INTERNAL SERVICE ACTIVITIES

College and University Committees: Member, CAS Ad-hoc Tenure Review Committee, 2008; Mann Library Committee, 2005-present (chair 2008-2009); University Benefits Committee, 2002-2006; Grant Review Team, Hatfield Fund for the Enhancement of Economics Education, 2002-2005; College of Human Ecology Nominations Committee, 2001-2004; College of Human Ecology Educational Policies Committee, 2002-2003; Review Team, Pre-proposals for Cornell Cooperative Extension Learning Centers, 2001.

PAM Department Committees: Liaison to Mann Library, 2005-present; Director of Undergraduate Studies, 2002-2003; Executive Committee, 2002-2003; Undergraduate Committee, 1998-2003 (Chair, 2002-2003); Sloan MHA Program Committee, 1998-2001; Faculty Search Committee, 1998-2002, 2002-2004 (Chair), 2005-2006, 2006-2007 (co-Chair), 2008-2009; Search Committee for Sloan Program Associate Director, 1999-2000 (Chair).

PAM Graduate Field: Field Governance Committee, 2000-2001; Field Committee, 2001-2002.

Service on Ph.D. Dissertation Committees: Lisa L. Posey, Ph.D. 1992; Laureen A. Regan, Ph.D. 1993; Anne E. Kleffner, Ph.D. 1993; David W. Sommer, Ph.D. 1993; Jeong D. Kim, Ph.D. 1994; Richard A. Phillips, Ph.D. 1994; Sung Hun Seog, Ph.D. 1995; Tracy Shepard Allotey, Ph.D. 1995; Jweeping Er, Ph.D. 1996; David M. Russell, Ph.D. 1997; M. Martin Boyer, (chair) Ph.D. 1998; Susan Suponcic, Ph.D. 1998; Hyojin Kang, Ph.D. 2003; Sonja Afroz, Ph.D. 2005; Sara Hoda, Ph.D. 2007; Hae Kyung Yang, Ph.D. 2007; Ajay Aseem Palvia, Ph.D. 2007; Michael Collins, (chair) Ph.D. 2008.

RESEARCH FUNDING

2006-2008 Principal Investigator, *Program on Consumers, Pharmaceutical Policy and Health* Grant, "Drug Choice, Negative Information and Consumer Behavior".

2003-2008 Co-Principal Investigator (with Kosali Simon), *Program on Consumers, Pharmaceutical Policy and Health* Grant, "State Regulation of Medicaid Pharmacy Benefits".

2003-2004 Project Coordinator, *Merck Company Foundation* grant to the Department of Policy Analysis and Management, "Consumers, Pharmaceutical Policy and Health".

1998-2003 Principal Investigator, *Hatch Grant, USDA*: "Issues in the Regulation of Insurance Marketing and Distribution".

2001-2002 Principal Investigator, *Cornell Gerontology Research Institute* Pilot Grant, "Public-Private Partnerships for Funding Long Term Care".

1999-2001 Principal Investigator (collaborative research with B.J. Bristow), *CSREES Research-Extension Integration* Grant: "Insurance Choices: Knowledge, Confidence and Competence of New York State Consumers".

1998-2001 Principal Investigator, *College of Human Ecology* Grant, Cornell University: "Regulatory Issues in Insurance Markets".

1995-1997	Principal Investigator (collaborative research with K.J. Crocker), *National Science Foundation*, Economics Division Grant #SBR95-07768: "Contracting with Costly State Falsification: Theory and Empirical Results from Automobile Insurance".
1995-1996	Principal Investigator, *National Association of Insurance Commissioners* Grant: "The Effects of Rate Regulation on the Structure of Automobile Insurance Markets".
1994-1995	Principal Investigator, *University of Pennsylvania Research Foundation* Grant: "Regulation and Industrial Organization in Structurally Competitive Industries: The Case of Automobile Insurance".
1994-1995	Principal Investigator, *University of Pennsylvania Research Foundation* Grant: "Social Norms in Economic Settings: Consumer Attitudes Toward Insurance Fraud".
1993-1995	Co-Principal Investigator (collaborative research with J.D. Cummins), *Financial Institutions Center* Grant, The Wharton School: "The Management and Control of Fraud in Insurance Firms".
1993-1994	Co-Principal Investigator (collaborative research with S. Chamberlain), *Fishman-Davidson Center* Grant, The Wharton School: "The Risk and Efficiency Effects of Insurance Company Mergers".
1992-1993	Principal Investigator, *University of Pennsylvania Research Foundation* Grant: "The Tort System and Insurance 'Lotteries'".
1989-1990	Principal Investigator, *Society of CPCU* Grant: "The Effects of Rate Regulation on Underwriting Cycles".
1988-1989	Doctoral Dissertation Fellowship, *State Farm Companies Foundation*: "Supply Dynamics and Underwriting Cycles in Property Liability Insurance".
1987-1988	Graduate Research Fellowship, Research Fellowship, *Center for Urban Affairs and Public Policy*, Northwestern University

COURSES TAUGHT

Cornell:	Consumers, Information and Regulatory Policy (PhD), Economics of Consumer Policy, Applied Public Finance, Risk Management and Policy, Regulating Financial Institutions, Microeconomics for Management and Policy (MHA), Seminar on Pharmaceutical Policy Issues (MHA)
Wharton:	Principles of Risk and Insurance, Risk Management, Risk Management and Treatment (MBA.), Industrial Organization of Insurance Markets (PhD)

CORNELL GRADUATE FIELD MEMBERSHIP

Policy Analysis and Management, Economics, Cornell Institute for Public Affairs

Statement of the American Insurance Association

before the

Special Commission on Auto Body Rates

Thursday, November 13, 2008

John P. Murphy
Vice President
American Insurance Association
One Walnut Street
Boston, MA 02108

On behalf of the American Insurance Association ("AIA"), a national property and casualty trade association with over 350 member companies, I thank you for the opportunity to offer AIA's perspective on the regulation of auto body labor rates in Massachusetts. AIA members collectively wrote more than $923 million in auto insurance premiums in 2007 and have over a 19% market share.

After decades of state set automobile insurance rates, Massachusetts began the transition to "managed competition" during the past year. Under this new system, insurance carriers must file their own rates and aggressively compete for new business based on price, product and service with a focus on the individual consumer's needs. From all indications, managed competition has been a resounding success. Consumers are reaping the benefits of lower premiums, greater coverage options and additional choices among carriers. Given the difficult economic times confronting all of us, the move to managed competition could not have come at a better time for Massachusetts drivers.

Unfortunately, several proposals were advanced during the legislative session that would require the state to fix the hourly labor rate charged by auto repair shops. This Special Commission has been directed to investigate similar rate setting approaches. AIA members strongly oppose these efforts to re-introduce government price fixing to the automobile insurance system and hope that Massachusetts will not reverse course from its commitment to managed competition.

Allowing competitive forces to operate will ensure that quality repairs are made in the most efficient and cost-effective manner. Given the volume of auto repair business they support,

automobile insurers can and do negotiate favorable labor rates for repairs. These efforts have a positive impact on repair costs which, in turn, have a positive impact on containing overall insurance costs. Curtailing or eliminating the ability of insurers to independently negotiate labor rates with repair shops will have an adverse impact on automobile insurance costs—and consumers. The Automobile Insurance Bureau ("AIB") has estimated that if insurers were no longer allowed to negotiate labor rates with repair shops and the labor rate were set at a level comparable to the national average, the cost of automobile repairs in Massachusetts would increase between $128 million and $146 million annually. These costs will ultimately be borne by consumers.

Proponents for state-set labor rate have noted that the average hourly labor rate in Massachusetts is less than those of surrounding states and the national average. In their view, this fact alone proves that body shops are underpaid and warrants having the government set a price for an entire industry. However, AIA urges Commission members to look at the whole picture and not focus solely on hourly rate comparisons. While the average hourly labor rate in Massachusetts may be lower than in surrounding jurisdictions, it takes Massachusetts repair shops longer to complete the repairs than their colleagues in other states. The combination of hourly labor rate and the amount of time to complete repairs yields the actual cost of the labor to effect a repair and this is a more pertinent benchmark.

The chart below shows that Massachusetts shops, on average, expend 30.4 labor hours on each claim whereas the national average and the average of the other New England states is 23.5 hours.

Average Labor Hours per Claim[1]

CT	23.6
ME	23.6
MA	**30.4**
NH	22.9
RI	26.1
VT	21.1
US	23.5

The following chart details the percentage that labor costs account for out of the total cost of repair. Massachusetts appears to be in line with the rest of the New England states and the national average.

Labor Costs as Percentage of Total Repair Costs[2]

CT	42.55%
ME	41.49%
MA	**41.38%**
NH	43.23%
RI	43.73%
VT	41.57%
US	42.10%

[1] Source: Repairable Appraisal Statistics by State—Calendar Year 2007 from CCC Information Services Inc. CCC data as published in CCC Crash Course and made available to AIA members who are CCC subscribers.

[2] Source: Repairable Appraisal Statistics by State—Calendar Year 2007 from CCC Information Services Inc. CCC data as published in CCC Crash Course and made available to AIA members who are CCC subscribers.

Despite its lower than average hourly labor rate, the overall cost of labor to repair a vehicle in Massachusetts matches up with overall labor costs in the other New England states and the United States as a whole. Longer repair times appear to compensate for the lower average labor rate in Massachusetts.

While every service provider in every industry undoubtedly would like to be paid more for his or her time, it's not appropriate for government to displace market forces in order to grant that wish—particularly where, as here, a case has not been made for such drastic action—and doing so would adversely impact consumers by raising costs.

No other state in the country has opted to set a labor rate for automobile repairs and AIA strongly urges this Commission to reject any such proposal for Massachusetts. Managed competition is in its infancy and it should be allowed to develop and evolve without any imposing any economic constraints on its component parts.

Thank you.

COMMONWEALTH OF MASSACHUSETTS

SPECIAL COMMISSION ON AUTO BODY RATES

STATEMENT OF E. MICHAEL SLOMAN,
AUTOMOBILE INSURERS BUREAU OF MASSACHUSETTS

The Automobile Insurers Bureau of Massachusetts (AIB) is a rating organization licensed by the Commissioner of Insurance under G. L. c. 175A, § 8, and represents the insurers in matters involving the rates and regulations for private passenger and commercial automobile insurance in Massachusetts. Since 1925, the AIB has participated in rate setting hearings before the Commissioner, produced the policy forms and rules used in writing automobile insurance, developed actuarial analyses of rating data, and evaluated the cost containment activities of the insurers. The AIB maintains statistical information on insurance policies and claims, participates in administrative and judicial proceedings, and provides data analyses for the state's regulatory agencies, including the Division of Insurance, Registry of Motor Vehicles, Merit Rating Board, Division of Professional Licensure, and Division of Standards.

E. Michael Sloman is Vice President, General Counsel for the AIB and is responsible for the regulatory requirements for automobile insurers and the industry's cost control and claim practices, as well as the AIB's rules and forms services. Mr. Sloman has testified at the Commissioner's hearings under G. L. c. 175, § 113B, on the insurers' claim handling practices and cost containment programs, and is familiar with the issues involved the payment of collision claims by automobile insurers and auto body labor rates.

The Context for the Auto Body Labor Rate

The charge to the Special Commission on Auto Body Rates is to study "existing practices in setting rates" and "establishing a tiered rating system for auto body shops" based on an average national hourly labor rate. St. 2008, c. 182, § 108. Although not explicit in the enabling statute, the apparent focus of the commission's effort is the labor rate paid for insured collision repairs, not the rates independently established by repair shops. With little doubt, the Massachusetts insurers' auto body labor rates are low relative to the hourly rate in neighboring states and the national average. However, the adequacy of the labor rate cannot be evaluated in isolation; rather, it must be considered in the broader context of the rates, costs and procedures of the entire automobile insurance system in Massachusetts.

The private passenger automobile insurance rates have declined significantly over the past few years: 7.8% decrease in the average premium in 2008, 11.7% decrease in 2007, 8.7% decrease in 2006, and 1.7% decrease in 2005. The decline in insurance premiums has been accompanied by significant regulatory changes designed to provide greater flexibility, more choice and lower rates, through the introduction of managed competition and an assigned risk plan. The competitive environment, underway since April 1, 2008, allows insurers to adopt reasonable premium charges and procedures dictated by the market, not the state. In the area of auto body repairs, the insurers are no longer obligated to justify particular cost containment programs, as required by statute,

G. L. c. 175, § 113B, and regulation, 211 CMR 93.00, but can rely on market practices to produce fair rates and procedures.

As for the automobile insurance costs associated with the auto body labor rate, the calculation is relatively straightforward. In 2007, the loss costs for the physical damage coverages (Collision, Property Damage Liability and Comprehensive, excluding glass) were about $1.2 billion for approximately 500,000 claims. Labor costs represent about 42% of the total repair cost in Massachusetts, putting approximately $500 million at issue. If the average labor rate in Massachusetts were to increase by 15% to reach the national average rate suggested by St. 2008, c. 182, § 108, the cost to policyholders would be approximately $90 million annually -- a 2.4% increase in automobile insurance premiums, in marked contrast to the recent rate decreases. Independent of the national average rate, each one dollar increase in the Massachusetts rate will produce a $15 million increase in annual premium charges to policyholders.

A higher national average labor rate, however, does not prove that the Massachusetts auto body rate is unreasonable or inadequate. The proper focus is the system in which the rate operates -- the direct claim payments, referral shops and cost control programs mandated by the Legislature and the Commissioner to ensure reasonable automobile insurance costs.

The Direct Payment and Referral Shop System

Before 1989, insurers were prohibited from referring insureds to auto body repair shops and were required to pay a shop only after its certification that the repairs were completed in accordance with the estimate, leading to excessive

charges for labor and parts and limited competition among shops. Decision on 1987 Rates, pp. 41-43. The most troubling feature for the Commissioner was the existence of a prevailing rate for labor charges across Massachusetts higher than the national average and a pattern of increases in the rate at the demand of the repair shops. Decision on 1988 Rates, p. 177. To address the economic inefficiencies, the governing statutes were amended, St. 1988, c. 273, §§ 24 and 51, and regulations implemented, 211 CMR 123.00, to permit claim payments directly to the insured prior to repair and the identification of referral shops under plans approved by the Commissioner. Massachusetts Auto Body Association, Inc. v. Commissioner of Insurance, 409 Mass. 770, 772 (1991). Since then, the direct payment and referral shop system has saved automobile insurance policyholders approximately $2 billion.

All Massachusetts insurers use direct payment and referral shops. The insurer appraises the damage to a vehicle and gives the claimant a check for the cost of the repairs (less any deductible) described in the appraisal. The insurer also provides a list of all registered repair shops with the insurer's referral shops highlighted. The claimant is not required to use a referral shop, but if one is used, the insurer will guarantee the materials and workmanship in the repair and the cost will not exceed the amount of the direct payment plus any supplemental payment authorized. The claimant can elect to have repairs other than those specified in the insurer's appraisal or decide to forego any repairs and retain the insurer's check.

The form of the insurer's referral shop listing is dictated by 211 CMR 123.06 and Division of Insurance Bulletin 94-03. The list must contain all repair shops in Massachusetts registered under G. L. c. 100A, § 6, with the insurer's geographically convenient referral shops highlighted by asterisk or other means. In determining which registered repair shops can be referral shops, the insurer must consider specific criteria: the quality, speed and cost of repairs, the quality of customer service, geographical convenience, cooperation with inspection requirements, and compliance with applicable laws and regulations. 211 CMR 123.06(3)(b). For its part, the referral shop must agree to perform repairs in accordance with the insurer's appraisal, to accept the direct payment and any supplemental payment, to charge an agreed labor rate, to use less expensive parts if appropriate, to guarantee the quality of the repairs, and to charge an agreed price for storage. Any registered repair shop which meets the criteria and agrees to comply with the insurer's plan is eligible to be a referral shop.

In addition to $2 billion in insurance savings, the direct payment and referral shop system has produced prompt repairs and satisfied customers. A claimant using a referral shop will have the repair completed without undue delay at the cost determined by the insurer's appraisal, plus any authorized supplemental payment, and with a guarantee of the quality of the repair. The referral shop agreements incorporate terms for the negotiated labor rate and the use of less expensive parts when appropriate. The system also generates cooperation between the insurer and the repair shop that ensures satisfaction of the customer's needs. The labor rate component of the insurer's claim payment

is necessarily reasonable because it is the product of negotiation with the referral shops and ample shops are available to perform the repairs at the cost established by the insurer's appraisal.

An insurer's labor rate does not limit a repair shop's charge to a customer if it is not a referral shop. A shop is not obligated to be a referral shop and remains free to charge a customer for a labor rate higher than allowed by the insurer, assuming notice to the customer. The insurer's labor rate dictates only what it will pay for repairs, but it does not preclude balance billing to a customer for repairs outside the system. While a shop that balance bills for a higher labor rate (or any other component of the repair) may operate at a competitive disadvantage with referral shops, that outcome is a matter of choice, not law.

The Available Data

Despite the suggestion implicit in St. 2008, c. 182, § 108, there is no single, unquestioned source for the calculation or estimation of the body shop labor rate for Massachusetts or the United States. One source is Mitchell Industry Trends Report, a quarterly publication that incorporates some labor rate data collected from the collision appraisal system operated by Mitchell International, Inc. The report produces labor rate data for a sample of ten states, but it does not regularly produce the Massachusetts or national average rates. The most recent information for the average hourly labor rate for all states was for 2005 and 2006 (Vol. 7, No. 1, p. 20) and showed that the Massachusetts rate was about 18% lower than the national average and 12 to 24% below the labor rate of neighboring states.

Mitchell ($)	US	MA	CT	RI	NH
2005	41.64	33.49	43.91	38.17	40.62
2006	42.45	34.55	45.32	39.13	41.40

Another data source is CCC Information Services, Inc., which collects collision data from its appraisal system used by insurers and repair shops. That data, not generally available, show the following average labor rates and average total repair costs:

CCC ($)	US	MA	CT	RI	NH
2003: Rate	38.61	35.31	41.83	37.75	38.67
Repair Cost	2,218	2,081	2,312	2,534	2,094
2004: Rate	39.67	35.62	42.85	37.78	39.87
Repair Cost	2,240	2,183	2,383	2,604	2,215
2005: Rate	40.95	36.18	43.52	37.64	41.08
Repair Cost	2,332	2,237	2,434	2,693	2,290
2006: Rate	42.47	36.96	44.41	37.77	41.82
Repair Cost	2,396	2,313	2,551	2,817	2,331
2007: Rate	43.44	37.27	45.38	40.80	42.46
Repair Cost	2,425	2,377	2,518	2,436	2,249

The CCC data indicate that the average Massachusetts labor rate is currently 14.2% lower than the US average rate and 8.6 to 17.8% lower than neighboring states. However, the total repair cost in Massachusetts is only 2% less than the national average. Total repair costs have increased in Massachusetts 14.2% over the past five years, while the national repair costs have increased 9.3%. The difference in the rates of increase for total repair costs lies, in part, in the fact that the number of labor hours per claim is substantially higher in Massachusetts than elsewhere. By CCC's measure, the average hours per claim in Massachusetts is almost 30% greater than the average labor time in the United States and neighboring states.

Another factor to consider in the evaluating the auto body rate is the significant decrease in the number of physical damage claims, while the number

of registered repair shops has remained generally unchanged. As required by 211 CMR 123.06(2)(b), the AIB maintains the list of repair shops registered with the Division of Standards for use in publishing the insurers' referral shop listings. The Division's data show that there are now 1,775 registered repair shops after fluctuating somewhat since 2000, but declining only 1.2%. For comparison, Rhode Island has 272 registered collision repair shops.

Year (at 3rd qtr)	2000	2001	2002	2003	2004	2005	2006	2007	2008
Registered Shops	1797	1853	1868	1956	1903	1874	1849	1809	1775

The number of private passenger automobiles in Massachusetts with Collision and Comprehensive coverage has remained steady at approximately 3 million, for one registered repair shop per 1,700 cars; but between 2003 and 2007, Collision claims decreased 21.5%, Comprehensive claims (excluding glass) decreased 27.5%, and Property Damage Liability claims decreased 10.7%. The sharp decline in physical damage claims (606,370 in 2003 to 503,425 in 2007) has reduced the ratio of one shop per 310 claims to one shop per 284 claims, only an 8.4% decrease. Because there is less collision repair work available, the repair shops will certainly have less income. However, an increase the labor rate to offset the decline in the claim volume seems an inappropriate means to sustain the prevailing number of repair shops.

Further, an increase in the hourly labor rate may not produce a corresponding increase in repair shop revenues. Higher repair costs will increase the number of automobiles that are declared a total loss and are, therefore, not repairable. The number of total losses in Massachusetts has been steadily increasing (now about 14% of claims) and approaching the national

average of 18 to 20% of claims. Mitchell Quarterly Trends Report, Vol. 7, No. 1, p. 22. Also, the average age of insured vehicles in Massachusetts has increased by about six months in the past two years, to about 5.7 years. As vehicles age, the actual cash value decreases and produces more total losses. An increased labor rate for insured collision claims will only contribute to that trend, leaving fewer repairs and not additional repair shop income.

In addition to insurance claim data, information from the United States Bureau of Labor Statistics (BLS) should be considered in evaluating the auto body labor rate in Massachusetts, as suggested by St. 2008, c. 182, § 108. The most recent BLS occupational employment and wage estimates (May, 2007) show that the Auto Body and Related Repairers occupation (Code 49-3021) in Massachusetts has 4,130 workers with an average hourly wage $20.68. That wage is the fifth highest for the auto body repairer occupation in the United States, behind Alaska, Colorado, Missouri and Michigan. The average hourly wage in Massachusetts is 11.6% higher than the same wage for the United States ($18.53) and 5.7% higher than the hourly wage for all occupations in the United States ($19.56). In addition, the hourly wage in Massachusetts is significantly higher than the same rate in Connecticut ($19.42), Rhode Island ($18.82), and New Hampshire ($17.69).

The BLS Occupational Outlook Handbook (2008-09 Edition) states that job opportunities for auto body and related repairers are projected to be "excellent." Employment is expected to increase 12% through 2016, as compared to a 10% growth for all occupations. The demand for auto body

services will increase if the number of vehicles on the road continues to grow, but will be "constrained as more vehicles are declared a total loss" and "higher insurance premiums and deductibles mean that minor damage is more often going unrepaired."

A frequent point of comparison for the auto body rate is the comparable rate for automotive mechanical repairs. While the labor rate is not available, the BLS data show that the Massachusetts hourly wage for auto body repairers is 7.3% higher than the average hourly wage for Auto Service Technicians and Mechanics (Code 49-3023) in Massachusetts ($19.28) and 17.9% higher than the wage for that occupation in the United States ($17.54).

OES	All Occupations	Auto Body Repairers	Auto Service Techs
US: Wage	$19.56	$18.53	$17.54
Workers	134,354,250	152,790	650,780
MA: Wage	$23.59	$20.68	$19.28
Workers	3,207,840	4,130	14,780
CT: Wage	$22.92	$19.42	$20.10
Workers	1,682,220	2,280	8,300
RI: Wage	$20.30	$18.82	$18.41
Workers	485,870	550	2,290
NH: Wage	$19.60	$17.69	$18.27
Workers	632,590	740	4,230

Another measure of the relative cost of the auto body repairs and the labor rate is the Consumer Price Index (CPI). The CPI for all items in the period 2003 to 2007 increased 12.6%, while the CPI for Motor Vehicle Body Work increased 14.4%. For comparison, the CCC labor rate data show that the national average labor rate increased 12.5% between 2003 and 2007, consistent with the general CPI, but greater than the Massachusetts labor rate increase of 5.6%.

Conclusion

The average labor rate employed by insurers to pay auto body repair shops for repairs to vehicles damaged in accidents is unquestionably lower in Massachusetts than in neighboring states and the United States generally. That fact alone does not establish that the rates are unreasonable or require an increase. Many other factors – the legislatively mandated direct payment and referral shop system, the significant impact on automobile insurance premiums, the hourly wage of auto repairers in Massachusetts, the substantial number of registered repair shops, and the doubtful effect on repair shop revenues – combine to suggest that the issue is best resolved by market forces, not further governmental regulation in an area now operating in a competitive environment.

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November 13, 2008

Commerce Insurance Company Testimony

MEMORANDUM

INTRODUCTION

The special Commission has been assigned a number of tasks by the Legislature, including a study of auto body labor rates in Massachusetts and an investigation of the benefits and costs associated with the development of a system under which the State would set those labor rates.

A study of auto body labor rates in Massachusetts must, of course, include a comparison of current Massachusetts labor rates with those which exist in the rest of the nation, including the labor rates presently being paid by insurers in the neighboring New England states.

A realistic comparison of labor rates must include a comparison of a number of variables.

- The average dollar amount being paid to repairers per hour.
- The average labor hours per claim.
- The average labor dollars being paid per claim.
- The average total cost of repairs per claim.

As the information contained in Section B of this document indicates, a comparison of all of these variables leads to at least three significant conclusions. First, in 2007, the last fully developed year for data, Massachusetts insurers have on the average paid more money per claim for auto body repairs than have insurers nationally. Second, in the six New England states, only insurers in Rhode Island (where the state has adopted a labor rate setting system) have paid more money for labor per claim than have insurers in Massachusetts. Third, the average labor hour per claim is higher in Massachusetts than anywhere in New England, and it is significantly higher than the National Average. The available data suggests that, all things considered, the Massachusetts total dollars paid for labor is actually significantly higher than most other states.

That this is the case is strongly suggested by the fact that, as shown in Section B of this document, the number of registered shops in Massachusetts has changed little during the past decade. Indeed, according to the Division of Standards, there were more registered auto body shops (1,826) in Massachusetts in August, 2008 than there were in August, 2000 (when there were 1,765 registered shops). It is also instructive to note that a number of auto body repair shops in Massachusetts give large volume non-insurance customers (such as rental car companies) labor rate discounts which result in the

acceptance by those shops of lower labor rates than those paid by insurers (see Section D of this document).

To understand why labor rates paid by insurers in Massachusetts have not risen significantly during the past several years requires a look at a number of factors which have influenced auto repair labor rates. Those factors (addressed in Sections B and D of this document) include the slight decrease in recent years in the number of registered vehicles which are insured in Massachusetts; the large number of registered repair shops which continue to elect to become contract referral shops of insurers; recent declines in the volume of accidents which have resulted in fewer claims; and the unacceptably high incidents of fraud in the auto repair process which neither the Commonwealth nor the auto repair industry have effectively addressed.

One of the most important contributing factors to the leveling off in auto repair labor rates during the past twenty years has been the anti-competitive regulatory system which has governed the auto insurance industry during that period. Under that system, the state has fixed and established the rates which auto insurance companies could offer their customers. The rates were fixed and established largely based on costs. As part of the rate setting process, Cost Containment Regulations promulgated by the Commissioner of Insurance required insurers to contain costs in a number of areas, most notably in the repair of damaged motor vehicles.

The auto insurance market in Massachusetts has, of course, recently and dramatically changed. Under the new managed competition system, the Commonwealth no longer fixes and establishes auto insurance rates. The Cost Containment Regulations which applied to the insurance industry are in the process of being repealed. On September 5, 2008, amended appraisal regulations in 212 CMR 2.00 et. seq. went into effect which permit insurers and repair shops to work together to expedite the supplemental appraisal process and, as a result, the repair process. Market forces are now at work in Massachusetts for the first time in decades. Many observers feel that, given time, these new forces will cause market corrections to occur in a number of areas. One result of all of the recent changes may be increases in the labor rates which insurers pay auto repair shops. Only time, and the patience to let the market work, will determine whether the new market forces will result in a better, more equitable system for the compensation of auto repair labor.

Commerce Insurance Company respectfully submits this document with the hope that its contents will assist the Commission in successfully completing its legislative mission.

Economic Conditions and the Competitive Market

It is economically irresponsible for anyone to take any labor rate in a vacuum. Things that must be considered regarding Auto Body Rates are many and include:

Managed Competition
Supply and Demand
Labor Hours
Cost Shifting and Fraud
Non Insurance Repairs
Economies of Scale
Recent Regulatory Changes
Current Economic Factors

The following charts and graphs will also demonstrate other factors in the state. The items to consider include:

State and National Labor Hours for 2007 **Exhibit A**
Number of Insured Vehicles in Massachusetts (2004-2007) **Exhibit B**
Accident Frequency (2000-2007) **Exhibit C**
Number of Registered Repair Shops in Massachusetts (2000-2008) **Exhibit D**

Exhibit A

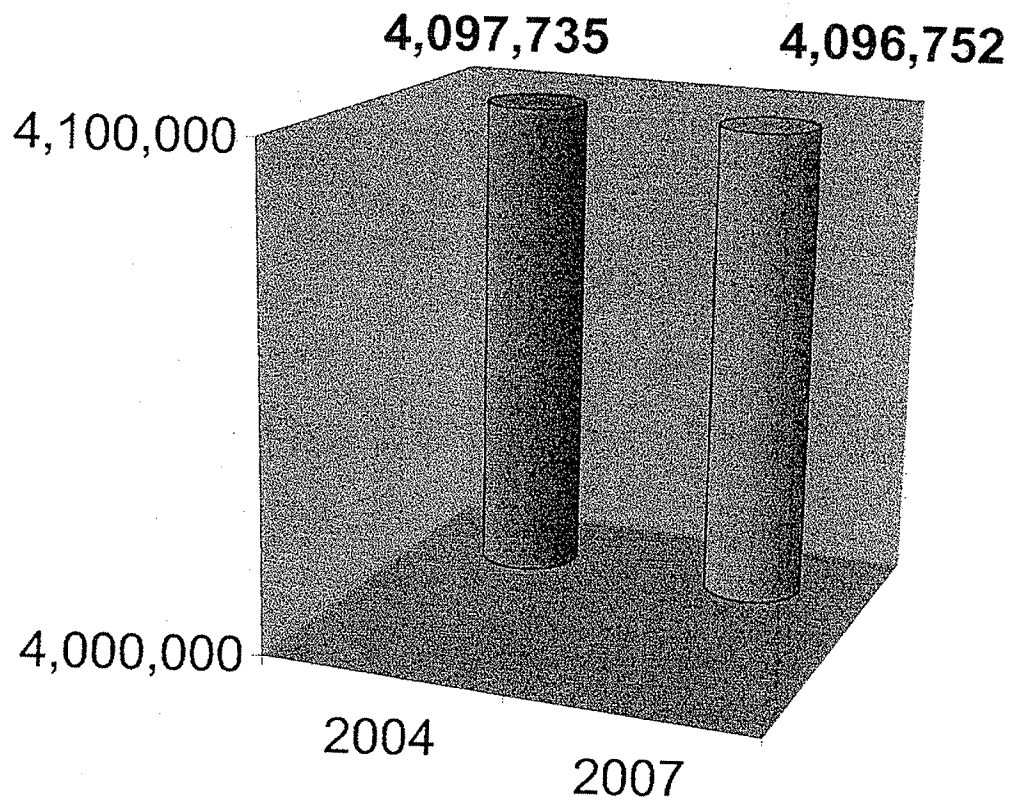
State & National Industry Labor 2007

State Industry & National Industry 2007	Avg. Total Cost of Repairs	Avg. Labor Hours Per Claim	Avg. Labor Rate	Avg. Labor Hours Per Claim X Avg. Labor Rate
National Industry	$2418	23.5	$42.24	$992.64
Connecticut	$2516	23.6	$44.97	$1,061.29
Massachusetts	$2372	30.3	$36.39	$1,102.62
New Hampshire	$2246	22.9	$42.20	$966.38
Rhode Island	$2436	26.1	$40.55	$1,058.35
Vermont	$2144	21.1	$42.02	$886.62
Total State Industry	$2408	26.5	$40.38	$1,070.07

- The above State and National Industry Labor information was developed from reports obtained from CCC Information Services Inc.
- Note that Massachusetts has the lowest Average Labor Rate of $36.39 per hour, while maintaining the highest Average Labor Hours Per Claim of 30.3 hours.

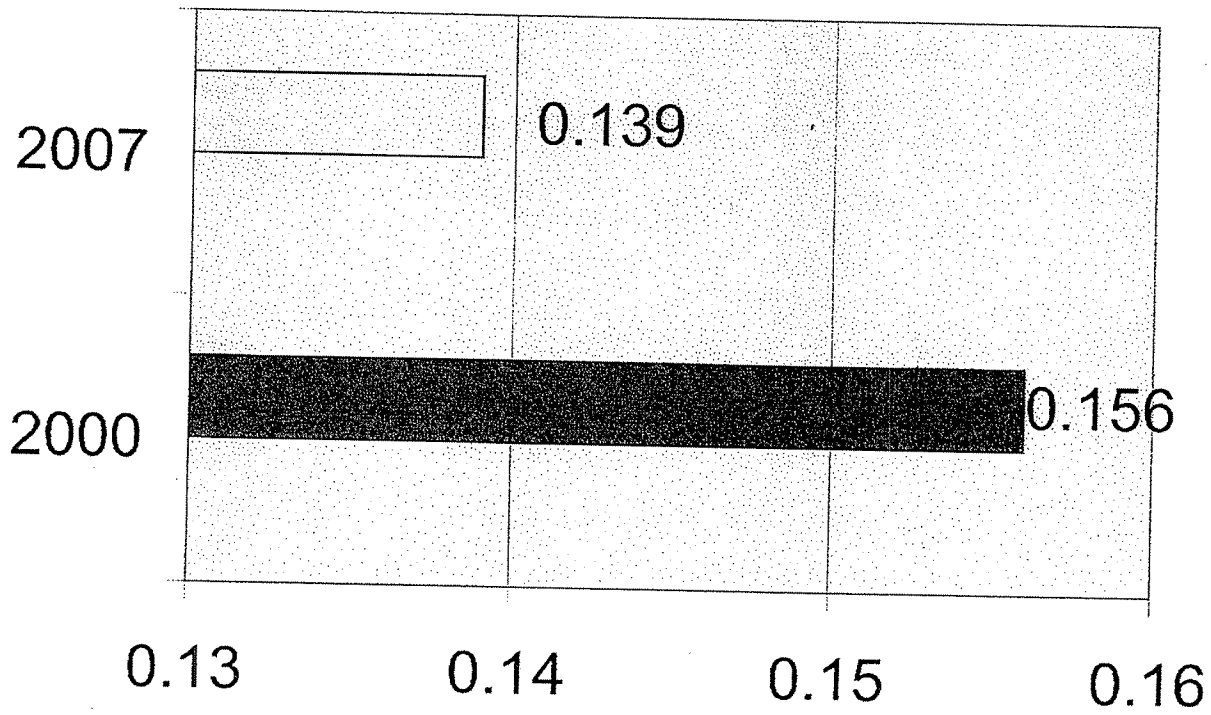
The Number of Vehicles Insured in Massachusetts has Remained Flat

Exhibit B



Accident Frequency is Down 6.7% from 2000-2007

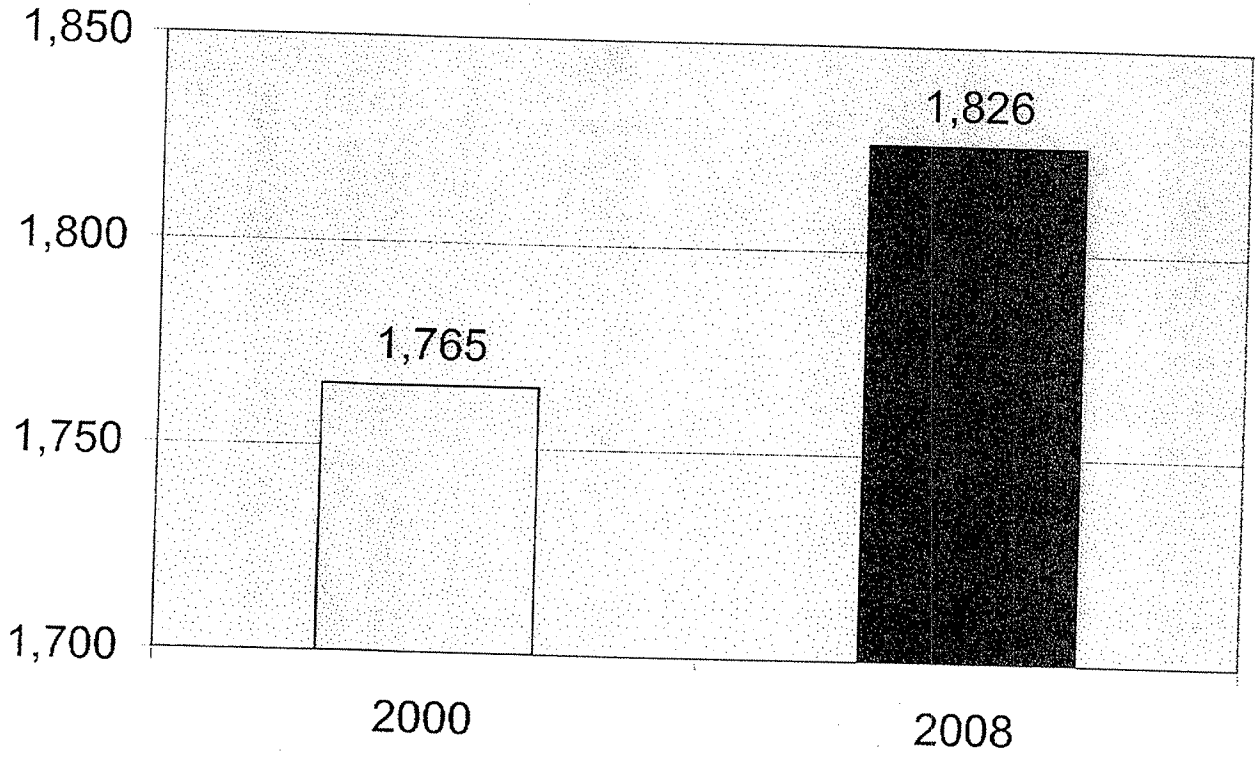
Exhibit C



Registered Shops August 2000 vs. August 2008

Exhibit D

3.5 % Increase from 2000-2008



Information Obtained from the Division of Standards/AIB

Non Insurance Repairs-Fleet/Rentals

Commerce Insurance has conducted a study of non-insurance repairs based on payments made to rental companies. A sample of 65 files was reviewed. Nineteen different Registered Massachusetts Auto Body Shops were represented. The appraisal dates ranged from October 20, 2005 to September 12, 2008. The following information was discovered:

- The Body Labor Rates ranged from $20.00 to $35.00 per hour. The median Body Labor Rate was $24.00 per hour.
- The Frame Labor Rates ranged from $30.00 to $38.00 per hour. The median Frame Labor Rate was $35.00 per hour.
- Part discounts were taken from 19% to 34%. The median part discount was 26%.

212 CMR Regulatory Changes

(i) Expedited Supplemental Appraisals.

If an insurer, a repair shop, and the claimant agree to utilize an expedited supplemental appraisal process, an insurer shall not be required to assign an appraiser to personally inspect the damaged vehicle. In such event, the repair shop shall fax or electronically submit to the insurer a request for a supplemental appraisal allowance in the form of an itemized supplemental appraisal of the additional cost to complete the repair of the damaged vehicle, prepared by a licensed appraiser employed by the repair shop, together with such supporting information and documentation as may be agreed upon between the insurer and the repair shop. The insurer shall then be required to fax or electronically submit to the repair shop within two business days its decision as to whether it accepts the requested supplemental appraisal allowance. Within this same period, a licensed appraiser representing the insurer and a licensed appraiser representing the repair shop may attempt to agree upon any differences. In the event that an insurer does not accept the repair shop's request for the supplemental appraisal allowance, or if the insurer fails to respond to the repair shop within two business days, the insurer and the repair shop shall be obligated to proceed in accordance with 212 CMR 2.04(1)(h), and within the time limits set forth in such provision. In such event, the date of the initial request for a supplemental appraisal allowance shall be the starting date for when the insurer must assign an appraiser to personally inspect the damaged vehicle.

No insurer or repair shop shall be obligated to utilize an expedited supplemental appraisal process and the determination of whether to utilize such process shall be made separately by an insurer or by a repair shop only on an individual claim basis. Utilization of an expedited supplemental appraisal process shall not be used as a criterion by an insurer in determining the insurer's choice of shops for a referral repair shop program under an insurer's direct payment plan; and being a referral shop shall not be a criterion in determining whether to utilize an expedited supplemental appraisal process.

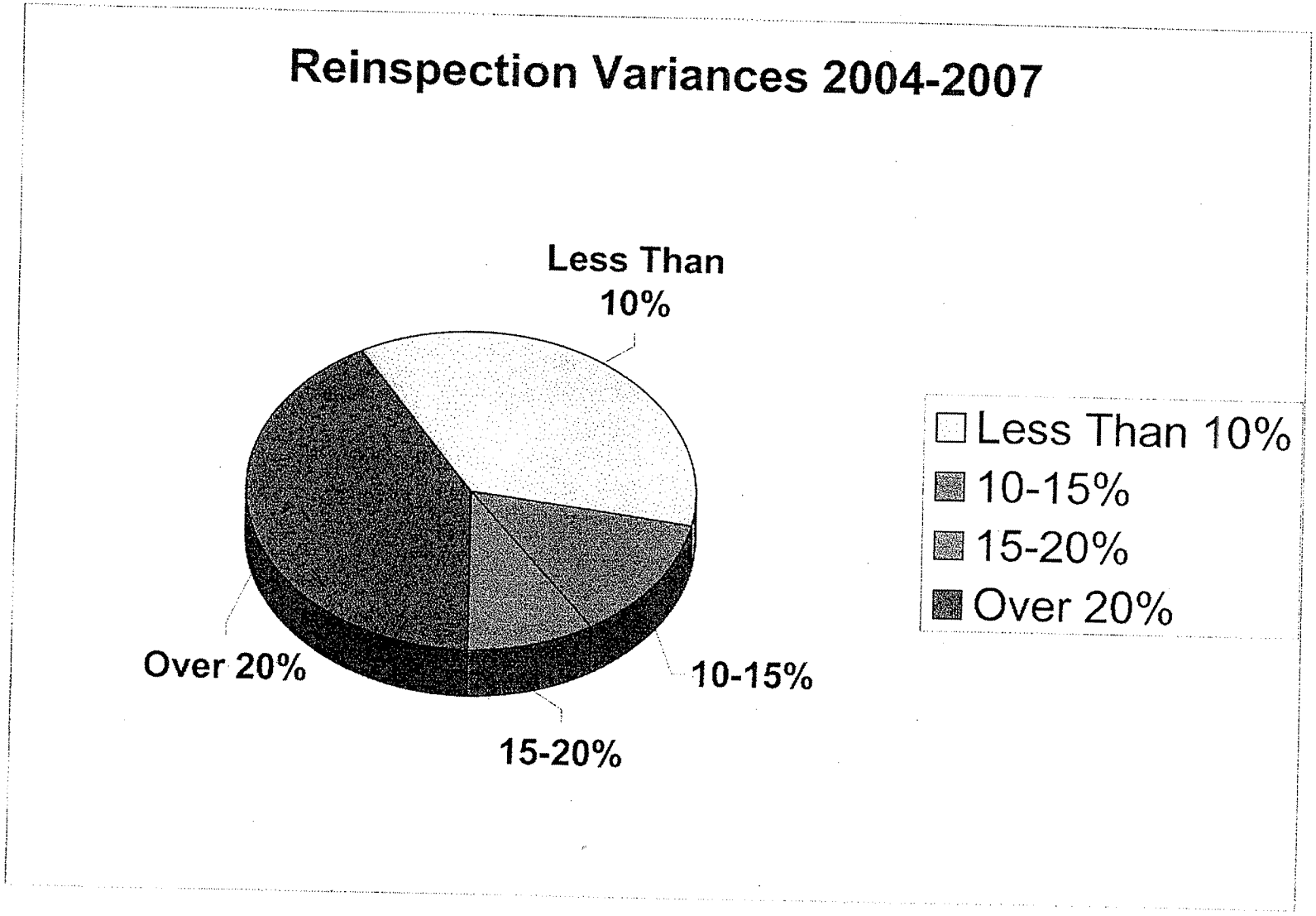
Forensic Reinspections Variances 2004-2007

Five years ago, Commerce Insurance began a program of forensic type reinspections. These reinspections are conducted on vehicles that the average consumer would see nothing wrong with the results but were not repaired as they were negotiated to be repaired. These reinspections included the use of mil-gauges that measure thickness of paint, along with a very thorough review of the repairs made compared to what was negotiated for in and appraisal and supplements. Our findings have been astonishing.

During the period of 2004 through 2007, 249 Forensic Reinspections were completed on repaired vehicles in Massachusetts. These vehicles were repaired at 146 different registered shops in the Commonwealth. Out of the 249 Forensic Reinspections, 44 vehicles had work completed as negotiated and paid, while 205 had work not completed as negotiated and paid. The average variance per claim ranged from a low of $810.43 in 2006 to a high of $961.58 in 2004.

Please see the chart below and the graph on the next page which illustrates the number of variances and the percentages.

Calandar Year	# Reinsp. Completed	# Reinsp. With Var.	# Reinsp. w/o w/out Var.	% w/out Var.	# Shops	Total $ Variance	Avg. $ Variance
2007	97	75	22	22.68%	55	$67,182.02	$895.76
2006	44	35	9	20.45%	38	$35,658.82	$810.43
2005	49	43	6	12.24%	27	$43,435.47	$886.44
2004	59	52	7	11.86%	26	$50,002.21	$961.58


Reinspection Variances 2004-2007
Less Than 10%
10-15%
15-20%
Over 20%
Less Than 10%
10-15%
15-20%
Over 20%

The Official Website of the Attorney General of Massachusetts

Attorney General Martha Coakley

MARTHA COAKLEY
ATTORNEY GENERAL

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(617) 727-2543

June 20, 2008 - For immediate release:

Attorney General Martha Coakley Obtains Restitution and Penalties From Central Autoworks Repair Shop For Unfair and Deceptive Business Practices

BOSTON – Attorney General Martha Coakley's Office entered into an agreement today with a Worcester auto repair shop resolving allegations that it allegedly failed to comply with Massachusetts law by failing to obtain consumer authorization before performing repair work and failing to provide the consumer with invoices for the work performed. According to the Assurance of Discontinuance, filed today in Suffolk Superior Court, Central Autoworks agreed to resolve the allegations by paying $10,000 into a restitution fund, $5,000 in civil penalties, and $10,000 in suspended penalties. The restitution fund will be used to pay any legitimate claims as a result of allegations brought by the Attorney General's Office.

"Second to a home, a car is one of the most expensive investments a consumer will make in their lifetime," said Attorney General Coakley. "Repair shops must be forthright in their dealings with consumers and treat these everyday transactions with the transparency the law calls for."

In 2006, Commerce Insurance Company contacted the Attorney General's Office alleging that Central Autoworks was in violation of Massachusetts Law by failing to maintain essential documentation that resulted in the insurance company's inability to monitor the repair work it insured. The failure to comply with the law constitutes unfair and deceptive business practices. The company has been in compliance with the regulations since the involvement of the Attorney General's Office in 2006.

The Attorney General's Office advises consumers in need of auto repairs of the following rights as outlined in the Attorney General's Regulation's:

- To a written estimate before repairs are made, unless you sign a specific waiver stating a maximum cost;
- To know if there will be any charge for diagnosing your car problem;
- To be contacted before any work is done if the repair cost cannot be determined immediately;
- To be asked to authorize any additional repairs that are found to be necessary as the work progresses;
- Not to be charged more than $10 over the estimate, unless you are contacted and approve the higher amount;
- To get back your old parts;
- To receive an itemized bill listing all parts and labor, unless work is done based on a flat rate

posted in the shop;

- Not to be charged for unnecessary repairs, or for repairs that were not made;
- To expect that ads for repairs will include the total charge for the work;
- To same-day repairs, unless you agree to a longer period;
- To know in advance if there will be any storage charges;
- To have shoddy repair work corrected at no charge.

For additional repair advice, please see the CarSmart Brochure by the Massachusetts Consumers' Coalition on the Attorney General's website visit www.mass.gov/ago or by clicking here.

Consumers with concerns about auto repair shops are encouraged to contact the Attorney General's Consumer Hotline at (617) 727-8400.

This matter was handled by Assistant Attorney General Lee Hettinger of Attorney General Coakley's Central Massachusetts Division.

##########

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The California BAR
The Bureau of Automotive Repair

In 1971, the California Legislature enacted the Automotive Repair Act. This created The Bureau of Automotive Repair in order to regulate the auto repair industry. BAR investigates auto repair complaints and handles approximately 14,800 complaints each year. The BAR returned $6.3 million to California consumers in the past year in direct refunds, rework or adjustments. In some cases, fraud, gross negligence or other serious violations have been investigated. In 2007-2008, 522 BAR licensees received formal discipline. A majority were for fraud related acts.

- **Education:** One of The BAR's activities is to educate repairers on prevention and corrective actions in order to foster compliance in the auto repair laws. Inspections, conferences, presentations and "Write It Right" invoice training are some typical proactive education methods.

- **Investigations:** The Bar also launches formal investigations into repair shop practices based on consumer complaints or other sources of alleged fraud. These inspections can include vehicle reinspections, undercover operations, surveillance, record reviews and analysis of vehicle information data. BAR also reviews transactions including, whether a shop provided a written estimate to the customer prior to beginning repairs or if the shop obtained the customer's authorization for additional parts and repairs before doing the repairs that exceed the original written estimate.

- **Fraud:** Auto body repair fraud can occur in many forms. It may occur when a shop lists a new replacement part on the invoice and charges the customer, but actually installed used parts or repaired and reinstalled the damaged parts.

- **False And Misleading Statements:** Administrative actions can be taken against an auto repairer for making false or misleading statements to a customer using scare tactics or twisting an advertisement for a low-priced repair procedure, then convincing the customer that he or she needs costly additional repairs that are often not needed.

- **Legal Action:** When the BAR investigations substantiate significant violations of the Automotive Repair Act, the findings are documented and submitted to the District Attorney and/or the state Attorney General for prosecution. The DA or AG will review the case and if appropriate file legal action for civil, criminal, or administrative prosecution. Typical disciplinary actions include revocation of the shop registration/license, suspension of operations for a specific period of time, probation, or any combination of these actions. The Director of the Department of Consumer Affairs can order restitution to the victims and reimbursement of prosecution and investigation costs. Shop owners and technicians if convicted of criminal charges brought by the DA can be required to serve time in jail.

CONCLUSION

The materials in this document will hopefully assist the Commission in understanding the forces which during the past have led to the present level of auto repair labor rates in Massachusetts. They will hopefully also assist the Commission in understanding how current Massachusetts labor dollars compare in fact with those in the rest of the United States, especially the New England states.

As noted in the Introduction to this document, recent changes in Massachusetts – including the movement away from auto insurance rate setting by the Commonwealth; the repeal by the Commissioner of Insurance of the Cost Containment Regulations; and the adoption by the Auto Damage Appraiser Licensing Board of Regulations (supported by both the insurance and auto repair industries) which permit the expedited handling of supplemental appraisals – have created market forces which may well lead to a more equitable free market system for labor rates for auto body repairers and Insurers.

Steve Regan, spokesman for the Massachusetts Auto Body Association, made this observation in connection with the repeal of the Commissioner's Cost Containment Regulations:

- "Massachusetts has begun to disassemble a process that had the state set rates for insurance premiums and mandate certain discounts for policy holders by insurers in order to promote competition … It is good to know that the state is also seeking to remove the barriers that repairers have faced, which allowed insurers to control their businesses and their customers. With the repeal of 'cost containment' repairers are now also free to compete for customers and to be paid rates and fees that reflect their costs of doing business".**

This new market system must be given time and freedom from new rate setting measures by the state if it is to evolve and function in the positive manner envisioned by Mr. Regan and other observers from both the auto repair and insurance industries.

In conclusion we would ask the Commission with all the changes implemented in the last year to give the market time to adjust and let the free market work.

** ABRN, "MABA Testifies to Repeal Cost Containment Regs" (publish date: October 9, 2008).

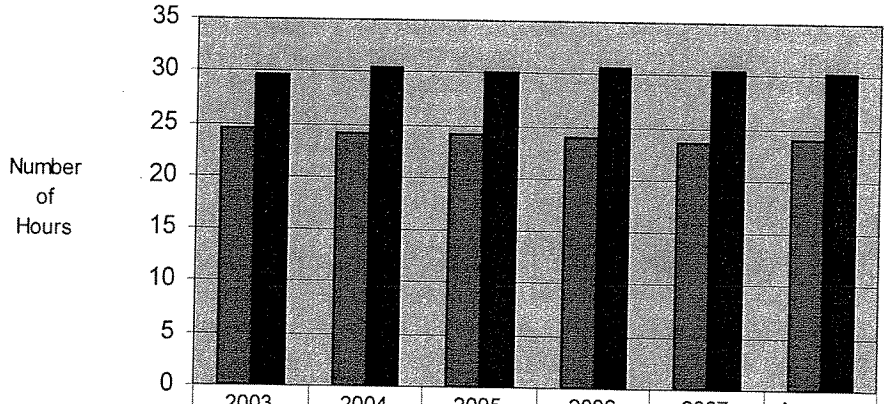
PCI
Property Casualty Insurers
Association of America
Shaping the Future of American Insurance

2600 South River Road, Des Plaines, IL 60018-3286

SUPPLEMENTAL STATEMENT FOR THE HEARING OF THE SPECIAL COMMISSION ON AUTO BODY RATES NOVEMBER 13, 2008

The Property Casualty Insurers Association of America ("PCI") testified and submitted a statement for the initial hearing held by the Special Commission on Auto Body Rates (the "Commission") on October 9, 2008 in Worcester. This supplemental statement is being submitted for the Commission's second hearing being held on November 13th in Boston.

One of the points PCI made in its October 9th statement is the fact that it takes far longer to complete repairs in Massachusetts than in any other state. For the five-year period through 2007, we indicated that, based on data collected by CCC Information Services, Inc. ("CCC"), the average number of labor hours per claim was almost 26% higher in Massachusetts than the national average and that in each of those years except one the average number of labor hours per claim in Massachusetts was the highest by far of any state. The chart below compares the number of labor hours per claim in Massachusetts to the national average over the last five years.



	2003	2004	2005	2006	2007	Average
United States	24.5	24.1	24.1	23.9	23.5	24.02
Massachusetts	29.7	30.4	30.1	30.7	30.4	30.26

At the time of the October 9th hearing, we were not able to provide the Commission with the actual CCC data upon which that part of our statement was based. We can now do so. We are enclosing spreadsheets that contain extensive data relating to

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repair costs for each state in the country for each of the five years from 2003 through 2007. Note that under the column labeled "Average Labor Hours Per Claim" the time in Massachusetts is above 30 in each year except one (2003 when it was 29.7) while the national average ranged from 23.5 hours to 24.5 hours during that period. This CCC data is published in CCC Crash Course and made available to PCI members who are CCC subscribers.

This CCC data makes it clear that the problem in Massachusetts is not simply one of relatively low labor rates, and it cannot be solved by arbitrarily raising the labor rates.

Respectfully submitted,

Frank O'Brien
Vice President, Regional Manager
and Counsel

Peter T. Robertson
Massachusetts Counsel

Property Casualty Insurers
Association of America

Shaping the Future of American Insurance

2600 South River Road, Des Plaines, IL 60018-3286

CCC INFORMATION SERVICES, INC. DATA SUBMITTED TO THE MASSACHUSETTS SPECIAL COMMISSION ON AUTO BODY RATES NOVEMBER 13, 2008

The attached CCC data for the years 2003 through 2007 is published in CCC Crash Course and is made available to PCI members who are CCC subscribers.

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Web site: http://www.pciaa.net

CCC Information Services Inc.

Repairable Appraisal Statistics by State - Calendar Year 2003

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
Alabama	5.0	9.86%	61,953	22.54%	$1,976	$5,730	54.32%	13.45%	32.24%	$3,359
Alaska	4.9	14.64%	74,756	22.36%	$1,586	$4,081	50.70%	19.32%	29.98%	$2,505
Arizona	4.9	14.62%	72,513	18.76%	$1,658	$4,384	46.50%	19.31%	34.19%	$2,583
Arkansas	5.2	18.76%	67,434	21.71%	$1,673	$4,511	49.90%	15.50%	34.60%	$2,808
California	5.2	15.42%	69,913	18.19%	$1,884	$5,045	63.09%	12.65%	24.27%	$2,810
Colorado	5.1	14.60%	66,895	20.04%	$1,759	$4,745	51.38%	17.73%	30.89%	$2,781
Connecticut	4.9	18.80%	65,720	23.67%	$1,677	$4,358	52.03%	14.08%	33.89%	$2,759
Delaware	5.0	11.57%	62,915	23.14%	$1,227	$3,479	53.49%	14.83%	31.68%	$2,034
District of Columbia	4.5	10.99%	61,807	23.87%	$1,272	$3,834	56.41%	18.26%	25.33%	$2,210
Florida	4.4	11.59%	59,609	27.01%	$1,455	$4,178	55.59%	10.57%	33.84%	$2,603
Georgia	4.7	15.07%	73,253	31.34%	$1,633	$3,618	49.97%	16.19%	33.84%	$2,679
Hawaii	5.2	10.56%	55,590	17.25%	$1,356	$4,305	54.05%	13.97%	31.98%	$2,265
Idaho	5.1	9.47%	68,541	14.28%	$1,600	$4,034	40.27%	22.92%	36.81%	$2,310
Illinois	6.1	14.11%	76,591	17.48%	$1,542	$4,420	48.85%	16.27%	34.88%	$2,459
Indiana	4.5	10.50%	59,375	22.15%	$1,666	$4,576	60.16%	14.37%	25.47%	$2,696
Iowa	4.8	19.72%	64,846	23.07%	$1,595	$4,180	53.96%	19.90%	26.14%	$2,553
Kansas	5.2	16.62%	73,833	13.87%	$1,776	$4,049	31.58%	41.51%	26.92%	$2,529
Kentucky	4.9	11.78%	71,489	24.94%	$1,771	$4,652	50.26%	16.46%	33.28%	$2,982
Louisiana	4.2	11.74%	64,559	23.49%	$1,613	$4,354	52.26%	15.25%	32.49%	$2,710
Maine	5.1	8.73%	70,762	18.02%	$1,506	$4,675	84.91%	6.84%	8.24%	$2,149
Maryland	4.6	13.11%	66,710	25.81%	$1,310	$3,687	52.78%	18.01%	29.21%	$2,269
Massachusetts	5.3	6.25%	75,455	26.27%	$1,438	$4,251	56.45%	14.39%	29.16%	$2,512
Michigan	4.0	12.56%	60,223	19.85%	$1,706	$4,641	73.25%	22.26%	4.49%	$2,452
Minnesota	4.6	11.45%	66,742	15.98%	$1,722	$4,598	55.54%	20.18%	24.28%	$2,499
Mississippi	4.8	17.80%	67,816	18.93%	$1,653	$3,882	45.00%	22.83%	32.17%	$2,459
Missouri	4.8	18.51%	76,297	22.05%	$1,517	$3,807	50.44%	19.50%	30.06%	$2,345
Montana	5.7	13.91%	75,078	15.11%	$1,831	$4,907	42.04%	28.38%	29.58%	$2,714
Nebraska	5.2	18.81%	79,409	20.46%	$1,372	$3,584	40.77%	25.67%	33.57%	$2,250
Nevada	5.9	9.64%	74,941	13.33%	$1,628	$4,622	37.26%	35.33%	27.41%	$2,159
New Hampshire	5.2	10.39%	66,232	14.68%	$1,550	$4,352	43.15%	24.28%	32.57%	$2,314
New Jersey	4.7	6.12%	69,274	25.76%	$1,371	$4,481	63.71%	10.70%	25.58%	$2,377
New Mexico	4.2	9.38%	56,720	30.46%	$1,986	$5,399	57.47%	17.73%	24.81%	$3,574
New York	5.1	17.11%	69,312	18.31%	$1,751	$4,920	50.36%	16.31%	33.33%	$2,797
North Carolina	4.8	10.39%	59,929	23.68%	$1,788	$5,285	57.24%	15.08%	27.67%	$3,175

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May 2008

CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2003

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
Alabama	$2,234	$2,236	57.83%	$2,841	10.00%	38.58%	9.5	47.38%	25.4	7.6
Alaska	$1,810	$1,731	59.34%	$2,139	8.87%	39.76%	7.0	40.87%	23.5	8.8
Arizona	$1,892	$1,790	52.12%	$2,172	8.32%	39.07%	6.9	40.62%	23.3	9.9
Arkansas	$1,770	$1,806	48.53%	$2,288	12.26%	37.13%	8.0	42.38%	23.8	7.1
California	$1,921	$1,798	51.46%	$2,450	10.39%	35.29%	8.6	45.63%	26.7	6.8
Colorado	$1,966	$1,851	58.46%	$2,347	13.12%	36.81%	8.2	44.46%	23.9	9.5
Connecticut	$2,125	$1,777	34.84%	$2,312	9.28%	36.62%	8.1	44.51%	24.6	7.9
Delaware	$1,505	$1,399	33.36%	$1,756	14.45%	37.18%	6.0	41.95%	19.2	4.6
District of Columbia	$1,386	$1,500	71.82%	$1,884	13.57%	42.65%	8.5	44.25%	22.5	8.5
Florida	$1,628	$1,699	61.78%	$2,190	12.64%	39.98%	7.5	40.21%	24.4	4.8
Georgia	$1,989	$1,850	51.18%	$2,248	11.49%	37.00%	7.7	40.37%	24.0	7.9
Hawaii	$1,273	$1,422	35.59%	$1,857	8.62%	42.91%	6.0	40.21%	19.6	5.2
Idaho	$1,920	$1,531	34.51%	$1,942	5.79%	34.91%	5.7	42.08%	18.8	8.4
Illinois	$1,698	$1,638	62.07%	$2,045	6.78%	38.21%	7.3	44.28%	22.4	11.0
Indiana	$1,832	$1,678	57.00%	$2,313	10.96%	37.48%	7.8	44.65%	25.1	7.0
Iowa	$1,794	$1,791	59.35%	$2,194	9.47%	38.69%	7.7	43.34%	23.5	8.1
Kansas	$2,075	$1,674	42.23%	$2,110	8.12%	30.41%	5.5	41.22%	21.3	13.0
Kentucky	$2,099	$1,946	60.76%	$2,491	8.17%	40.09%	8.8	42.79%	26.9	8.6
Louisiana	$1,658	$1,808	64.00%	$2,256	10.45%	37.64%	7.2	38.95%	23.3	6.4
Maine	$1,863	$1,621	32.11%	$2,081	17.20%	41.19%	7.9	44.11%	**29.7**	12.6
Maryland	$1,560	$1,524	55.60%	$1,921	13.52%	40.27%	7.7	42.55%	23.2	6.8
Massachusetts	$1,833	$1,757	48.14%	$2,191	7.60%	40.87%	8.0	42.97%	24.3	10.0
Michigan	$1,896	$1,604	63.95%	$2,287	10.17%	41.22%	8.4	42.12%	25.8	13.5
Minnesota	$1,889	$1,707	65.87%	$2,186	10.46%	38.94%	7.8	44.88%	22.5	9.8
Mississippi	$1,898	$1,635	43.67%	$2,064	10.49%	34.82%	6.2	43.82%	20.6	8.3
Missouri	$1,794	$1,636	48.93%	$2,021	9.17%	39.09%	6.3	38.75%	21.5	8.5
Montana	$2,304	$1,718	53.43%	$2,303	6.45%	39.44%	8.7	46.42%	23.4	10.4
Nebraska	$1,529	$1,615	42.74%	$1,839	7.61%	38.82%	6.4	44.31%	21.7	9.2
Nevada	$1,865	$1,536	26.21%	$1,884	3.68%	37.61%	6.1	42.21%	18.9	10.6
New Hampshire	$1,736	$1,601	51.07%	$1,942	8.55%	35.26%	6.1	42.82%	19.6	11.7
New Jersey	$1,583	$1,654	38.46%	$2,094	8.14%	42.49%	8.2	43.03%	23.3	9.3
New Mexico	$2,843	$2,080	52.59%	$3,013	9.20%	40.30%	11.1	40.99%	30.3	9.9
New York	$1,921	$1,849	50.79%	$2,330	9.01%	36.50%	7.3	43.11%	23.3	8.2
North Carolina	$1,850	$1,906	66.07%	$2,613	11.39%	42.12%	10.7	40.97%	28.4	7.7

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Repairable Appraisal Statistics by State - Calendar Year 2003

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
Alabama	8.4	0.8	2.5	3.4
Alaska	6.4	0.9	3.4	2.9
Arizona	6.3	1.0	2.6	3.3
Arkansas	10.8	0.8	2.6	2.6
California	13.1	1.3	3.7	3.4
Colorado	10.5	1.0	2.4	3.2
Connecticut	7.2	1.2	2.7	1.1
Delaware	7.5	0.5	1.0	0.5
District of Columbia	5.3	0.9	3.7	3.3
Florida	7.3	0.9	2.4	2.3
Georgia	7.7	1.0	2.9	2.3
Hawaii	7.8	0.6	1.4	1.7
Idaho	9.1	0.9	3.4	1.7
Illinois	9.6	1.2	3.1	4.5
Indiana	7.4	1.2	3.2	3.5
Iowa	7.0	1.1	3.0	3.4
Kansas	17.6	0.9	2.4	2.0
Kentucky	8.4	1.3	3.6	4.5
Louisiana	8.0	1.0	3.6	3.3
Maine	2.3	1.0	2.6	0.2
Maryland	6.3	0.8	2.9	2.1
Massachusetts	6.4	1.1	3.0	6.0
Michigan	4.7	1.4	4.0	2.8
Minnesota	9.7	1.1	3.1	5.1
Mississippi	9.4	1.2	2.4	2.1
Missouri	6.6	0.9	2.9	2.6
Montana	9.5	1.3	3.1	3.9
Nebraska	4.5	1.0	3.1	3.3
Nevada	7.7	1.1	2.1	2.1
New Hampshire	8.4	1.0	2.6	3.2
New Jersey	7.2	1.1	3.5	3.3
New Mexico	8.8	1.5	4.0	2.7
New York	12.8	0.8	2.6	4.4
North Carolina	13.7	1.1	4.0	5.4

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Repairable Appraisal Statistics by State - Calendar Year 2003

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
North Dakota	4.6	11.88%	61,208	29.78%	$1,710	$4,481	55.81%	13.31%	30.88%	$2,974
Ohio	4.9	13.40%	65,699	22.93%	$1,482	$4,057	48.54%	21.39%	30.06%	$2,476
Oklahoma	5.1	16.03%	74,814	16.23%	$1,825	$4,567	38.50%	22.21%	39.29%	$2,759
Oregon	6.3	13.20%	77,139	16.70%	$1,592	$4,321	47.26%	17.58%	35.16%	$2,509
Pennsylvania	4.7	13.54%	60,056	26.27%	$1,578	$4,175	53.38%	21.52%	25.10%	$2,711
Rhode Island	5.0	11.89%	70,584	36.93%	$1,501	$4,300	53.02%	8.85%	38.13%	$3,057
South Carolina	5.1	14.45%	80,258	26.46%	$1,359	$3,750	45.75%	17.79%	36.46%	$2,349
South Dakota	5.3	15.33%	73,138	11.97%	$1,775	$4,441	35.41%	36.55%	28.04%	$2,422
Tennessee	4.9	10.62%	73,715	22.25%	$1,678	$4,369	51.66%	20.85%	27.49%	$2,682
Texas	4.1	14.57%	64,234	21.32%	$1,705	$4,312	47.22%	18.20%	34.59%	$2,727
Utah	5.4	11.77%	73,533	22.23%	$1,690	$4,672	49.99%	12.79%	37.22%	$2,864
Vermont	5.0	14.06%	71,043	24.01%	$1,244	$3,538	50.10%	19.23%	30.67%	$2,125
Virginia	4.2	7.25%	60,848	19.87%	$1,279	$4,208	60.00%	14.39%	25.61%	$2,128
Washington	6.0	15.68%	76,392	17.38%	$1,636	$4,297	49.76%	16.32%	33.92%	$2,508
West Virginia	4.9	24.24%	70,300	19.78%	$1,678	$4,521	48.15%	21.13%	30.72%	$2,696
Wisconsin	4.8	12.54%	67,872	20.37%	$1,381	$3,851	39.94%	33.90%	26.15%	$2,433
Wyoming	5.4	11.31%	69,474	11.67%	$1,816	$4,940	45.87%	27.06%	27.08%	$2,493
U.S. Total	4.8	13.66%	66,942	23.00%	$1,603	$4,280	54.34%	17.00%	28.66%	$2,603

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Repairable Appraisal Statistics by State - Calendar Year 2003

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
North Dakota	$2,216	$1,891	33.23%	$2,535	7.27%	38.49%	8.3	42.42%	26.4	6.4
Ohio	$1,708	$1,691	56.41%	$2,073	9.50%	38.14%	7.2	42.51%	23.5	9.6
Oklahoma	$2,175	$1,821	41.33%	$2,255	7.58%	36.74%	7.0	41.15%	24.7	9.3
Oregon	$1,568	$1,677	56.42%	$2,051	8.43%	36.26%	7.6	48.69%	23.7	8.7
Pennsylvania	$1,729	$1,746	57.38%	$2,255	9.00%	38.49%	8.7	43.52%	24.7	8.8
Rhode Island	$2,284	$1,877	32.90%	$2,534	6.57%	39.63%	9.9	45.75%	30.7	14.7
South Carolina	$1,713	$1,690	57.01%	$1,992	10.13%	41.38%	6.8	41.17%	22.9	11.5
South Dakota	$2,220	$1,528	36.53%	$2,100	5.23%	36.03%	6.4	44.03%	21.9	10.7
Tennessee	$1,929	$1,796	60.88%	$2,277	9.44%	38.27%	7.4	38.02%	24.6	8.8
Texas	$2,015	$1,774	54.91%	$2,263	11.40%	39.09%	7.6	40.12%	24.7	8.9
Utah	$1,871	$1,843	69.73%	$2,358	10.59%	39.79%	9.2	40.82%	26.0	9.9
Vermont	$1,492	$1,458	53.01%	$1,797	12.07%	38.87%	6.6	42.98%	21.2	7.1
Virginia	$1,616	$1,469	61.45%	$1,880	8.28%	41.72%	7.8	43.14%	21.2	8.5
Washington	$1,643	$1,723	53.00%	$2,099	10.82%	33.45%	6.9	44.81%	21.9	7.1
West Virginia	$1,935	$1,740	30.64%	$2,243	6.21%	35.80%	7.1	42.15%	22.0	9.6
Wisconsin	$1,510	$1,543	59.48%	$1,883	8.66%	41.09%	7.4	40.04%	21.6	9.7
Wyoming	$2,250	$1,591	53.29%	$2,179	6.33%	37.29%	6.9	44.06%	22.7	11.6
U.S. Total	$1,829	$1,728	51.47%	$2,218	10.49%	38.34%	7.8	42.63%	24.5	8.2

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Repairable Appraisal Statistics by State - Calendar Year 2003

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
North Dakota	7.9	0.9	1.9	1.2
Ohio	5.8	1.0	3.0	3.5
Oklahoma	16.1	0.9	2.3	3.4
Oregon	11.5	1.4	2.7	5.7
Pennsylvania	2.9	0.9	3.2	3.3
Rhode Island	2.3	1.0	3.7	1.0
South Carolina	5.5	0.9	2.4	2.2
South Dakota	6.7	1.9	2.6	2.5
Tennessee	7.1	1.1	3.9	6.0
Texas	8.8	1.0	2.9	2.5
Utah	11.7	1.0	2.7	4.9
Vermont	5.4	0.8	2.4	1.9
Virginia	3.7	1.3	3.4	4.8
Washington	11.7	1.1	2.2	3.3
West Virginia	7.6	0.8	2.3	1.6
Wisconsin	2.8	0.9	3.3	3.1
Wyoming	8.0	0.8	2.8	5.3
U.S. Total	7.6	1.0	2.9	2.7

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Repairable Appraisal Statistics by State - Calendar Year 2004

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
Alabama	5.2	9.62%	62,705	20.81%	$2,049	$6,119	56.18%	9.83%	33.99%	$3,368
Alaska	4.9	16.67%	75,812	22.74%	$1,576	$4,102	51.40%	16.89%	31.71%	$2,543
Arizona	4.9	17.85%	72,869	18.04%	$1,682	$4,358	44.88%	19.59%	35.53%	$2,637
Arkansas	5.2	21.24%	67,432	21.34%	$1,706	$4,659	51.67%	13.45%	34.88%	$2,859
California	5.2	17.42%	70,196	17.33%	$1,883	$5,141	62.07%	11.93%	26.01%	$2,824
Colorado	5.1	17.98%	68,593	19.30%	$1,827	$4,708	47.24%	20.93%	31.83%	$2,798
Connecticut	5.0	20.09%	66,035	24.60%	$1,694	$4,502	53.26%	12.24%	34.50%	$2,830
Delaware	4.9	14.01%	62,468	20.98%	$1,332	$3,764	51.72%	13.84%	34.44%	$2,123
District of Columbia	4.4	13.13%	60,692	23.84%	$1,300	$3,941	55.77%	17.73%	26.49%	$2,268
Florida	4.5	12.78%	60,382	25.81%	$1,553	$4,204	52.57%	14.75%	32.68%	$2,655
Georgia	4.8	16.49%	74,950	30.60%	$1,634	$3,724	49.06%	15.32%	35.63%	$2,745
Hawaii	5.0	11.05%	54,201	15.86%	$1,479	$4,542	54.38%	13.41%	32.21%	$2,376
Idaho	5.2	24.27%	70,987	18.19%	$1,597	$4,340	41.06%	24.82%	34.12%	$2,421
Illinois	6.2	15.17%	77,295	17.29%	$1,570	$4,517	49.03%	14.65%	36.32%	$2,521
Indiana	4.6	10.21%	60,938	22.70%	$1,611	$4,647	61.05%	12.75%	26.20%	$2,655
Iowa	4.9	21.21%	66,276	22.78%	$1,609	$4,289	55.16%	17.81%	27.03%	$2,567
Kansas	5.4	19.82%	75,176	13.67%	$1,752	$4,209	34.04%	36.31%	29.66%	$2,562
Kentucky	5.1	15.99%	73,028	25.28%	$1,755	$4,604	48.03%	15.76%	36.21%	$2,975
Louisiana	4.3	13.53%	66,061	23.07%	$1,655	$4,539	52.04%	13.47%	34.49%	$2,806
Maine	5.1	10.44%	70,195	19.96%	$1,542	$4,715	84.71%	6.73%	8.56%	$2,276
Maryland	4.6	14.91%	66,248	25.43%	$1,357	$3,826	52.13%	16.67%	31.19%	$2,363
Massachusetts	5.2	7.02%	74,758	28.36%	$1,474	$4,424	57.42%	13.58%	29.00%	$2,726
Michigan	4.0	11.77%	60,147	19.56%	$1,676	$4,637	74.17%	21.31%	4.52%	$2,388
Minnesota	4.8	12.70%	67,774	15.30%	$1,736	$4,755	53.54%	20.84%	25.62%	$2,556
Mississippi	4.8	20.12%	69,125	18.46%	$1,695	$3,990	44.41%	22.11%	33.48%	$2,538
Missouri	4.9	19.78%	77,830	22.01%	$1,536	$4,045	52.50%	15.33%	32.17%	$2,461
Montana	5.8	15.42%	75,650	15.96%	$1,804	$4,868	42.02%	27.27%	30.71%	$2,832
Nebraska	5.2	22.17%	79,414	21.60%	$1,361	$3,630	43.02%	20.47%	36.51%	$2,295
Nevada	5.9	9.66%	76,042	11.65%	$1,588	$4,442	36.86%	37.09%	26.05%	$2,096
New Hampshire	5.3	16.98%	69,863	15.77%	$1,622	$4,471	40.99%	25.55%	33.46%	$2,342
New Jersey	4.7	6.82%	69,333	27.57%	$1,419	$4,553	63.28%	10.23%	26.49%	$2,555
New Mexico	3.8	13.32%	52,209	28.17%	$1,931	$5,096	60.40%	15.51%	24.09%	$3,314
New York	5.2	17.44%	70,688	17.91%	$1,809	$4,752	46.99%	20.26%	32.75%	$2,835
North Carolina	4.9	13.41%	61,327	23.78%	$1,832	$5,492	56.24%	12.94%	30.82%	$3,356

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Repairable Appraisal Statistics by State - Calendar Year 2004

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
Alabama	$2,466	$2,274	57.04%	$2,892	9.47%	39.07%	9.7	47.58%	25.2	7.0
Alaska	$1,740	$1,729	57.72%	$2,151	9.20%	40.16%	6.9	40.75%	23.1	9.1
Arizona	$1,975	$1,739	48.12%	$2,182	8.08%	37.94%	6.7	41.14%	22.7	10.0
Arkansas	$1,768	$1,827	47.37%	$2,345	12.58%	37.95%	8.3	42.32%	23.8	6.7
California	$1,961	$1,802	50.24%	$2,453	11.14%	35.36%	8.4	46.02%	25.8	6.9
Colorado	$2,250	$1,824	53.91%	$2,380	12.94%	35.77%	7.8	44.10%	23.3	9.0
Connecticut	$2,191	$1,842	36.47%	$2,383	10.04%	36.90%	8.5	44.25%	24.6	7.6
Delaware	$1,689	$1,486	33.97%	$1,844	13.48%	37.63%	6.4	42.64%	20.2	4.5
District of Columbia	$1,477	$1,530	74.15%	$1,929	12.97%	42.35%	8.2	43.85%	22.3	9.5
Florida	$1,892	$1,735	57.13%	$2,236	11.85%	39.18%	7.3	40.82%	24.5	5.6
Georgia	$2,020	$1,857	50.46%	$2,276	11.68%	37.52%	7.8	40.07%	24.0	7.8
Hawaii	$1,340	$1,484	36.43%	$1,951	8.52%	42.74%	6.0	40.50%	19.9	5.0
Idaho	$2,129	$1,570	34.57%	$2,116	7.05%	37.23%	6.5	42.66%	19.9	9.1
Illinois	$1,767	$1,657	59.42%	$2,095	6.20%	38.08%	7.1	44.26%	22.2	10.0
Indiana	$1,814	$1,644	52.46%	$2,253	10.60%	37.67%	7.5	44.90%	24.1	6.9
Iowa	$1,887	$1,786	56.66%	$2,226	9.34%	38.90%	7.7	43.49%	23.5	7.9
Kansas	$2,158	$1,665	39.90%	$2,149	8.45%	31.66%	5.7	47.84%	20.6	9.5
Kentucky	$2,180	$1,941	55.74%	$2,477	8.20%	40.42%	8.5	42.10%	26.0	7.5
Louisiana	$1,677	$1,858	61.41%	$2,327	10.10%	38.15%	7.5	38.66%	24.1	6.7
Maine	$1,869	$1,601	34.83%	$2,183	17.80%	42.00%	8.5	43.25%	**30.4**	11.1
Maryland	$1,639	$1,550	57.95%	$1,989	13.98%	40.57%	8.0	42.63%	23.3	6.9
Massachusetts	$1,905	$1,766	50.01%	$2,334	7.35%	41.68%	8.6	42.27%	24.8	8.7
Michigan	$1,909	$1,559	64.57%	$2,243	10.57%	40.99%	8.2	42.34%	24.7	13.5
Minnesota	$1,958	$1,686	65.73%	$2,211	10.58%	38.15%	7.7	45.55%	22.2	9.4
Mississippi	$2,147	$1,617	42.61%	$2,144	10.16%	35.19%	6.4	45.29%	21.5	7.4
Missouri	$1,761	$1,661	47.92%	$2,094	9.24%	39.93%	6.5	38.04%	22.0	8.1
Montana	$2,361	$1,742	51.08%	$2,393	7.05%	39.93%	8.7	45.79%	23.1	11.1
Nebraska	$1,486	$1,634	45.73%	$1,872	7.95%	40.44%	6.7	42.61%	20.9	9.2
Nevada	$1,805	$1,436	30.67%	$1,820	4.54%	36.01%	5.6	42.29%	17.3	12.1
New Hampshire	$1,957	$1,598	46.45%	$2,040	9.14%	35.49%	6.2	44.75%	20.6	9.7
New Jersey	$1,619	$1,691	40.08%	$2,215	8.10%	42.14%	8.7	43.02%	23.9	9.4
New Mexico	$2,482	$1,911	64.18%	$2,831	10.75%	40.35%	11.6	41.61%	28.7	8.4
New York	$2,162	$1,782	47.42%	$2,347	8.16%	34.96%	7.0	44.17%	23.6	8.5
North Carolina	$1,900	$1,921	62.38%	$2,716	10.83%	41.64%	10.7	41.27%	28.0	7.7

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Repairable Appraisal Statistics by State - Calendar Year 2004

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
Alabama	8.7	0.8	3.1	4.2
Alaska	6.5	1.1	2.9	2.7
Arizona	7.0	1.0	2.5	2.5
Arkansas	10.6	0.8	2.4	2.3
California	13.8	1.2	2.9	2.9
Colorado	10.3	1.0	2.3	2.5
Connecticut	7.0	1.2	2.4	0.9
Delaware	8.0	0.5	0.9	0.6
District of Columbia	5.1	1.0	3.6	3.3
Florida	7.3	0.9	2.5	2.2
Georgia	7.7	1.0	2.8	2.1
Hawaii	8.1	0.6	1.5	1.6
Idaho	8.4	1.1	3.1	1.8
Illinois	10.4	1.3	2.8	4.8
Indiana	7.6	1.2	2.9	3.8
Iowa	7.1	1.1	2.9	3.0
Kansas	11.0	2.4	2.3	2.2
Kentucky	8.5	1.4	3.0	3.4
Louisiana	8.7	1.0	3.3	2.7
Maine	2.7	1.2	2.6	0.2
Maryland	6.1	0.8	2.3	1.8
Massachusetts	6.4	1.6	2.9	6.2
Michigan	4.4	1.7	4.0	2.8
Minnesota	10.3	1.0	3.1	5.1
Mississippi	8.6	1.2	2.2	1.9
Missouri	6.1	0.9	2.8	2.3
Montana	9.0	1.4	2.5	3.4
Nebraska	4.1	1.0	2.6	3.0
Nevada	8.2	1.1	2.6	2.3
New Hampshire	8.4	1.0	2.8	2.3
New Jersey	8.2	1.1	2.5	2.9
New Mexico	5.1	1.6	4.5	3.4
New York	13.3	0.8	2.7	3.9
North Carolina	14.7	0.9	3.9	4.8

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2004

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
North Dakota	4.5	13.08%	60,111	28.51%	$1,755	$4,730	55.68%	12.79%	31.53%	$3,071
Ohio	5.0	14.15%	66,237	23.59%	$1,484	$4,069	48.28%	20.05%	31.67%	$2,505
Oklahoma	4.9	14.34%	71,630	13.43%	$1,749	$4,622	30.50%	13.36%	56.14%	$2,592
Oregon	6.3	15.94%	78,025	16.55%	$1,590	$4,454	48.45%	16.97%	34.58%	$2,521
Pennsylvania	4.7	15.07%	59,750	26.06%	$1,572	$4,165	53.59%	20.44%	25.97%	$2,701
Rhode Island	5.1	13.54%	71,739	38.72%	$1,444	$4,384	49.80%	7.21%	42.99%	$3,209
South Carolina	5.2	15.59%	82,098	26.05%	$1,370	$3,864	47.07%	17.11%	35.82%	$2,390
South Dakota	5.6	11.39%	77,250	11.32%	$1,939	$4,290	47.72%	28.95%	23.33%	$2,483
Tennessee	4.9	11.21%	74,349	23.18%	$1,627	$4,451	53.76%	17.33%	28.91%	$2,725
Texas	4.3	16.20%	66,195	21.40%	$1,649	$4,361	48.55%	14.95%	36.50%	$2,708
Utah	5.6	14.92%	75,111	22.46%	$1,670	$4,599	49.36%	12.98%	37.66%	$2,845
Vermont	4.9	15.84%	70,361	22.90%	$1,286	$3,704	50.02%	16.83%	33.16%	$2,183
Virginia	4.2	7.42%	59,989	18.58%	$1,311	$4,400	62.45%	13.91%	23.64%	$2,274
Washington	6.0	16.61%	76,211	16.80%	$1,668	$4,425	49.53%	16.01%	34.46%	$2,566
West Virginia	4.9	25.44%	68,932	18.37%	$1,762	$4,736	48.60%	23.37%	28.03%	$2,768
Wisconsin	4.8	14.87%	68,036	20.71%	$1,406	$3,906	40.85%	31.03%	28.12%	$2,489
Wyoming	5.4	14.50%	70,687	13.95%	$1,836	$4,988	47.04%	25.29%	27.67%	$2,629
U.S. Total	4.8	15.36%	67,366	22.54%	$1,620	$4,360	53.87%	15.87%	30.26%	$2,641

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2004

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
North Dakota	$2,312	$1,915	33.80%	$2,606	7.88%	38.50%	8.5	42.15%	26.3	6.1
Ohio	$1,761	$1,683	57.40%	$2,094	9.78%	37.99%	7.2	42.26%	22.8	9.4
Oklahoma	$2,130	$1,884	31.62%	$2,131	6.49%	37.28%	6.9	42.32%	22.6	13.5
Oregon	$1,611	$1,675	52.89%	$2,078	9.14%	36.56%	7.3	47.89%	23.2	8.2
Pennsylvania	$1,749	$1,709	57.49%	$2,246	9.26%	38.60%	8.6	43.05%	23.9	9.2
Rhode Island	$2,507	$1,911	29.27%	$2,604	6.70%	41.38%	10.4	44.38%	30.6	14.5
South Carolina	$1,723	$1,671	56.78%	$2,021	10.44%	41.39%	6.7	41.21%	22.7	8.9
South Dakota	$2,231	$1,730	29.24%	$2,269	4.31%	36.46%	6.9	43.88%	22.0	8.1
Tennessee	$1,815	$1,784	63.24%	$2,286	9.29%	39.48%	7.5	37.73%	24.2	8.9
Texas	$1,890	$1,739	55.54%	$2,228	11.35%	40.05%	7.6	40.35%	23.5	8.2
Utah	$1,865	$1,842	67.54%	$2,337	10.08%	39.92%	9.0	40.54%	25.1	9.8
Vermont	$1,537	$1,500	52.91%	$1,844	12.08%	38.96%	6.7	42.87%	20.8	7.2
Virginia	$1,635	$1,404	64.43%	$1,962	8.65%	41.84%	8.3	42.64%	21.5	10.2
Washington	$1,743	$1,725	51.66%	$2,143	11.18%	33.57%	6.9	44.76%	22.0	7.2
West Virginia	$2,101	$1,725	34.55%	$2,325	6.51%	34.63%	6.8	42.46%	21.3	9.8
Wisconsin	$1,612	$1,533	56.73%	$1,966	9.47%	41.53%	7.5	39.73%	21.3	10.0
Wyoming	$2,328	$1,717	58.63%	$2,301	7.39%	39.16%	7.3	42.55%	22.4	10.8
U.S. Total	$1,866	$1,732	51.31%	$2,240	10.67%	38.45%	7.8	42.70%	24.1	8.0

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Repairable Appraisal Statistics by State - Calendar Year 2004

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
North Dakota	7.8	0.9	1.9	1.0
Ohio	5.8	1.0	2.6	2.9
Oklahoma	35.5	0.9	1.6	2.3
Oregon	10.3	1.2	2.6	5.1
Pennsylvania	2.9	0.9	3.1	3.0
Rhode Island	1.7	0.9	3.4	1.1
South Carolina	5.5	0.9	2.4	2.0
South Dakota	10.0	1.6	2.3	1.8
Tennessee	6.6	1.1	3.3	5.6
Texas	9.0	0.9	2.5	2.2
Utah	11.3	1.0	3.0	5.3
Vermont	5.7	0.8	2.1	1.8
Virginia	3.7	1.4	4.0	4.6
Washington	10.7	1.3	1.9	3.2
West Virginia	7.4	1.1	2.4	1.9
Wisconsin	2.6	1.5	2.9	2.4
Wyoming	8.6	0.9	2.4	5.6
U.S. Total	8.1	1.0	2.6	2.5

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2005

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
Alabama	5.3	10.65%	63,041	19.94%	$2,050	$6,357	56.56%	9.93%	33.51%	$3,430
Alaska	4.9	15.98%	76,390	21.25%	$1,646	$4,299	50.75%	18.88%	30.38%	$2,608
Arizona	4.8	16.34%	71,814	18.07%	$1,707	$4,616	46.82%	19.66%	33.52%	$2,725
Arkansas	5.0	22.55%	66,020	23.00%	$1,828	$4,978	53.12%	13.22%	33.66%	$3,113
California	5.1	16.78%	68,732	18.09%	$1,952	$5,391	62.64%	11.52%	25.84%	$2,979
Colorado	5.3	17.11%	69,968	20.43%	$1,821	$4,833	49.74%	17.20%	33.06%	$2,897
Connecticut	5.1	21.87%	67,113	25.91%	$1,723	$4,447	53.56%	13.04%	33.39%	$2,876
Delaware	4.9	13.36%	62,336	22.65%	$1,452	$3,906	50.55%	13.29%	36.17%	$2,370
District of Columbia	4.5	8.68%	62,089	24.03%	$1,329	$4,215	56.55%	15.68%	27.77%	$2,369
Florida	4.5	12.49%	60,454	23.58%	$1,687	$4,443	50.70%	17.93%	31.36%	$2,749
Georgia	4.9	18.17%	76,110	30.49%	$1,713	$3,796	47.10%	17.69%	35.21%	$2,879
Hawaii	4.8	11.76%	51,779	14.94%	$1,582	$4,897	55.21%	11.37%	33.42%	$2,502
Idaho	5.4	21.94%	73,404	19.10%	$1,654	$4,415	51.22%	23.78%	25.00%	$2,173
Illinois	6.0	11.99%	76,498	18.87%	$1,618	$4,869	48.51%	16.22%	35.27%	$2,756
Indiana	4.7	10.12%	61,666	23.53%	$1,657	$4,698	61.58%	10.93%	27.48%	$2,781
Iowa	5.0	20.24%	67,278	23.53%	$1,674	$4,423	56.14%	17.82%	26.03%	$2,688
Kansas	5.3	18.02%	74,696	14.65%	$1,818	$4,129	36.14%	36.98%	26.88%	$2,588
Kentucky	5.1	17.43%	73,270	25.41%	$1,748	$4,645	49.49%	14.59%	35.92%	$3,023
Louisiana	4.5	18.25%	69,474	23.58%	$1,713	$4,598	52.19%	15.24%	32.57%	$2,882
Maine	5.1	11.89%	69,794	21.64%	$1,543	$4,687	84.88%	6.08%	9.04%	$2,333
Maryland	4.7	14.51%	66,535	25.39%	$1,432	$3,987	52.83%	15.59%	31.58%	$2,483
Massachusetts	5.3	8.35%	74,481	28.84%	$1,555	$4,490	57.19%	12.36%	30.45%	$2,803
Michigan	3.9	10.86%	58,314	20.60%	$1,648	$4,710	73.23%	22.09%	4.68%	$2,430
Minnesota	4.9	10.41%	69,566	16.57%	$1,803	$4,852	53.01%	22.70%	24.28%	$2,708
Mississippi	4.9	18.43%	70,251	19.65%	$1,675	$4,230	46.96%	19.58%	33.46%	$2,598
Missouri	5.0	21.26%	79,221	20.80%	$1,663	$4,244	49.90%	20.82%	29.28%	$2,587
Montana	5.8	13.07%	76,383	17.43%	$1,908	$4,975	43.28%	27.97%	28.76%	$2,981
Nebraska	5.2	18.64%	77,923	21.57%	$1,408	$3,921	43.56%	21.58%	34.86%	$2,418
Nevada	5.8	10.55%	75,774	12.42%	$1,828	$4,536	33.12%	42.14%	24.74%	$2,399
New Hampshire	5.5	16.59%	72,295	14.00%	$1,678	$4,660	41.07%	31.34%	27.59%	$2,377
New Jersey	4.8	7.09%	69,246	27.95%	$1,465	$4,650	64.74%	10.17%	25.09%	$2,639
New Mexico	3.8	12.35%	52,295	29.06%	$2,003	$5,242	61.14%	15.12%	23.74%	$3,428
New York	5.1	16.76%	70,061	19.05%	$1,858	$4,973	49.88%	17.63%	32.49%	$2,931
North Carolina	4.8	12.28%	60,756	23.36%	$1,904	$5,408	57.98%	12.22%	29.80%	$3,379

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May 2008

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Repairable Appraisal Statistics by State - Calendar Year 2005

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
Alabama	$2,468	$2,226	58.24%	$2,931	9.90%	39.53%	9.9	47.11%	25.2	9.0
Alaska	$1,883	$1,792	56.85%	$2,224	9.35%	39.86%	6.9	41.08%	23.6	10.1
Arizona	$2,012	$1,807	51.58%	$2,270	8.45%	38.56%	7.0	40.36%	22.5	9.3
Arkansas	$1,972	$1,955	51.54%	$2,563	13.86%	38.37%	9.0	42.00%	24.7	10.5
California	$2,109	$1,856	52.86%	$2,585	12.12%	35.71%	8.8	46.01%	25.9	8.6
Colorado	$2,185	$1,891	57.46%	$2,450	13.56%	37.37%	8.6	44.41%	23.7	14.2
Connecticut	$2,240	$1,893	36.52%	$2,434	10.71%	37.21%	8.4	43.62%	24.4	8.2
Delaware	$1,842	$1,563	33.48%	$2,008	11.80%	37.76%	7.2	43.08%	21.9	4.1
District of Columbia	$1,512	$1,625	70.93%	$2,023	13.32%	42.71%	8.1	43.72%	22.4	9.1
Florida	$2,154	$1,812	52.86%	$2,342	12.01%	38.63%	7.4	41.13%	25.1	7.4
Georgia	$2,183	$1,893	48.56%	$2,353	11.54%	37.09%	7.8	40.37%	24.3	8.7
Hawaii	$1,435	$1,606	36.67%	$2,080	9.28%	43.11%	6.3	40.32%	20.2	6.2
Idaho	$1,985	$1,751	31.44%	$2,069	7.70%	36.99%	6.6	42.96%	18.7	44.3
Illinois	$1,975	$1,713	61.96%	$2,268	7.38%	39.06%	8.0	43.96%	23.3	24.1
Indiana	$1,844	$1,682	56.29%	$2,371	11.07%	38.09%	7.9	44.34%	24.6	7.9
Iowa	$1,977	$1,822	57.88%	$2,332	10.01%	39.48%	7.9	43.03%	23.7	8.7
Kansas	$2,162	$1,684	43.16%	$2,184	8.56%	30.80%	5.7	48.64%	20.7	14.2
Kentucky	$2,197	$1,865	56.87%	$2,487	9.53%	40.67%	8.4	41.56%	25.4	7.2
Louisiana	$1,885	$1,940	53.36%	$2,365	9.53%	39.05%	7.4	38.20%	24.0	8.3
Maine	$1,923	$1,629	36.39%	$2,237	18.94%	42.66%	8.8	42.40%	**30.1**	10.0
Maryland	$1,705	$1,616	58.74%	$2,086	14.48%	41.13%	8.4	42.77%	23.7	7.6
Massachusetts	$2,010	$1,830	50.72%	$2,409	7.54%	41.87%	9.1	41.51%	24.7	7.8
Michigan	$2,001	$1,475	62.75%	$2,277	11.52%	41.78%	8.4	41.68%	24.7	25.2
Minnesota	$2,092	$1,759	65.12%	$2,355	11.03%	37.79%	7.9	45.84%	22.8	14.9
Mississippi	$2,027	$1,665	45.46%	$2,174	10.06%	36.62%	6.7	44.61%	21.0	126.9
Missouri	$1,947	$1,789	43.81%	$2,218	9.22%	39.13%	6.5	38.79%	23.4	10.4
Montana	$2,475	$1,806	56.07%	$2,561	6.97%	40.11%	9.1	45.50%	23.8	14.0
Nebraska	$1,563	$1,705	50.13%	$1,975	8.37%	40.90%	7.0	42.29%	21.4	10.1
Nevada	$2,251	$1,536	34.11%	$2,129	5.19%	33.89%	6.0	40.72%	18.7	15.8
New Hampshire	$2,013	$1,705	44.89%	$2,102	9.06%	33.82%	6.1	46.91%	19.8	15.7
New Jersey	$1,699	$1,669	40.29%	$2,290	8.74%	42.78%	9.0	42.69%	23.8	8.8
New Mexico	$2,624	$1,977	65.00%	$2,951	10.94%	40.72%	11.9	41.28%	28.7	9.7
New York	$2,253	$1,858	51.96%	$2,451	10.46%	36.58%	7.5	42.86%	23.6	11.5
North Carolina	$1,959	$1,930	66.58%	$2,770	13.63%	42.17%	11.0	40.95%	27.9	12.2

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Repairable Appraisal Statistics by State - Calendar Year 2005

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
Alabama	7.6	0.8	2.9	4.3
Alaska	6.4	1.0	3.0	2.9
Arizona	5.9	1.0	2.6	2.8
Arkansas	9.9	3.3	2.6	2.4
California	11.7	1.1	3.0	2.6
Colorado	9.8	1.0	2.3	3.2
Connecticut	6.3	1.2	3.1	0.9
Delaware	9.3	0.5	1.1	0.6
District of Columbia	4.4	1.0	3.4	2.6
Florida	7.3	0.9	2.5	2.5
Georgia	6.7	1.1	2.8	1.9
Hawaii	7.3	0.6	1.5	1.6
Idaho	8.2	1.1	2.5	1.0
Illinois	8.3	1.2	2.9	4.3
Indiana	56.5	1.5	2.9	3.7
Iowa	6.2	1.0	2.9	2.9
Kansas	10.4	0.9	2.2	1.8
Kentucky	7.0	1.2	2.8	2.9
Louisiana	8.3	1.1	3.6	2.7
Maine	3.1	1.2	2.7	0.1
Maryland	6.2	0.8	2.2	1.5
Massachusetts	6.5	1.4	3.2	5.6
Michigan	4.2	1.3	3.8	2.1
Minnesota	8.8	1.1	3.2	5.0
Mississippi	7.7	1.2	2.2	2.3
Missouri	6.1	1.0	2.6	2.0
Montana	8.9	1.4	2.3	3.5
Nebraska	3.9	1.0	2.6	3.2
Nevada	6.7	1.2	3.1	2.3
New Hampshire	7.6	1.1	2.8	1.9
New Jersey	7.8	1.1	2.5	3.0
New Mexico	3.8	1.6	4.5	3.3
New York	12.3	0.8	3.2	4.8
North Carolina	12.4	0.9	4.5	5.9

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Repairable Appraisal Statistics by State - Calendar Year 2005

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
North Dakota	4.4	13.27%	58,933	28.58%	$1,810	$4,926	56.28%	12.35%	31.37%	$3,202
Ohio	5.1	13.91%	67,268	24.06%	$1,486	$4,178	49.48%	18.16%	32.36%	$2,568
Oklahoma	4.8	12.67%	69,153	13.63%	$1,692	$4,530	30.45%	11.98%	57.57%	$2,616
Oregon	6.3	15.76%	77,302	17.35%	$1,634	$4,540	49.30%	15.22%	35.47%	$2,647
Pennsylvania	4.7	13.77%	60,371	26.19%	$1,593	$4,239	54.72%	18.61%	26.67%	$2,749
Rhode Island	5.1	11.75%	70,761	40.34%	$1,536	$4,396	50.66%	8.25%	41.10%	$3,222
South Carolina	5.4	15.55%	84,136	25.65%	$1,397	$4,032	47.46%	16.95%	35.59%	$2,464
South Dakota	5.6	9.09%	77,985	12.76%	$2,107	$4,451	46.02%	28.14%	25.84%	$2,805
Tennessee	5.0	10.28%	75,477	22.30%	$1,709	$4,658	54.74%	17.45%	27.81%	$2,820
Texas	4.4	15.09%	67,510	21.13%	$1,679	$4,471	49.14%	14.60%	36.27%	$2,778
Utah	5.5	13.66%	75,401	24.00%	$1,731	$4,651	51.32%	11.77%	36.91%	$2,986
Vermont	4.9	15.00%	70,087	23.02%	$1,332	$3,880	51.02%	15.60%	33.38%	$2,287
Virginia	4.1	8.50%	58,128	20.88%	$1,377	$4,283	63.01%	14.18%	22.81%	$2,273
Washington	6.0	15.82%	75,640	17.55%	$1,708	$4,786	51.81%	14.85%	33.34%	$2,741
West Virginia	5.0	23.87%	69,967	19.27%	$1,867	$4,824	54.03%	21.23%	24.74%	$2,882
Wisconsin	5.0	14.75%	69,929	21.60%	$1,436	$4,098	43.09%	27.32%	29.58%	$2,614
Wyoming	5.3	13.33%	68,868	14.00%	$1,943	$5,182	47.90%	25.04%	27.06%	$2,764
U.S. Total	4.8	14.93%	67,360	22.59%	$1,677	$4,529	54.12%	15.82%	30.06%	$2,750

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Repairable Appraisal Statistics by State - Calendar Year 2005

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
North Dakota	$2,398	$1,945	35.20%	$2,705	8.93%	39.13%	8.9	41.65%	26.7	5.8
Ohio	$1,790	$1,699	57.41%	$2,143	10.06%	39.07%	7.5	42.02%	22.9	9.4
Oklahoma	$2,103	$1,826	35.46%	$2,095	7.54%	37.85%	6.8	42.58%	21.6	13.7
Oregon	$1,685	$1,677	60.28%	$2,168	11.07%	36.93%	7.6	47.78%	23.5	15.2
Pennsylvania	$1,833	$1,718	58.94%	$2,291	9.66%	39.22%	8.6	42.75%	23.7	9.2
Rhode Island	$2,601	$2,070	31.55%	$2,693	7.09%	42.03%	11.8	43.88%	31.4	14.7
South Carolina	$1,807	$1,693	55.44%	$2,081	11.05%	41.45%	6.7	41.08%	22.6	8.2
South Dakota	$2,440	$1,880	32.42%	$2,514	5.02%	37.23%	7.6	42.62%	22.9	7.0
Tennessee	$1,943	$1,844	64.48%	$2,384	9.66%	39.59%	7.6	37.45%	24.4	8.2
Texas	$2,001	$1,789	55.67%	$2,286	11.53%	40.57%	7.8	39.91%	23.4	8.3
Utah	$2,095	$1,885	68.68%	$2,477	11.10%	39.94%	9.5	40.35%	25.8	44.9
Vermont	$1,578	$1,560	54.28%	$1,927	12.36%	39.66%	7.1	42.64%	21.2	7.6
Virginia	$1,667	$1,514	63.66%	$2,004	8.77%	41.13%	8.3	42.29%	21.0	11.1
Washington	$1,772	$1,758	56.59%	$2,270	12.69%	34.84%	7.4	43.99%	22.5	12.4
West Virginia	$2,226	$1,800	39.02%	$2,469	7.21%	35.94%	7.4	43.26%	22.3	9.7
Wisconsin	$1,653	$1,606	58.17%	$2,080	9.77%	42.42%	7.8	39.17%	21.8	9.2
Wyoming	$2,556	$1,838	61.88%	$2,461	6.97%	39.87%	7.7	42.33%	22.7	15.2
U.S. Total	$1,975	$1,782	52.53%	$2,332	11.19%	38.80%	8.0	42.49%	24.2	11.0

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2005

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
North Dakota	7.2	0.9	1.6	0.8
Ohio	5.3	1.0	2.6	2.6
Oklahoma	35.6	104.1	1.4	1.8
Oregon	9.2	1.1	2.5	4.2
Pennsylvania	2.7	0.9	3.0	2.8
Rhode Island	1.4	0.9	3.5	1.2
South Carolina	4.4	1.0	2.4	2.1
South Dakota	9.2	1.1	2.1	2.0
Tennessee	39.0	1.2	3.5	5.0
Texas	7.7	1.0	2.7	2.1
Utah	8.6	0.9	2.8	4.4
Vermont	5.1	0.8	2.1	1.7
Virginia	2.3	1.3	3.7	4.4
Washington	9.0	1.1	2.0	3.1
West Virginia	6.4	1.2	2.2	1.7
Wisconsin	2.7	0.9	2.7	2.5
Wyoming	8.8	0.9	2.7	6.3
U.S. Total	10.1	3.0	2.6	2.4

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Repairable Appraisal Statistics by State - Calendar Year 2006

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
Alabama	5.1	13.62%	60,903	20.97%	$2,136	$6,124	57.99%	9.40%	32.61%	$3,478
Alaska	5.0	15.13%	76,974	21.12%	$1,708	$4,470	50.59%	19.77%	29.64%	$2,715
Arizona	4.9	14.64%	75,937	18.51%	$1,812	$4,725	45.57%	22.88%	31.55%	$2,807
Arkansas	5.0	22.06%	67,163	22.59%	$1,875	$5,129	53.03%	14.21%	32.76%	$3,152
California	5.0	16.51%	69,071	19.07%	$1,992	$5,492	62.58%	11.87%	25.54%	$3,061
Colorado	5.4	17.55%	72,180	20.86%	$1,791	$4,729	49.37%	16.41%	34.22%	$2,855
Connecticut	5.0	20.18%	67,194	25.31%	$1,809	$4,727	54.20%	13.62%	32.18%	$2,977
Delaware	5.0	13.07%	63,531	23.65%	$1,490	$4,026	48.89%	13.98%	37.13%	$2,508
District of Columbia	4.6	7.98%	63,831	22.69%	$1,370	$4,178	53.98%	18.50%	27.52%	$2,360
Florida	4.5	13.70%	61,384	24.50%	$1,658	$4,716	54.86%	12.08%	33.07%	$2,863
Georgia	5.0	16.01%	78,077	29.88%	$1,739	$3,863	47.45%	17.40%	35.15%	$2,919
Hawaii	4.7	12.41%	51,031	14.98%	$1,654	$4,913	55.64%	11.44%	32.93%	$2,564
Idaho	5.3	17.39%	79,288	15.70%	$1,672	$4,429	38.67%	34.78%	26.55%	$2,472
Illinois	5.9	11.59%	77,028	18.90%	$1,684	$4,821	49.24%	16.19%	34.57%	$2,731
Indiana	4.8	11.34%	63,701	23.49%	$1,683	$4,632	60.18%	13.34%	26.49%	$2,766
Iowa	5.1	19.83%	70,300	21.14%	$1,755	$4,403	50.78%	24.56%	24.66%	$2,682
Kansas	5.5	16.59%	80,455	13.76%	$1,988	$4,408	34.16%	41.16%	24.68%	$2,631
Kentucky	5.3	16.53%	76,614	25.41%	$1,804	$4,781	46.86%	18.98%	34.16%	$3,160
Louisiana	4.4	16.58%	70,998	24.32%	$1,792	$4,967	55.80%	11.88%	32.32%	$3,016
Maine	5.1	13.50%	68,436	21.99%	$1,585	$4,851	83.41%	6.53%	10.07%	$2,427
Maryland	4.7	14.14%	67,201	25.96%	$1,484	$4,115	52.04%	16.18%	31.78%	$2,587
Massachusetts	5.3	9.22%	76,743	27.64%	$1,632	$4,953	55.02%	14.76%	30.22%	$3,038
Michigan	4.1	11.36%	61,793	19.72%	$1,637	$4,571	70.50%	24.64%	4.86%	$2,334
Minnesota	5.0	10.41%	73,821	16.32%	$1,848	$5,041	52.10%	22.37%	25.53%	$2,762
Mississippi	5.0	17.19%	74,099	17.50%	$1,847	$4,451	41.47%	29.97%	28.55%	$2,706
Missouri	4.9	18.17%	81,667	21.77%	$1,731	$4,482	52.90%	17.11%	29.99%	$2,727
Montana	5.8	12.12%	78,773	18.37%	$1,983	$5,062	41.77%	28.59%	29.64%	$2,992
Nebraska	5.2	17.17%	78,938	21.25%	$1,483	$4,113	42.40%	25.18%	32.42%	$2,548
Nevada	5.8	8.16%	80,171	13.07%	$1,872	$4,946	37.78%	36.59%	25.62%	$2,643
New Hampshire	5.6	15.43%	76,106	13.67%	$1,717	$4,603	40.12%	31.76%	28.12%	$2,436
New Jersey	4.8	7.31%	70,414	25.12%	$1,578	$4,705	60.46%	15.30%	24.24%	$2,596
New Mexico	3.9	12.29%	53,185	28.78%	$2,008	$5,271	62.49%	15.76%	21.75%	$3,340
New York	5.0	18.47%	70,742	21.25%	$1,826	$4,867	51.30%	16.98%	31.72%	$2,941
North Carolina	4.7	14.18%	60,642	23.59%	$2,014	$5,685	57.78%	12.35%	29.87%	$3,515

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May 2008

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Repairable Appraisal Statistics by State - Calendar Year 2006

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
Alabama	$2,450	$2,333	60.33%	$2,999	11.44%	39.74%	9.9	46.64%	24.9	10.1
Alaska	$2,014	$1,834	56.84%	$2,318	9.70%	40.14%	7.0	40.47%	22.8	10.6
Arizona	$2,213	$1,913	52.01%	$2,380	8.59%	37.43%	7.0	41.38%	23.6	9.2
Arkansas	$2,116	$2,021	50.25%	$2,628	14.09%	37.98%	8.9	41.44%	24.1	8.2
California	$2,228	$1,912	54.41%	$2,663	13.20%	35.90%	9.0	45.68%	25.6	8.3
Colorado	$2,269	$1,868	53.81%	$2,413	13.62%	37.03%	8.4	43.90%	22.7	19.1
Connecticut	$2,383	$1,978	37.50%	$2,551	11.18%	37.15%	8.6	43.01%	24.7	8.0
Delaware	$1,919	$1,604	31.91%	$2,090	11.26%	38.46%	7.5	42.72%	21.7	4.2
District of Columbia	$1,579	$1,607	67.34%	$2,009	13.12%	42.31%	7.8	43.66%	21.7	9.1
Florida	$1,894	$1,878	52.12%	$2,409	12.05%	40.06%	7.7	39.77%	24.0	8.6
Georgia	$2,231	$1,924	48.37%	$2,389	11.37%	38.01%	8.1	40.24%	23.5	8.7
Hawaii	$1,430	$1,687	39.26%	$2,144	9.59%	42.40%	6.2	40.98%	19.5	6.4
Idaho	$2,063	$1,694	35.79%	$2,133	8.00%	33.95%	6.1	45.59%	18.3	121.7
Illinois	$2,059	$1,744	62.48%	$2,286	8.05%	38.18%	7.7	44.10%	22.8	54.1
Indiana	$1,986	$1,689	61.45%	$2,374	12.24%	37.64%	8.0	44.40%	24.3	8.7
Iowa	$2,153	$1,804	55.68%	$2,335	10.55%	36.99%	7.4	43.25%	22.4	11.9
Kansas	$2,393	$1,747	41.61%	$2,309	8.72%	29.60%	5.6	49.35%	21.6	30.5
Kentucky	$2,306	$1,874	53.32%	$2,559	9.35%	39.91%	8.2	41.84%	24.9	7.9
Louisiana	$1,987	$2,039	54.25%	$2,586	10.79%	40.19%	8.0	37.77%	23.9	10.1
Maine	$1,982	$1,675	38.09%	$2,313	19.80%	42.31%	8.9	42.03%	**30.7**	9.1
Maryland	$1,831	$1,678	57.28%	$2,173	13.66%	40.96%	8.7	42.86%	24.0	7.4
Massachusetts	$2,255	$1,852	49.81%	$2,565	7.75%	41.54%	9.2	41.43%	25.5	7.8
Michigan	$2,047	$1,435	60.36%	$2,231	11.39%	40.80%	8.2	41.97%	23.9	61.7
Minnesota	$2,332	$1,757	64.47%	$2,436	9.68%	37.32%	8.0	46.12%	23.2	12.2
Mississippi	$2,266	$1,738	41.64%	$2,297	9.37%	33.45%	6.3	46.24%	21.4	50.0
Missouri	$2,142	$1,849	44.21%	$2,358	9.82%	40.07%	6.9	38.01%	22.5	9.6
Montana	$2,680	$1,883	59.46%	$2,624	7.47%	39.48%	9.2	45.84%	23.8	9.1
Nebraska	$1,683	$1,780	51.27%	$2,085	8.40%	40.45%	7.2	42.57%	21.8	11.1
Nevada	$2,212	$1,749	37.28%	$2,317	5.65%	35.87%	6.4	41.53%	19.3	15.1
New Hampshire	$2,070	$1,714	46.41%	$2,121	9.39%	33.43%	6.2	47.21%	19.4	12.7
New Jersey	$2,340	$1,684	42.00%	$2,331	8.80%	41.35%	8.6	43.96%	24.5	9.6
New Mexico	$2,566	$1,977	64.28%	$2,950	11.26%	40.07%	11.7	41.29%	28.0	9.6
New York	$2,208	$1,923	52.23%	$2,479	11.65%	37.57%	7.7	41.20%	22.8	9.7
North Carolina	$2,277	$1,996	68.95%	$2,899	16.41%	42.07%	11.3	40.53%	27.6	10.0

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2006

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
Alabama	9.4	0.9	2.5	3.8
Alaska	6.9	1.0	3.2	2.9
Arizona	6.5	1.0	2.8	2.7
Arkansas	11.0	3.0	2.5	2.2
California	11.7	1.0	2.8	2.6
Colorado	10.1	0.9	2.4	2.0
Connecticut	6.2	1.0	2.2	0.7
Delaware	10.3	0.5	0.9	0.6
District of Columbia	4.4	1.0	2.9	2.5
Florida	8.0	0.9	2.8	2.5
Georgia	7.0	1.0	2.6	1.8
Hawaii	7.4	0.6	1.4	1.4
Idaho	7.3	1.1	2.7	1.1
Illinois	9.8	1.2	3.5	4.2
Indiana	7.0	1.7	3.3	3.0
Iowa	6.4	1.1	3.2	3.0
Kansas	10.4	0.9	2.3	2.2
Kentucky	6.9	1.2	2.6	2.8
Louisiana	10.1	1.0	4.5	3.5
Maine	4.8	1.2	2.3	0.1
Maryland	6.9	0.7	2.2	1.6
Massachusetts	6.6	1.3	2.7	4.7
Michigan	6.5	1.1	3.6	1.6
Minnesota	9.7	1.0	3.1	5.3
Mississippi	7.0	1.2	2.5	1.5
Missouri	7.2	1.0	3.0	2.8
Montana	9.3	1.2	2.7	4.1
Nebraska	3.5	1.0	2.6	3.0
Nevada	8.7	1.0	2.9	2.5
New Hampshire	7.6	1.1	2.8	2.1
New Jersey	7.2	1.0	2.4	3.0
New Mexico	3.5	1.4	4.0	2.9
New York	12.3	0.8	2.9	4.0
North Carolina	13.4	0.8	4.1	4.6

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2006

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
North Dakota	4.5	13.11%	59,403	29.17%	$1,843	$5,064	55.87%	13.53%	30.61%	$3,304
Ohio	5.2	13.40%	70,368	24.23%	$1,549	$4,170	47.27%	21.33%	31.40%	$2,604
Oklahoma	4.9	9.85%	69,851	13.98%	$1,854	$4,873	28.17%	10.74%	61.09%	$2,708
Oregon	6.2	15.38%	77,636	17.71%	$1,690	$4,649	49.82%	15.44%	34.74%	$2,711
Pennsylvania	4.8	12.97%	61,562	25.39%	$1,598	$4,320	52.70%	20.91%	26.38%	$2,765
Rhode Island	5.2	8.83%	70,762	41.32%	$1,622	$4,504	52.84%	8.14%	39.02%	$3,365
South Carolina	5.5	15.84%	87,245	25.77%	$1,420	$4,114	47.30%	17.43%	35.26%	$2,502
South Dakota	5.7	10.57%	89,274	14.05%	$1,900	$4,753	44.24%	30.39%	25.37%	$2,665
Tennessee	5.1	9.73%	77,357	22.03%	$1,832	$4,883	51.72%	22.25%	26.04%	$2,976
Texas	4.5	15.15%	68,979	22.34%	$1,722	$4,523	48.72%	15.41%	35.87%	$2,873
Utah	5.5	13.19%	77,561	23.11%	$1,785	$4,851	52.42%	11.46%	36.11%	$3,073
Vermont	5.0	15.80%	70,689	23.14%	$1,386	$3,968	49.94%	17.57%	32.49%	$2,344
Virginia	4.3	8.05%	62,515	19.99%	$1,403	$4,355	61.07%	14.63%	24.30%	$2,333
Washington	5.9	15.28%	76,131	17.68%	$1,775	$4,866	52.16%	15.73%	32.11%	$2,791
West Virginia	5.2	22.68%	79,379	18.17%	$1,921	$4,729	49.46%	26.63%	23.91%	$2,938
Wisconsin	5.1	14.38%	72,605	21.22%	$1,469	$4,152	39.91%	30.98%	29.11%	$2,658
Wyoming	5.1	12.58%	70,860	15.10%	$2,062	$5,570	50.02%	26.11%	23.88%	$2,903
U.S. Total	4.9	14.77%	68,845	22.68%	$1,723	$4,646	53.26%	16.93%	29.81%	$2,823

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2006

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
North Dakota	$2,494	$1,972	34.49%	$2,783	8.98%	39.15%	9.1	41.60%	27.0	5.4
Ohio	$2,040	$1,694	56.68%	$2,194	9.87%	37.58%	7.3	42.95%	22.3	9.0
Oklahoma	$2,198	$2,103	38.91%	$2,284	6.54%	38.78%	7.5	43.24%	23.2	12.7
Oregon	$1,896	$1,724	61.64%	$2,240	11.51%	36.83%	7.8	47.83%	23.8	20.2
Pennsylvania	$1,923	$1,730	58.62%	$2,300	9.77%	38.38%	8.4	42.71%	23.1	9.4
Rhode Island	$2,798	$2,083	37.37%	$2,817	8.10%	42.97%	13.2	42.78%	31.9	13.5
South Carolina	$1,892	$1,717	52.97%	$2,119	11.02%	41.51%	6.7	40.76%	21.7	8.5
South Dakota	$2,567	$1,669	41.12%	$2,487	5.93%	36.97%	7.2	42.38%	21.4	10.8
Tennessee	$2,201	$1,917	61.10%	$2,513	9.23%	38.38%	7.7	37.72%	24.7	8.3
Texas	$2,156	$1,828	54.24%	$2,353	12.17%	40.38%	7.8	39.82%	23.2	8.1
Utah	$2,140	$1,912	69.81%	$2,552	11.44%	40.06%	9.4	40.14%	25.7	33.4
Vermont	$1,754	$1,593	52.41%	$1,991	12.61%	39.12%	7.2	42.53%	21.1	7.7
Virginia	$1,898	$1,502	60.23%	$2,056	8.81%	41.80%	8.5	41.97%	21.2	11.2
Washington	$1,959	$1,789	59.16%	$2,338	13.45%	34.70%	7.5	43.68%	22.5	9.6
West Virginia	$2,359	$1,857	38.69%	$2,511	7.22%	34.69%	7.1	43.69%	21.8	37.1
Wisconsin	$1,801	$1,610	57.47%	$2,102	9.75%	41.24%	7.6	39.82%	21.4	9.5
Wyoming	$2,727	$1,990	63.62%	$2,679	6.56%	40.09%	8.3	42.08%	23.8	153.0
U.S. Total	$2,084	$1,830	52.48%	$2,396	11.45%	38.55%	8.1	42.36%	23.9	12.1

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2006

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
North Dakota	16.4	0.9	1.3	0.7
Ohio	5.0	0.9	2.2	2.2
Oklahoma	41.3	13.7	1.3	2.0
Oregon	9.9	1.1	2.6	4.8
Pennsylvania	2.7	0.9	2.8	2.6
Rhode Island	1.8	1.0	3.5	1.0
South Carolina	4.7	0.9	2.3	1.9
South Dakota	7.2	1.0	2.7	2.7
Tennessee	26.8	1.1	4.0	5.4
Texas	8.2	0.8	2.7	1.8
Utah	8.6	0.9	3.0	4.6
Vermont	5.7	0.8	2.0	1.7
Virginia	2.6	1.2	3.1	3.8
Washington	9.7	1.2	2.1	3.2
West Virginia	6.8	1.1	2.4	2.2
Wisconsin	2.6	0.8	2.8	2.6
Wyoming	10.9	1.1	3.2	6.7
U.S. Total	9.2	1.2	2.6	2.3

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2007

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
Alabama	5.0	13.73%	80,332	22.84%	$1,717	$4,549	52.90%	16.11%	29.68%	$2,794
Alaska	5.4	11.40%	64,578	19.06%	$2,172	$6,140	55.52%	10.02%	32.71%	$3,347
Arizona	5.0	18.39%	70,660	23.00%	$1,872	$5,051	52.16%	13.29%	32.62%	$3,137
Arkansas	5.0	13.64%	82,622	20.33%	$1,774	$4,826	48.84%	16.93%	32.60%	$2,825
California	5.2	15.08%	74,376	19.05%	$2,015	$5,438	61.25%	11.45%	24.71%	$3,065
Colorado	5.6	15.62%	76,129	20.22%	$1,814	$4,693	47.72%	15.72%	34.10%	$2,819
Connecticut	5.1	16.71%	69,062	24.25%	$1,793	$4,712	53.44%	13.10%	30.43%	$2,901
Delaware	4.7	9.08%	66,399	24.88%	$1,442	$4,402	56.32%	16.78%	25.62%	$2,533
District of Columbia	5.0	12.07%	64,461	24.61%	$1,518	$4,040	50.79%	13.72%	35.45%	$2,540
Florida	4.6	13.17%	63,517	25.98%	$1,640	$4,881	56.11%	10.30%	32.54%	$2,944
Georgia	5.0	13.95%	81,682	30.64%	$1,687	$3,510	44.37%	15.74%	33.13%	$2,863
Hawaii	4.8	9.88%	51,748	14.11%	$1,602	$5,206	55.63%	12.44%	31.63%	$2,575
Idaho	6.0	11.78%	85,717	18.16%	$1,753	$5,023	48.76%	15.78%	32.35%	$2,779
Illinois	4.9	11.47%	66,731	24.10%	$1,680	$4,592	60.45%	11.59%	26.66%	$2,755
Indiana	5.2	15.87%	74,783	21.54%	$1,621	$4,265	51.29%	18.03%	28.06%	$2,599
Iowa	5.5	16.09%	88,108	16.61%	$1,696	$4,455	36.52%	28.07%	28.98%	$2,593
Kansas	5.5	16.49%	89,143	15.96%	$1,938	$4,300	39.50%	32.41%	26.90%	$2,713
Kentucky	5.5	15.13%	81,185	26.09%	$1,762	$4,721	49.21%	15.74%	33.36%	$3,075
Louisiana	4.4	13.91%	79,455	24.62%	$1,841	$5,012	50.81%	11.98%	30.97%	$3,065
Maine	5.4	8.37%	87,518	26.37%	$1,598	$4,704	57.45%	14.34%	25.88%	$2,745
Maryland	4.8	12.23%	69,861	26.44%	$1,502	$4,231	52.19%	15.49%	31.08%	$2,658
Massachusetts	5.1	14.06%	69,357	24.07%	$1,602	$4,748	80.78%	6.90%	10.08%	$2,501
Michigan	4.2	10.65%	65,739	19.89%	$1,641	$4,486	69.14%	24.42%	4.56%	$2,333
Minnesota	5.2	10.33%	79,571	17.46%	$1,879	$4,981	49.43%	25.34%	23.44%	$2,830
Mississippi	4.9	14.90%	85,241	22.20%	$1,742	$4,487	53.22%	15.65%	28.53%	$2,771
Missouri	5.2	15.83%	80,152	21.12%	$1,790	$4,533	48.04%	19.01%	30.98%	$2,823
Montana	5.9	10.48%	82,510	17.92%	$2,095	$5,370	41.25%	29.39%	27.56%	$3,101
Nebraska	5.7	14.83%	81,710	16.76%	$1,768	$4,850	41.19%	23.46%	31.70%	$2,717
Nevada	4.7	11.91%	62,975	23.01%	$2,023	$5,765	57.05%	12.71%	27.75%	$3,471
New Hampshire	4.9	7.81%	72,871	24.61%	$1,520	$4,612	62.97%	13.36%	22.43%	$2,550
New Jersey	4.0	11.75%	55,565	29.26%	$2,003	$5,277	50.05%	14.98%	19.98%	$3,350
New Mexico	5.0	16.32%	74,508	21.75%	$1,820	$4,819	50.11%	17.63%	31.19%	$2,909
New York	4.5	13.21%	61,964	29.49%	$1,865	$4,964	56.95%	12.69%	29.58%	$3,277
North Carolina	5.3	14.47%	83,314	21.80%	$1,476	$4,138	42.02%	24.03%	32.56%	$2,554

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Repairable Appraisal Statistics by State - Calendar Year 2007

Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
Alabama	$2,019	$1,850	57.08%	$2,390	10.01%	41.08%	7.4	40.22%	22.2	9.3
Alaska	$2,749	$2,309	55.92%	$2,946	10.90%	38.80%	9.6	46.99%	24.3	9.6
Arizona	$2,186	$1,988	47.65%	$2,632	14.62%	38.43%	9.0	41.72%	23.9	6.7
Arkansas	$2,211	$1,914	52.79%	$2,415	8.85%	39.62%	7.5	39.72%	22.7	8.4
California	$2,337	$1,926	51.20%	$2,703	13.44%	36.32%	9.2	45.72%	25.4	7.6
Colorado	$2,436	$1,842	50.66%	$2,414	13.68%	37.28%	8.3	43.48%	22.1	9.0
Connecticut	$2,404	$1,900	39.04%	$2,518	12.62%	37.47%	8.8	42.55%	23.6	7.7
Delaware	$1,653	$1,750	66.69%	$2,180	13.81%	42.84%	8.4	43.71%	22.8	7.7
District of Columbia	$1,945	$1,637	32.94%	$2,139	12.49%	38.90%	7.6	42.40%	21.4	4.3
Florida	$1,986	$1,870	52.74%	$2,489	12.20%	40.59%	8.0	39.63%	24.3	7.1
Georgia	$2,194	$1,905	45.50%	$2,284	11.93%	40.48%	8.1	40.14%	22.3	7.9
Hawaii	$1,442	$1,587	40.25%	$2,122	10.30%	42.47%	6.0	40.87%	19.1	7.1
Idaho	$2,242	$1,771	61.87%	$2,391	7.96%	38.86%	8.2	43.59%	23.2	10.4
Illinois	$2,009	$1,697	61.03%	$2,387	12.06%	38.54%	8.2	43.93%	23.9	8.4
Indiana	$1,987	$1,695	54.23%	$2,238	10.90%	38.98%	7.5	43.00%	21.6	9.0
Iowa	$2,212	$1,749	40.11%	$2,243	8.41%	37.07%	6.7	43.38%	18.8	9.2
Kansas	$2,372	$1,812	40.22%	$2,357	9.06%	32.63%	6.2	49.27%	20.6	7.8
Kentucky	$2,296	$1,870	51.05%	$2,552	9.26%	40.67%	8.4	41.58%	24.4	7.3
Louisiana	$2,087	$2,083	51.59%	$2,605	11.38%	39.25%	7.9	38.62%	22.7	8.4
Maine	$2,332	$1,772	48.40%	$2,413	7.37%	41.88%	9.2	41.49%	23.6	6.9
Maryland	$1,858	$1,695	56.23%	$2,231	13.30%	41.33%	9.0	42.60%	23.8	7.1
Massachusetts	$1,992	$1,771	38.23%	$2,377	19.24%	42.83%	9.4	41.38%	**30.4**	8.0
Michigan	$2,045	$1,404	58.94%	$2,231	11.28%	40.88%	8.2	41.94%	23.5	11.6
Minnesota	$2,319	$1,793	61.29%	$2,492	8.89%	37.11%	8.1	45.28%	22.8	8.9
Mississippi	$2,125	$1,824	44.80%	$2,400	9.86%	40.93%	7.3	37.66%	21.9	8.2
Missouri	$2,210	$1,797	47.17%	$2,384	10.34%	37.66%	7.2	44.22%	21.6	7.7
Montana	$2,910	$1,965	60.51%	$2,769	7.76%	38.78%	9.4	45.38%	24.2	8.3
Nebraska	$2,245	$1,837	49.24%	$2,327	9.63%	36.80%	7.4	43.60%	20.7	8.8
Nevada	$2,311	$2,011	66.81%	$2,908	14.84%	41.51%	11.4	40.91%	27.4	7.7
New Hampshire	$1,913	$1,640	43.84%	$2,249	9.91%	41.72%	8.5	43.23%	22.9	8.7
New Jersey	$2,566	$2,025	60.38%	$2,982	11.41%	39.98%	12.0	40.87%	27.5	8.7
New Mexico	$2,282	$1,900	49.21%	$2,475	12.33%	37.24%	7.5	40.40%	22.0	8.6
New York	$2,525	$1,962	33.36%	$2,790	9.26%	38.75%	9.1	41.30%	26.2	5.4
North Carolina	$1,715	$1,777	50.58%	$2,109	8.64%	41.50%	7.3	41.84%	21.7	10.5

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Repairable Appraisal Statistics by State - Calendar Year 2007

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
Alabama	6.7	1.0	2.9	2.6
Alaska	10.2	0.8	3.3	4.9
Arizona	10.6	0.9	2.3	2.2
Arkansas	6.6	1.1	2.9	3.6
California	11.4	1.0	2.8	2.6
Colorado	9.8	1.0	2.6	2.2
Connecticut	6.7	1.5	2.2	0.9
Delaware	4.2	0.9	3.0	2.6
District of Columbia	9.7	0.5	1.1	0.6
Florida	7.9	0.9	2.3	1.8
Georgia	7.1	1.0	2.4	1.6
Hawaii	8.4	0.6	1.5	2.1
Idaho	9.1	1.0	2.8	4.3
Illinois	6.9	1.5	2.7	3.0
Indiana	7.3	1.0	2.8	2.6
Iowa	7.5	1.1	2.6	1.3
Kansas	8.3	0.9	2.0	1.9
Kentucky	6.8	1.2	2.5	2.4
Louisiana	9.0	1.2	3.1	2.6
Maine	7.1	1.2	3.0	4.8
Maryland	7.0	0.7	2.3	1.6
Massachusetts	5.2	2.0	2.3	0.1
Michigan	6.6	1.2	3.5	1.6
Minnesota	9.5	1.0	3.1	5.1
Mississippi	7.3	1.0	2.3	2.2
Missouri	7.7	1.1	2.5	1.9
Montana	9.6	0.8	3.2	5.3
Nebraska	7.0	0.9	2.7	2.7
Nevada	12.3	0.9	3.4	3.7
New Hampshire	6.6	1.9	2.4	2.2
New Jersey	4.6	1.2	3.5	2.5
New Mexico	11.4	0.8	2.5	3.5
New York	8.7	1.4	1.4	0.7
North Carolina	4.2	0.9	2.6	2.7

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Repairable Appraisal Statistics by State - Calendar Year 2007

Appraiser State	Vehicle Age Avg	% of Claims flagged Total Loss	Vehicle Odometer Avg	Non-Driveable % of Claim Vol	Driveable Avg Total Cost of Repairs	Non-Driveable Avg Total Cost of Repairs	Collision % of Claim Vol	Comprehensive % of Claim Cnt	Liability % of Claim Cnt	Collision Avg Total Cost of Repairs
North Dakota	6.0	6.35%	90,866	11.65%	$1,968	$5,222	34.52%	40.14%	23.77%	$2,759
Ohio	5.4	11.82%	75,288	23.78%	$1,570	$4,223	47.72%	20.37%	29.92%	$2,656
Oklahoma	5.0	9.56%	72,730	14.26%	$1,855	$5,089	35.66%	10.83%	53.20%	$2,621
Oregon	6.3	14.57%	80,335	18.35%	$1,712	$4,768	49.25%	14.75%	33.93%	$2,745
Pennsylvania	5.0	11.67%	66,039	25.56%	$1,625	$4,321	51.95%	20.01%	24.75%	$2,776
Rhode Island	5.2	6.11%	70,557	26.70%	$1,753	$4,260	54.51%	11.95%	32.53%	$2,733
South Carolina	5.6	14.79%	89,841	25.62%	$1,434	$4,126	47.24%	17.12%	34.34%	$2,522
South Dakota	5.2	3.92%	88,420	4.06%	$1,931	$4,816	43.29%	25.34%	26.49%	$2,294
Tennessee	5.3	9.30%	81,309	22.96%	$1,790	$4,923	53.41%	17.02%	26.97%	$2,985
Texas	4.6	13.96%	71,980	23.59%	$1,712	$4,462	48.43%	14.26%	35.49%	$2,883
Utah	5.6	11.67%	83,992	22.85%	$1,830	$5,003	52.05%	10.98%	34.69%	$3,104
Vermont	4.5	8.09%	72,472	19.98%	$1,453	$4,343	60.22%	15.44%	21.00%	$2,386
Virginia	5.1	13.90%	72,899	23.94%	$1,406	$3,941	49.48%	17.26%	31.78%	$2,369
Washington	6.0	13.30%	78,178	17.47%	$1,831	$4,890	52.65%	14.69%	30.97%	$2,822
West Virginia	5.2	13.30%	77,759	22.60%	$1,562	$4,238	39.93%	29.27%	27.29%	$2,722
Wisconsin	5.4	19.57%	90,514	19.16%	$1,908	$4,896	45.47%	20.29%	30.60%	$2,998
Wyoming	5.3	8.81%	82,031	14.29%	$2,151	$5,503	46.58%	26.68%	23.47%	$3,033
U.S. Total	5.0	13.51%	72,525	23.22%	$1,728	$4,628	52.85%	15.60%	29.25%	$2,842

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Appraiser State	Comprehensive Avg Total Cost of Repairs	Liability Avg Total Cost of Repairs	% of Claims with Supplement(s)	Avg Total Cost of Repairs	Supplement % of Total Repair Cost	Parts % of Total Repair Cost	Avg # of Parts Replaced per Claim	Labor % of Total Repair Cost	**Avg Labor Hrs per Claim**	Loss to LossRpt Days Avg
North Dakota	$2,356	$1,789	35.94%	$2,408	6.05%	34.96%	6.3	40.52%	19.2	7.5
Ohio	$1,995	$1,710	54.64%	$2,238	9.53%	38.23%	7.4	42.41%	22.2	9.2
Oklahoma	$2,227	$2,165	41.09%	$2,338	7.55%	38.90%	7.3	42.66%	23.2	10.0
Oregon	$1,928	$1,798	61.64%	$2,296	12.02%	37.14%	8.1	47.68%	23.8	8.2
Pennsylvania	$1,987	$1,728	56.53%	$2,340	10.37%	38.75%	8.5	42.48%	23.0	9.2
Rhode Island	$2,290	$1,984	31.91%	$2,436	7.88%	39.45%	9.9	43.73%	26.1	11.5
South Carolina	$1,893	$1,728	52.26%	$2,141	10.85%	41.75%	6.8	40.66%	21.4	7.4
South Dakota	$2,349	$1,594	25.05%	$2,174	4.87%	36.14%	6.0	42.97%	19.8	7.5
Tennessee	$2,077	$1,916	61.84%	$2,526	9.20%	39.90%	8.0	37.16%	24.2	7.5
Texas	$2,111	$1,840	53.13%	$2,366	12.94%	40.84%	7.8	39.73%	22.9	8.0
Utah	$2,323	$1,964	66.82%	$2,631	11.59%	40.33%	9.8	39.44%	25.6	10.2
Vermont	$2,009	$1,493	53.39%	$2,147	9.11%	42.41%	8.2	41.57%	21.1	7.6
Virginia	$1,814	$1,604	50.85%	$2,023	12.24%	39.37%	7.4	42.71%	21.1	7.3
Washington	$2,003	$1,835	57.64%	$2,396	13.05%	34.69%	7.6	43.47%	22.5	8.2
West Virginia	$1,932	$1,686	54.65%	$2,226	9.73%	42.03%	8.0	39.33%	21.8	9.9
Wisconsin	$2,476	$1,921	36.24%	$2,559	8.46%	36.76%	7.6	43.53%	22.2	8.2
Wyoming	$2,736	$2,098	57.06%	$2,778	6.36%	38.84%	8.0	41.87%	23.0	9.5
U.S. Total	$2,111	$1,838	51.19%	$2,425	11.64%	39.09%	8.2	42.10%	**23.5**	8.0

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CCC Information Services Inc.
Repairable Appraisal Statistics by State - Calendar Year 2007

Appraiser State	LossRpt to AsgnSent Days Avg	AsgnSent to Retrieve Days Avg	AsgnRetrieve to EstStart Days Avg	EstStart to EstComplete Days Avg
North Dakota	7.3	0.8	3.5	2.6
Ohio	5.5	0.9	2.3	2.2
Oklahoma	23.7	0.7	1.6	2.3
Oregon	9.9	1.0	2.4	5.0
Pennsylvania	3.4	0.9	2.9	2.7
Rhode Island	5.8	3.9	2.6	0.7
South Carolina	5.2	1.0	2.3	1.8
South Dakota	11.5	1.3	1.8	0.9
Tennessee	7.7	1.1	3.9	4.7
Texas	7.9	0.8	2.6	1.9
Utah	9.4	0.9	3.2	4.9
Vermont	3.6	1.6	3.7	3.9
Virginia	6.3	0.9	2.0	1.7
Washington	10.4	1.1	2.4	3.8
West Virginia	3.4	0.9	3.5	2.5
Wisconsin	8.2	1.0	2.6	1.6
Wyoming	10.9	0.9	3.3	7.7
U.S. Total	7.9	1.0	2.5	2.2

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Confidential Proprietary

13 November 2008

Dear Commission Member:

I want to first take this opportunity to thank you and the members of the board for your service and commitment in hearing me today in this critical time regarding the collision repair industry.

I have been General Manager and Director of Fixed Operations for the Wagner Certified Collision Center in Worcester for over eight years. I originally root from the Parts and Service side of the automotive industry therefore giving me a full and not so fair perspective of the collision repair industry as we know it in relation to mechanical service departments. Our center is one of three certified in New England with BMW of North America in the areas of collision repair and our technician's undergo demanding levels of procedural training each year at the BMW training facility center in Montvale New Jersey. Our technician's receive levels of training that are paramount to the assurance of properly repaired collision vehicles and that their ongoing training is equally as important as mechanical technician training.

Our BMW service department's effective posted retail labor rate is $125.00 per hour. Our collision center has a variable labor rate depending on the insurance company ranging from $33.00 to $38.00 per hour. Therefore, stressing that our service departments labor rate is nearly 250% more than that of the collision center.

Wagner Certified Collision Center's primary function within our organization is to offer full service collision repair for our customer's. However as a business operator we must operate with a return of investment that achieves fair market profitability in the services we provide in order to remain sustainable. As a collision repairer, we are constantly subject to discriminating levels of expectation, accountability and liability, therefore again making it imperative that we align the collision repair industry with fair market rates so that we continue to maintain these level of standards while attracting and retaining new comers as well as continued investment with veteran technicians of the industry while offering competitive salaries, benefits, training and equipment investments.

Inclosing, I have attached documents for you to review that bullet point some of the expenditures our collision center endures annually along with pie graphs that indicate categorized expenses as a percentage in overhead expenses against gross profit percentages concluding with total profit/loss margins.

Thank you for your consideration and I look forward to working with you.

Regards,

Craig M. Newton
General Manager, Director of Operations

13 November 2008

RE: Labor Rate Reform Hearing
Division of Insurance
Boston, MA.

Prepared by: Craig M. Newton, Director of Fixed Operations

Representing: Wagner Certified Collision Center, 700 Plantation Street, Worcester, MA, 01605

Contents:

- Letter to the board *
- Oral testimonial
- Factual pie charts representing gross profit verses operating expenses as a percentage *
- Factual copies of monthly utility and operating statements *

- *** (Excluded from oral testimonial)**

13 November 2008

Labor Rate Hearing Conference
Division of Insurance
Atlantic Avenue
Boston, MA.

Oral testimony:

Prepared by: Craig M. Newton

My name is Craig Newton and I am the Director of Fixed Operations for the Wagner Certified Collision Center in Worcester. I come before the board today with great concern regarding the collision repair industry and the urgency of responding effectively to an industry in distress that is deteriorating at a rapid pace and therefore warrants a fair industry market rate particularly and specifically for those who have invested greatly in their technicians, staff, facility, equipment and the community at large.

Today I will focus on rising operating costs that have been conducive to a stagnant and fixed labor rate that has been outdated in this industry for over a decade now. We operate a 30,000 square foot facility that offers full collision repair and other services. We employ a combined technician and support staff of seventeen associates. Wagner Certified Collision Center is one of three Certified Collision Repair Centers in New England certified by BMW of North America. Our corporation invests thousands of dollars on an annual basis to train, certify and re-certify our technicians, training that is mandated by BMW in order to stay compliant with certification criteria, not to mention the equipment purchases required to perform certain repairs, and again to conform to manufacturer repair guidelines. Our collision center is currently pending certification with Mercedes-Benz USA, however given the current collision industry fixed labor pricing in Massachusetts, we are tabling this certification given the capital investment required for tools, equipment and training. This is disheartening for us given the fact that we are the only Mercedes Benz dealer in the immediate Worcester County area. Mercedes Benz is the number two source of repair in our center generating 28% of our work volume.

The retention factor for our technicians in a five year period is about 50%. We employ people from the community. This results in a high investment for salaries, insurance, pension, vacation and personal time and mostly for technical training. Given these factors against a fixed labor rate and the increase in operating expenses, we have been forced to make some hard decisions that impact our people. We have re-aligned job functions and eliminated one position. The disadvantage is that a heavier work load burden has been put on the technicians, and therefore production will be affected when a technician is out sick or on vacation. Although this personnel change has reduced our Labor Cost of Sales, reduced payroll taxes and lowered employer participation benefits; this is not a long-term solution. Our customers are impacted when repairs cannot be finished on time. Given our market, we do not see benefit from a reduced work load schedule; we need to be fully staffed and hire an additional technician.

As recent years have been a challenge, 2008 has been more challenging. In addition to personnel restructuring we have researched ways to reduce costs wherever possible. We have also had to implement additional profit centers such as detailing, paint less dent repair, rim repair, headlamp restoration and other services in effort to offset and to subsidize the collision center's labor rate. In today's times, implementing these standards benefits our community regardless of the labor rate controversy; however these are not the answers to the challenge of operating a viable collision repair service business that serves our community.

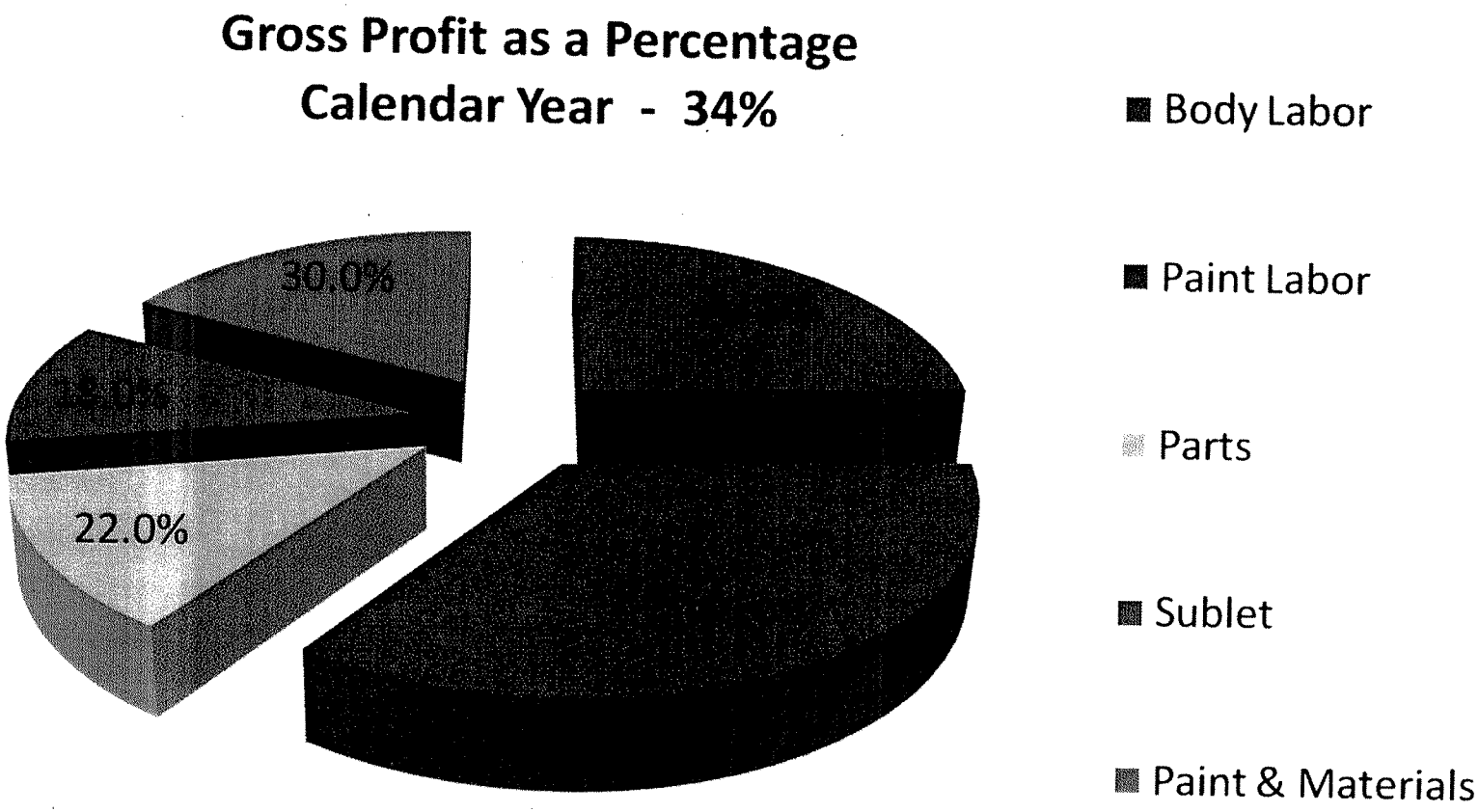
For a collision center of our caliber, we invest frequently in all facets of our business to achieve optimum levels of service for our customers, through training and benefits for our technicians, support staff and investing in the latest technology and resources. For us to be categorized with shops that have not made the conservative effort in keeping pace with investments as we have in staff, training, equipment, facility, technology and to be bound by the same environmental regulations is an insult and utterly irresponsible. This is counter to the beliefs and principals in a free market society. Just as with any business in the industry, we have had our share of customer concerns that required additional repair or repainting. This was done at no additional cost to the customer or insurer. When working with a fixed labor rate, there's not a lot of margin for error. We must make sure that our technicians and equipment is up to the task, thus a vicious cycle continues.

I have provided pie charts for each board member in their portfolios outlining our profit and losses as a percentage factor. To date, our collision department shows a 0.5% profit through September of 2008. In that time line we have produced over 12,000.0 hours of body and paint labor hours. Those hours at an average of $35.00 per hour would equate to $420,000.00. The same factors through our BMW service department at a rate of $100.00 per hour would have generated $1,200,000.00 a difference of $780,000.00. From 2004 to September of this year, our collision department is at a net loss of -0.8%.

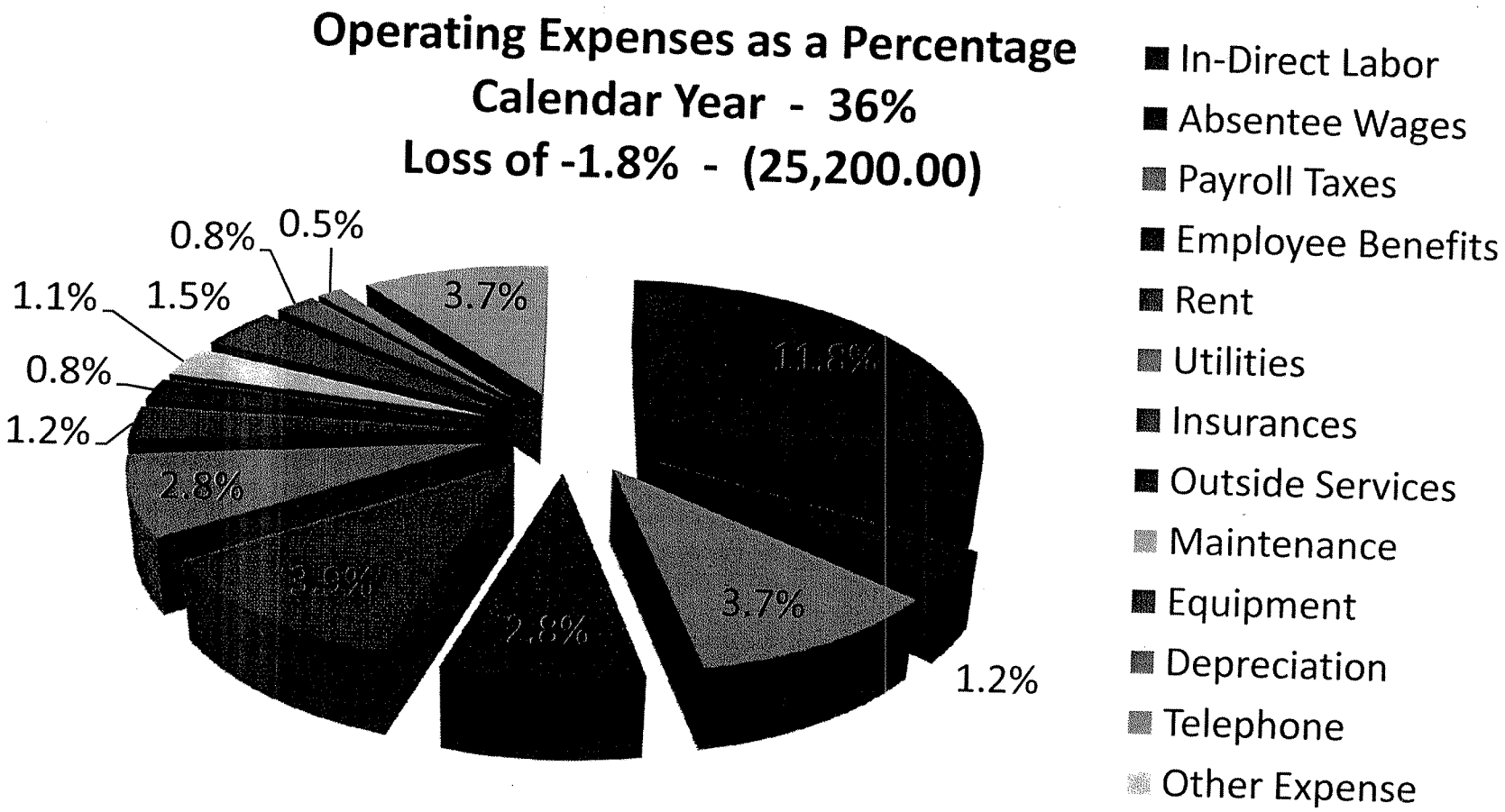
In closing gentlemen, I ask you to make the right decisions based on the facts, data and information you've been given regarding the collision repair industry over these past several months, specifically for the centers that commit to invest. We are not asking for special treatment, however we are asking for a level playing field equal amongst our industry nationally. The right course and direction will allow us to continue to provide our community with the service, integrity, quality and safety they deserve, including you, your family, friends and colleagues.

Thank you for your time.

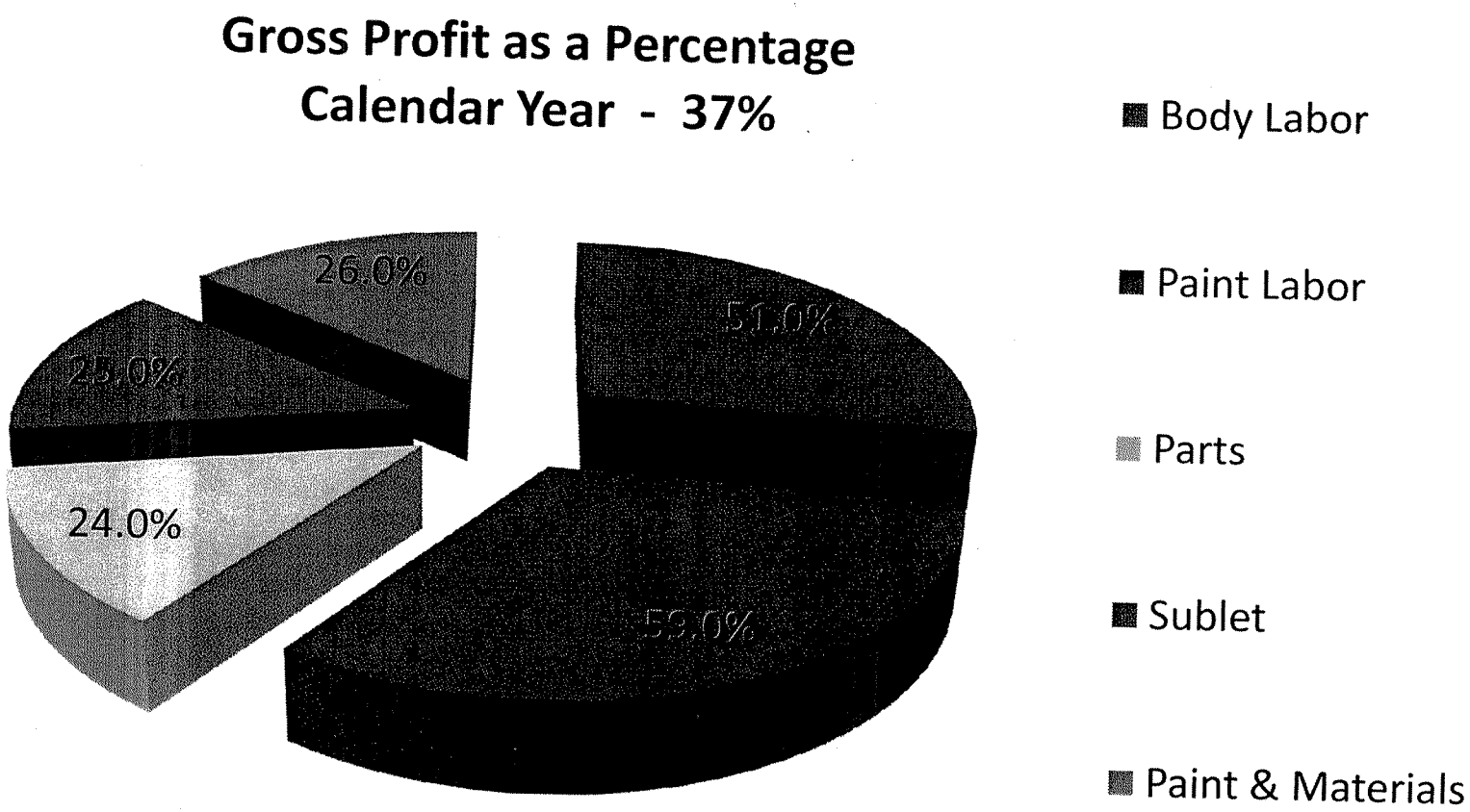
2004


Gross Profit as a Percentage
Calendar Year - 34%
30.0%
22.0%
Body Labor
Paint Labor
Parts
Sublet
Paint & Materials

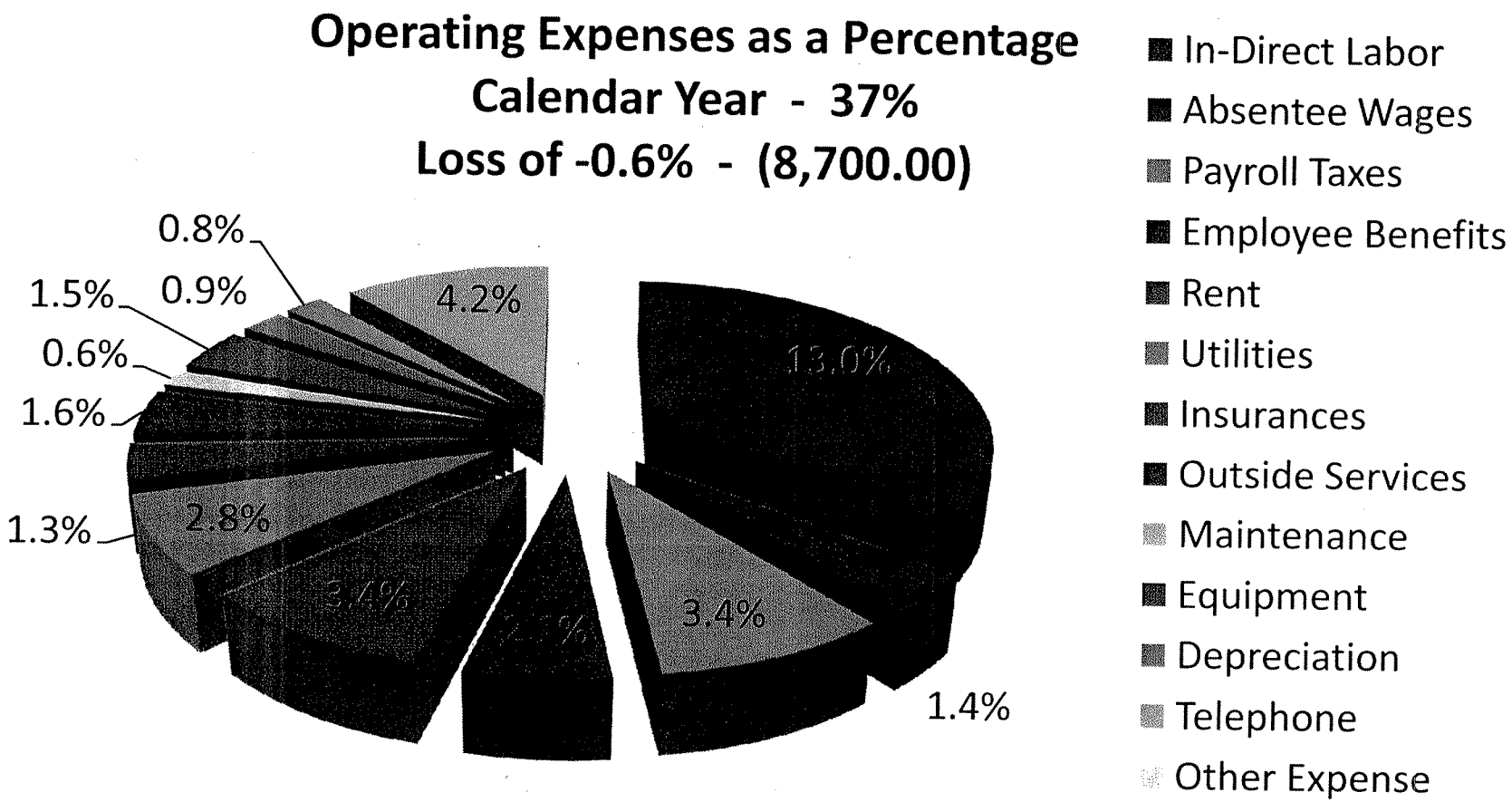
2004


Operating Expenses as a Percentage
Calendar Year - 36%
Loss of -1.8% - (25,200.00)
0.8%
0.5%
1.1%
1.5%
3.7%
0.8%
1.2%
2.8%
11.8%
3.9%
2.8%
3.7%
1.2%
In-Direct Labor
Absentee Wages
Payroll Taxes
Employee Benefits
Rent
Utilities
Insurances
Outside Services
Maintenance
Equipment
Depreciation
Telephone
Other Expense

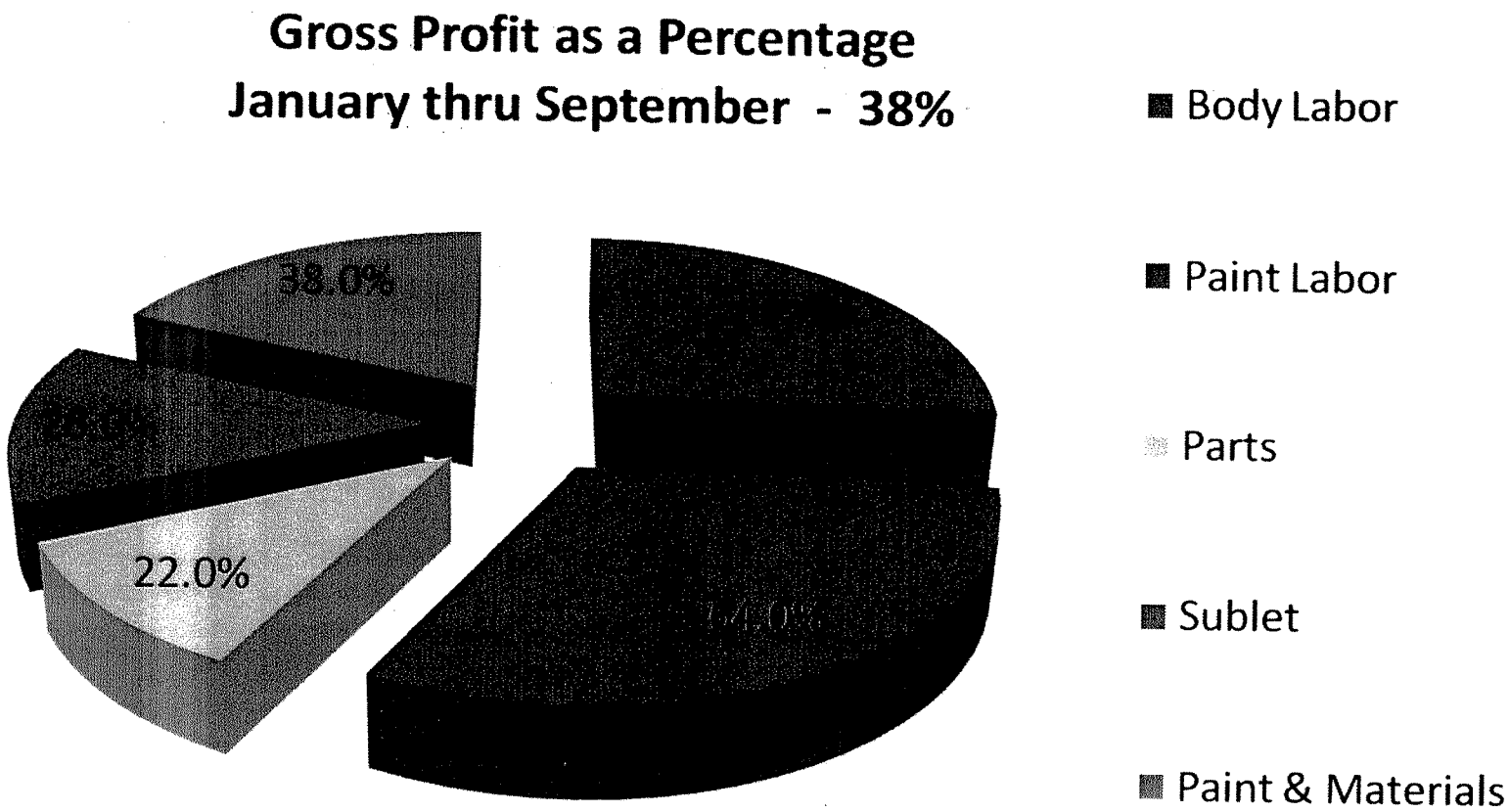
2006


Gross Profit as a Percentage
Calendar Year - 37%
26.0%
25.0%
24.0%
51.0%
59.0%
Body Labor
Paint Labor
Parts
Sublet
Paint & Materials

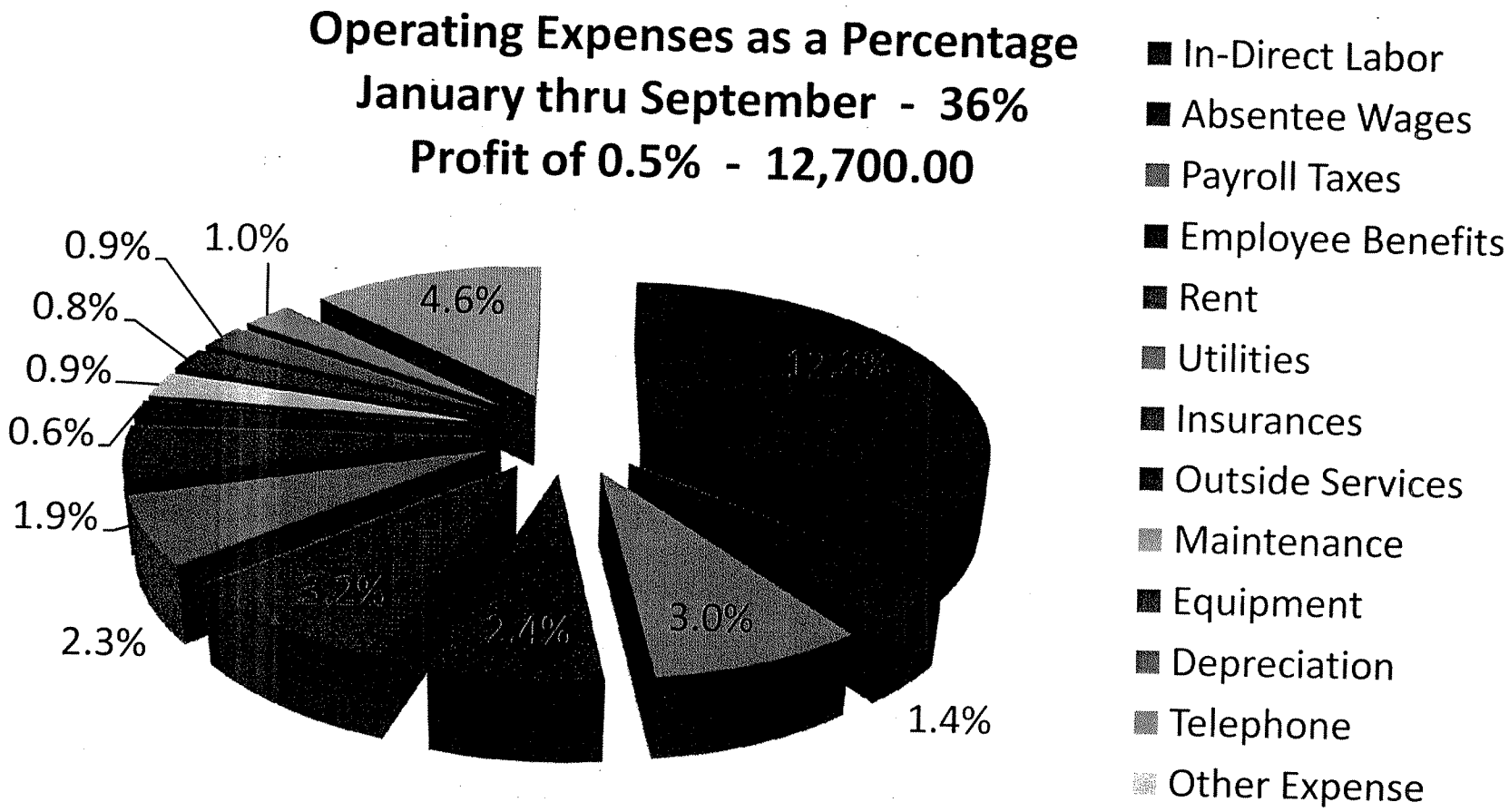
2006


Operating Expenses as a Percentage
Calendar Year - 37%
Loss of -0.6% - (8,700.00)
0.8%
1.5%
0.9%
0.6%
1.6%
1.3%
4.2%
13.0%
2.8%
3.4%
3.4%
1.4%
In-Direct Labor
Absentee Wages
Payroll Taxes
Employee Benefits
Rent
Utilities
Insurances
Outside Services
Maintenance
Equipment
Depreciation
Telephone
Other Expense

2008


Gross Profit as a Percentage
January thru September - 38%
38.0%
22.0%
Body Labor
Paint Labor
Parts
Sublet
Paint & Materials

2008


Operating Expenses as a Percentage
January thru September - 36%
Profit of 0.5% - 12,700.00
0.9%
1.0%
0.8%
0.9%
0.6%
1.9%
2.3%
4.6%
3.2%
2.4%
3.0%
1.4%
In-Direct Labor
Absentee Wages
Payroll Taxes
Employee Benefits
Rent
Utilities
Insurances
Outside Services
Maintenance
Equipment
Depreciation
Telephone
Other Expense

09/10/08	PREVIOUS BALANCE:	$6,426.99
	PAYMENT RECEIVED - THANK YOU CK# 6126	$6,426.99
	BALANCE FORWARD:	$0.00
	CURRENT MONTHLY PREMIUM:	$6,426.99
	IND : 4 @ $387.31 FAM : 5 @ $975.55	
	TOTAL TRANSACTION ACTIVITY:	$0.00
	TOTAL AMOUNT DUE **********	$6,426.99

ROSTER OF SUBSCRIBERS FOR 10/01/08 - 10/31/08

7992100

2705

38881613936	[redacted]	I	$387.31
38881897468	[redacted]	I	$387.31
38881006883	[redacted]	F	$975.55
38881541424	[redacted]	I	$387.31
38888999573	[redacted]	F	$975.55
38888586844	[redacted]	F	$975.55
38888634401	[redacted]	F	$975.55
38881897464	[redacted]	F	$975.55
38881897461	[redacted]	I	$387.31

ES EFFECTIVE
)5/01/08

YOUR SERVICE TEAM CAN BE REACHED AT:
508-368-9373

ID/ACCOUNT NO.	GROUP NO.	INVOICE NO.	PERIOD COVERED	TRANSACTIONS PROCESSED THROUGH	PLEASE PAY ON OR BEFORE	
	4484411	2506	10/01/08 - 10/31/08	09/10/08	10/01/08	2022480

LLON COMMUNITY HEALTH PLAN · CHESTNUT PLACE, 10 CHESTNUT ST., WORCESTER, MA 01608 · (508) 799-2100 or 1-800-333-2535 FCHP.STMT-PG

PLEASE DETACH HERE AND RETURN TOP PORTION WITH YOUR PAYMENT

07/17/08	PREVIOUS BALANCE:	$12,853.98
08/11/08	PAYMENT RECEIVED - THANK YOU CK# 5974	$6,426.99
	PAYMENT RECEIVED - THANK YOU CK# 6052	$6,426.99
	BALANCE FORWARD:	$0.00
	CURRENT MONTHLY PREMIUM:	$6,426.99
	IND : 4 @ $387.31 FAM : 5 @ $975.55	
	TOTAL TRANSACTION ACTIVITY:	$0.00
	TOTAL AMOUNT DUE **********	$6,426.99

ROSTER OF SUBSCRIBERS FOR 09/01/08 - 09/30/08

381613936	[redacted]	I	
381897468	[redacted]	I	$387.31
381006883	[redacted]	I	$387.31

MONTHLY TRANSACTION REPORT

Transaction	Date	Amount
Payment	8/01/08	926.59
Total Payments		**$926.59**
***Other Charges and fees**		
PICC	7/31/08	3.42
Monthly Service Fee	7/31/08	5.00
E911 Surcharge	7/31/08	2.25
E911 Surcharge	7/31/08	5.25
Under Utilization Charge	7/31/08	164.07
Total Monthly Services		**$179.99**
Volume Discount Plan	7/31/08	-.94
5% CTC Discount	7/31/08	-.14
Total Credits		**-$1.08**
Total Other charges and fees		**$178.91**

USAGE SUMMARY REPORT BY PRODUCT

Product: Call Type	# Calls	# Minutes	Cost Before Discount	Volume Discount	CTC Discount	Total Amount
Local	664	1182.5	15.98	-.80	-.12	15.06
Zone 1 Local	233	29.4	2.82	-.14	-.02	2.66
Instate	205	418.0	16.30	.00	.00	16.30
Interstate	50	110.0	4.34	.00	.00	4.34
Total Outbound	**1152**	**1739.9**	**39.44**	**-.9**	**-.14**	**38.36**

LOCAL ACCESS MONTHLY ITEMIZATION (GTE)

Item		Billing Period	Amount	Discount	Monthly Amount
0538540250	**Voice Channel**				
DIGITAL TRUNK SVC		8/01/08-8/31/08	16.00		16.00
TOTAL					**$16.00**
0538541250	**Voice Channel**				
DIGITAL TRUNK SVC		8/01/08-8/31/08	16.00		16.00
TOTAL					**$16.00**
0538542250	**Voice Channel**				
DIGITAL TRUNK SVC		8/01/08-8/31/08	16.00		16.00
TOTAL					**$16.00**
0538543250	**Voice Channel**				
DIGITAL TRUNK SVC		8/01/08-8/31/08	16.00		16.00
TOTAL					**$16.00**
0538544250	**Voice Channel**				
DIGITAL TRUNK SVC		8/01/08-8/31/08	16.00		16.00
TOTAL					**$16.00**
0538545250	**Voice Channel**				
DIGITAL TRUNK SVC		7/14/08-7/31/08	16.00		-8.77
TOTAL					**-$8.77**
5088520517	**5088520517**				
ADMINISTRATIVE SUPPORT CHARGE		8/01/08-8/31/08	.78		.78

Please detach and return above portion with your payment

one COMMUNICATIONS

2150 Holmgren Way
Green Bay, WI 54304

Important Messages

Attention customers:

As part of its efforts to consolidate systems and business practices utilized by the One Communications family of companies, taxing methodologies employed by the respective companies are being reviewed and streamlined. As a result, some customers may note changes in the application of certain taxes and surcharges on future monthly invoices.

Account Summary

Account Number:	1659026
Bill Date:	08/10/08
Period:	7/01/08 thru 7/31/08
Total Amount Due:	**1809.62**

Detail of Payments and Charges

Previous Balance and Payments	
Previous Balance	1842.22
Payments(Posted thru 7/31/08)	926.59
Adjustments (Posted thru 7/31/08)	.00
Total Balance Forward	**$915.63**
Current Charges	
***Other Charges and Fees:**	**178.91**
***Usage: (Before Discount)**	
Outbound	39.44
Inbound (800/888/877)	.00
Calling Card	.00
Conference Calling	.00
***Monthly Charges:**	
Local Access	447.94
Internet Access	172.48
Frame Relay	.00
Private Line	.00
Customizer Bundle	.00
***Taxes/Surcharges:**	
Federal Tax	22.14
State and local	33.08
Total Current Charges	**$893.99**
Total Balance Due	**$1809.62**

Important Billing Notice for Maine Customers

Our records indicate that you may have been inadvertently charged for state sales tax on Federal USF surcharges on one or more invoices from November 2006 to the present. If applicable, your current invoice includes a one-time credit to correct the error. The invoice description for this credit is "State Tax on Federal USF". Please contact Customer Care at 1.800.962.2488 with any questions regarding this matter.

9890080
7405

Please detach and return this stub with your check payable to "Direct Energy Services, LLC". Thank You.

Customer Service Information

Questions about your bill?

Call: 1-866-809-9143
Email: CustomerCareUS@directenergy.com
Internet: www.directenergy.com

Write to:
One Hamden Center
2319 Whitney Ave, 4th Fl
Hamden, CT 06518

2660146
8705

Account Number:	2358
Invoice Number:	355604
Invoice Date:	08/11/2008
Amount Due:	$8,399.43

Summary of Charges/Credits

Prior Balance	$7,388.76
Payment Received on 07/25/2008	($3,192.87)
Late Payment Charges	$110.11
Current Charges	$4,093.43
Amount Due:	**$8,399.43**

Service Information

Mailing Address:
BODYSHOP WORLD
700 PLANTATION STREET
WORCESTER, MA 01605

Service Address:
BODYSHOP WORLD
700 PLANTATION STREET
WORCESTER, MA 01605

Account Information:

Commodity:	Electricity
Utility Account:	2650572000
Utility Name:	Massachusetts Electric
Emergency Phone #:	800-867-5222

Detail Information

Product: Fixed Price

Congestion Zone: MECO WCMASS

Billing Period: 07/08/2008 - 08/07/2008 **Total Usage:** 30,000 KWh

Charges	Unit	Volume	Unit Price	Percentage	Amount
Fixed Price	KWh	30,000.00	$0.12995		$3,898.50
MA State Sales Tax Commercial				5.00 %	$194.93
Total Charges					$4,093.43

Current Charge Total: $4,093.43

Direct Energy.

Home Office Use Only PDD: 11/01/2008
Invoice Type: SB DRC: SC PPAC: AN

Colonial Life
Processing Center
P.O. Box 1365
Columbia, SC 29202-1365

Colonial Life
Billing Control Number: (BCN) E7310642
Invoice Number: 7310642-1101922
Date Printed: 10/22/2008
(Changes are made as payment is received and will be reflected on future invoices.)
Billing Frequency: 28 DAY

Telephone Number: (508)853-0300
Let us know if your phone number needs to be updated!

IMPORTANT
☐ **Please check if changes are made on any page of the invoice.**

Remit by: 11/01/2008
Current Premium Due: $613.41
Past Due Premiums: $.00
Total Amount Due: $613.41
Amount Paid: _____
Check Number: _____
(Remember to write your BCN on the check)

BODY SHOP WORLD
ATTN: LINDA
700 PLANTATION ST
WORCESTER MA 01605-2041

Visit coloniallife.com for the latest on our Electronic Services such as Ez Administration and our Ez Billing. See how you can save time and money using our Electronic Services!

PLEASE REMEMBER TO:
**************SEND PAYMENT BY THE REMIT DATE ABOVE**********

1. **Write the Billing Control Number (BCN) on your check.**
2. **Return a copy of this page with your payment.**
3. ****IMPORTANT** Return any page of your invoice to which you have made changes and check the box above. See below for instructions.**

Clearly state on your invoice why changes are being made.
To make changes to the invoice:

Canceling An Employee's Coverage:
Draw a line through the name and deduct the premium amount from the invoice total. If you are canceling because the employee is leaving your employment, please provide their address in the Status Changes/Plan Administrator Comments section.

If You Are Not Paying For An Employee For This Billing Period But The Employee Does Not Wish To Cancel:
In the Comments section, indicate the reason for missed deduction and subtract the amount from the invoice total. Remember that if someone misses a deduction, they will fall behind in their payments and may be in danger of lapsing or having claims processing delayed. If this happens, the employee should send us the missed premium through you.

Employees Not Listed On The Invoice:
Write the Names, Employee ID Numbers and Premium Amounts at the bottom of the invoice, and add the total additional premium to the Total Remitted.

Reconcile Your Invoice Each Time:
It is important that your invoice is reconciled each time so payments are credited correctly. You can do it, or you can sign up for Ez Billing and we'll do the reconciliation for you.

If you have questions about your invoice, please call Plan Administrator Services at 1-800-256-7004.
For Policyholder questions, refer employees to our Policyholder Service Center at 1-800-325-4368

For premium payments: Premium Processing, P.O. Box 903, Columbia, SC 29202-0903
For overnight deliveries: Processing Center, 1201 Averyt Avenue, Columbia, SC 29210-7654

63552

430E7310642000013 0

0067310642110192200006134100 06

Commonwealth of Massachusetts
DEPARTMENT OF ENVIRONMENTAL PROTECTION
ORIGINAL

Customer Name	Invoice Number	Notice Date	Due Date	Customer Number
BODYSHOP WORLD BY WAGNER, INC.	INTFACF810472X051450	12-11-07	02-08-08	VC7000069002

Invoice Charges

Ref Line No	DESCRIPTION	Invoice Date	No.of Units	Unit of Measure	Unit Price	Charges Credit
1	Small Quantity Generator	12-10-07	1.000	each	$525.00	$525.00
2	NATURAL MINOR W/ PTE <=25% OP (GRP 3)	12-10-07	1.000	each	$260.00	$260.00
	Credit Payments Applied					
	Total Amount Due By 02-08-08					$0.00
						$785.00

ACCT # 51450 BODY SHOP WORLD 700 PLANTATION ST WORCESTER, MA 01605

Instructions
THE ENCLOSED BILLING RIGHTS ARE PART OF THIS ORIGINAL INVOICE PURSUANT TO 310 CMR 4.00. YOU MUST EITHER REMIT FULL PAYMENT OR REQUEST A REVIEW BY THE DUE DATE PURSUANT TO 310 CMR 4.03 (8) AND THE ENCLOSED BILLING RIGHTS. NONPAYMENT WILL RESULT IN INTEREST, LATE CHARGES, INTERCEPT OF STATE PAYMENTS OR TAX REFUNDS AND REFERRAL TO DEBT COLLECTION UNDER C.7A, C.62D AND 815 CMR 9.00. EMAIL CONTACT TO "DEP.COMPLIANCE-FEES@STATE.MA.US"

CONTACT: COMPLIANCE FEE HELPLINE 1-888-846-4067 EQE

51450
7605

WASTE MANAGEMENT

INVOICE

Waste Management of Massachusetts
4 Technology Drive
Westboro MA 01581

(508) 835-6001
(800) 545-4560
(508) 836-5660 (FAX)

Customer:	BODY SHOP WORLD
Account Number:	447-0791000-0447-6
Invoice Date:	09/01/2008
Invoice Number:	3006839-0447-2
Due Date:	Due Upon Receipt
WM ezPay Account ID:	00008-12257-12006

Current Invoice Amount	Total Amount Due
998.75	2,019.42

Account Summary

Description	Amount
Previous Balance	2,038.32
Total Credits and Adjustments	0.00
Total Payments Received	1,017.65-
Total Current Charges	998.75
Total Amount Due	**2,019.42**
Total Amount Past Due	1,020.67

Please pay total amount due. Thank you for your business.

PLEASE DO NOT PUT SAND IN TO DUMPSTERS

Service Period: SEPT 2008 SERVICE

Description	Amount
Commercial	998.75
Total Current Charges	998.75

30000 835600 1
6805

If full payment of the invoiced amount is not received within 30 days of the invoice date, you will be charged a monthly late fee of 1.5% of the unpaid amount, with a minimum monthly charge of $3.00, or such lesser late fee allowed under applicable law, regulation or contract. For each returned check, a fee will be assessed on your next billing equal to the maximum amount permitted by applicable state law.

Want to pay this bill on-line? Go to www.wm.com to learn more about WMezPay and make a convenient, secure payment.

Current Due	Over 30	Over 60	Over 90	Over 120	Total Due
998.75	1,020.67	0.00	0.00	0.00	2,019.42

Designer Office Systems, Inc.

P.O. Box 300 Uxbridge, MA 01569
Tel: 508-278-7839 Fax: 508-278-3412

BILL TO:

Body Shop World by Wagner
700 Plantation Street
Worcester, MA 01605

Invoice Number	Invoice Date	Terms	PO Number
10886	11/26/07	Net 30	

Description	Serial Number	Quantity	Price	Extended Amount
MGC Server - 386222	MG1017073862	1	$1,875.00	$1,875.00
2048 Meg RAM				$0.00
AMD Processor				$0.00
1.44 Megabyte Floppy Disk				$0.00
300 Gigabyte SATA2 Hard Drives (mirrored)				$0.00
300 Gigabyte SATA2 Hard Drives (mirrored)				$0.00
Sony DVD Reader				$0.00
Extra Network Ethernet Card				$0.00
Server Case				$0.00
Install & Configure Server Backup Routine		1	$100.00	$100.00
On New Server				$0.00
Configure Backup to run at 11PM Nightly				$0.00
Use existing Monitor for Server				$0.00
APC 620 Back Up Power Supply - 4127	3S0706X04127	1	$195.00	$195.00
Use existing workstations		1	$360.00	$360.00
Connect workstations to new Domain Controller;				$0.00
reinstall UltraMate, ABS etc on Stations				$0.00
Copy User profiles as needed to save data				$0.00
once connected to new Domain Controller				$0.00
Reconfigure Network Printing as needed				$0.00
			Subtotal	$2,530.00
		MA - 5%	Tax	$103.50
			Invoice Total	$2,633.50

24 Months On-Site Service Contract on all above

Mitchell

®MITCHELL INTERNATIONAL INC.
DEPT. 6946
LOS ANGELES, CA 90084-6946

STATEMENT

FED ID #: 94-3355101

BILL TO
119380
WAGNER CERTIFIED COLLISION CTR
BOB
700 PLANTATION ST
WORCESTER MA 01605-2084

SHIP TO
119380
WAGNER CERTIFIED COLLISION CTR
BOB
700 PLANTATION ST
WORCESTER MA 01605-2084

INVOICES PAID IN FULL ARE NOT INDICATED ON STATEMENT

223						DATE 09-29-08	PAGE 1
TRANSACTION DATE	TRANSACTION NUMBER	CUSTOMER P.O. NUMBER	TRANS TYPE	CHECK NUMBER	ORIGINAL BALANCE	APPLIED AMOUNT	OPEN BALANCE
06-26-08	IN130527	LATE FEE	INV		6.85	0.00	6.85
08-28-08	IN135007	LATE FEE	INV		6.85	0.00	6.85
09-02-08	IB8993904 ✓		INV		456.75	0.00	456.75

YOUR ACCOUNT IS PAST DUE. ALL SUBSCRIPTIONS WILL BE CANCELED IF PAYMENT IS NOT RECEIVED PLEASE DISREGARD IF PAYMENT HAS BEEN SENT.

	CURRENT	PAST DUE			TOTAL BALANCE DUE
	1 - 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	OVER 90 DAYS	
NET 30 FROM INVOICE	0.00	456.75	6.85	6.85	470.45

TRANS TYPE INV - Invoice PAY - Payment COA - Cash On Account DM - Debit Memo CM - Credit Memo ADJ - Adjustment

MITCHELL INTERNATIONAL INC.

Please remove at perforation and return with your payment. Thank you.

BILLTO #	119380	SHIPTO #	119380	DATE	09-29-08	PAGE	1
TRANSACTION DATE	TRANSACTION NUMBER	CUSTOMER P.O. NUMBER	TRANS. TYPE	CHECK NUMBER	ORIGINAL BALANCE	APPLIED AMOUNT	OPEN BALANCE
06-26-08	IN130527	LATE FEE	INV		6.85	0.00	6.85
08-28-08	IN135007	LATE FEE	INV		6.85	0.00	6.85
09-02-08	IB8993904		INV		456.75	0.00	456.75

YOUR ACCOUNT IS PAST DUE. ALL SUBSCRIPTIONS WILL BE CANCELED IF PAYMENT IS NOT RECEIVED PLEASE DISREGARD IF PAYMENT HAS BEEN SENT.

TOTAL 470.45

BILL TO
WAGNER CERTIFIED COLLISION CTR
BOB
700 PLANTATION ST
WORCESTER MA 01605-2084

SHIP TO
WAGNER CERTIFIED COLLISION CTR
BOB
700 PLANTATION ST
WORCESTER MA 01605-2084

STERLING NAT'L BANK-LEASING DEPT.
P.O. BOX 1570
CHURCH STREET STATION
NEW YORK NY 10008-1570

(800) 315-1963

INVOICE

DATE	08/20/2008
AMOUNT DUE	614.25
INVOICE NO.	545272
CONTRACT NO.	005-0049193-001

Make Check Payable To:

STERLING NAT'L BANK-LEASING DEPT.

BODY SHOP WORLD BY WAGNER, INC.
700 PLANTATION STREET
WORCESTER MA 01605

CONTRACT NO.	DESCRIPTION	CONTRACT PAYMENT	SALES/USE TAX	LATE CHARGES	TOTAL DUE
005-0049193-001	WELDER DATE DUE 09/10/08	614.25	.00	.00	614.25

30000 3151963 ✓
9205

IF THERE IS A CHANGE IN INVOICING ADDRESS OR EQUIPMENT LOCATION PLEASE COMPLETE REVERSE SIDE.

TOTAL DUE	614.25

SPRAYBOOTH SERVICES
& Equipment Sales

JUNE 17 2008

6-17-08

INVOICE SE8288

WAGNER COLLISION CENTER
700 PLANTATION STREET
WORCESTER MA 01605

P: (508) 853-2940
F: (508) 853-2940

6726684
9005

SERVICES RENDERED:

BREAKDOWN OF SERVICES
PROVIDED AND SHIPPED (2) CASES OF LAMPS FOR THE SPRAY BOOTH.

MATERIAL	$1107.12
LABOR	
TAX	$55.35
TOTAL	$1162.47

BALANCE DUE UPON RECEIPT
THANK YOU FOR YOUR BUSINESS

SPRAY BOOTH SERVICES

REPAIRS - UPGRADES - MAINTENANCE

(603) MR BOOTH – (603) 672-6684 – P.O.BOX 68, MILFORD, NH 03055

JANUARY 8, 2008

INVOICE S8847

WAGNER COLLISION CENTER
700 PLANTATION ST
WORCESTER, MASS. 01605

P: (508) 853-0300
F: (508) 853-2940

ATTEN: CRAIG NEWTON

YEARLY PAINT BOOTH FULL SERVICE & CLEAN

DATE OF SERVICE: 1/4/08

SERVICE:
TUNE-UP AND SERVICED THE JUNAIR SPRAYBOOTH AND AIR MAKE-UP UNIT.
PROVIDED AND SHIPPED NEW CEILING AND QUAD FILTERS FOR THE SPRAYBOOTH.

SERVICES RENDERED:
INSPECTED AND LUBRICATED MAIN FAN BEARINGS.
INSPECTED AND CLEANED BLOWER WHEEL.
LUBRICATED INTAKE AND EXHAUST MOTORS.
CHECKED AND ADJUSTED FAN BELT TENSIONS ON ALL FANS
CHECKED AND CLEANED DAMPERS, CHECK LINKAGE FOR FREE MOVEMENT.
CHECKED AND CLEANED FLAME ROD, BURNER PORTS AND BURNER RAILS.
CLEANED INSIDE OF AIR MAKE UP UNIT.
CLEANED AND SCRAPED BASEMENT OF SPRAY BOOTH.
SCRAPED AND CLEANED EXHAUST FAN AND DAMPER.
TIGHTEN ELECTRICAL CONNECTIONS.

67 26684

*PRICE INCLUDES TRAVEL EXPENSES

9005

MATERIAL	$728.10
LABOR (24 hours x $60)	$1440.00
TAX	$36.40
TOTAL	$2204.50

S8847-12 1100.00 Dec 07

BALANCE DUE UPON RECEIPT
THANK YOU FOR YOUR BUSINESS

S8847-01 1104.50 Jan 08

1100.00 in December 07

1104.50 in Jan 08

SPRAYBOOTH SERVICES

& Equipment Sales

OCTOBER 23, 2008

INVOICE SE7438

WAGNER COLLISION
700 PLANTATION STREET
WORCESTER, MASS 01605
T: (508) 853-0300
ATTEN: CRAIG

DATE OF SERVICE: 10/14/08
SUBJECT:
SERVICED JUN AIR DOWN DRAFT SPRAY BOOTH

BREAKDOWN OF SERVICES

INSPECT AND LUBRICATED MAIN FAN BEARINGS.
INSPECT AND CLEANED BLOWER WHEEL.
LUBRICATE INTAKE AND EXHAUST MOTORS
CHECK AND ADUSTED FAN BELT TENSIONS ON ALL FANS.
CHECK AND CLEANE DAMPERS, CHECK LINKAGE FOR FREE MOVEMENT.
CHECK BEARINGS DRIVE AND BLOWER.
CHECK WHEELS FOR TIGHTNESS AND ALIGNMENT.
CHECK AND CLEAN FLAME ROD, BURNER PORTS AND BURNER RAILS.
TIGHTEN ELECTRICAL CONNECTIONS.

*PRICE INCLUDES TRAVEL EXPENSES

MATERIAL	$86.12
LABOR (14 HRS X $85)	$1190.00
TAX	$4.30
TOTAL	$1280.12

Check payable to:
SPRAYBOOTH SERVICES AND EQUIPMENT SALES 149 Amherst St Nashua, NH 03064
Total due in 30 days. Overdue accounts subject to a service charge of 1.5% per month.

GARMAT USA

Hope Air Systems
70 Bearfoot Road • PO Box 840
Northboro, MA 01532-0840
508-393-7660 Fax: 508-393-8203

ORIGINAL INVOICE

MAIL REMITTANCE TO:
THG CORPORATION
HOPE AIR SYSTEMS LLC
PO BOX 845001
BOSTON MA 02284
US

ENTERING OFFICE:
AIR SYSTEMS DIV
THE HOPE GROUP
70 BEARFOOT RD.
NORTHBORO MA 01532-0840

INVOICE NUMBER: B07982
INV DATE: 07/11/08
PAGE: 1

LINE	SHIPPED	ITEM NUMBER	DESCRIPTION	U/M	UNIT PRICE	EXTENDED AMOUNT
		CONTACT NAME: CRAIG NEWTON				
		PHONE: 508-853-0300				
		MAINTENANCE PER AGREEMENT				
		JUNE VISIT				
		Labor				
11	2.0	ZONE T13-2	ZONE CHARGE	DK	55.0000	110.00
25	7.5	LABOR RMH-1	ROBERT HERTEL	HR	78.0000	585.00
		SERVICE PROVIDED BY ROBERT HERTEL				
50	1.0	+002	SERVICE / PM	EA	.0000	.00
		PREVENTATIVE MAINTENANCE WORK				
					Total Labor:	695.00
		Parts				
30	1.0	MISC SHOP SUPPLIES-1		EA	8.0000	8.00
40	1.0	WASTE REMOVAL	WASTE REMOVAL	EA	10.0000	10.00
60	1.0	2903-1012-00	AIR FILTER ELEM	EA	29.0300	29.03
70	1.0	ELE-1012-AC	2903-1012-00	EA	29.0300	29.03
		LLE PARTS				
80	2.0	OFIL-2762-AC	1310-2507-62	EA	24.5000	49.00
		LLE PARTS				
90	1.0	CEA59	1612-3869-00	EA	150.5000	150.50
100	1.0	DSL-68-5GAL	39193016	EA	175.0000	175.00

<<<<<<<<<<<<<< CONTINUED ON NEXT PAGE >>>>>>>>>>>

CUST#: B4664 FAX#: 508-853-7080 P/C: 11
WRT BY: CAD ORDERED: 05/01/08 TYP: S
SHIPPED: 07/10/08 TERR: 00

CONTINUED ON NEXT PAGE

TERMS: F 1% 10 NET 30

ORDER ISSUED IN: AIR SYSTEMS DIV
PHONE#: 508-393-7660

SOLD TO: BODY SHOP WORLD
700 PLANTATION ST
WORCESTER MA 01605-2084
US

SHIP TO: BODY SHOP WORLD
700 PLANTATION ST
WORCESTER MA 01605-2084
US

CUST PO#: VBL CRAIG NEWTON IW

MARK#: &&&

ISO 9001:2000 Certified

Form C-257 Rev. C

Hope Air Systems

70 Bearfoot Road • PO Box 840
Northboro, MA 01532-0840
508-393-7660 Fax: 508-393-8203

ORIGINAL INVOICE

MAIL REMITTANCE TO:
THG CORPORATION
HOPE AIR SYSTEMS LLC
PO BOX 845001
BOSTON MA 02284
US

ENTERING OFFICE:
AIR SYSTEMS DIV
THE HOPE GROUP
70 BEARFOOT RD.
NORTHBORO MA 01532-0840

INVOICE NUMBER: B07982
INV DATE: 07/11/08
PAGE: 2

LINE	SHIPPED	ITEM NUMBER	DESCRIPTION	U/M	UNIT PRICE	EXTENDED AMOUNT
		SAME AS IR 39193016 & ANDEROL 497				
110	1.0	OIL SAMPLE KIT	OIL SAMPLE KIT	EA	75.0000	75.00
120	1.0	1089-0479-67	SOLENOID	EA	205.6300	205.63
130	1.0	1088-0150-10	CONNECTION HEAD	EA	53.9600	53.96
140	1.0	2901-0015-00	BLOWDOWN KIT	EA	204.9700	204.97
					Total Parts:	990.12

CUST#: B4664 FAX#: 508-853-7080 P/C: 11
WRT BY: CAD ORDERED: 05/01/08 TYP: S
SHIPPED: 07/10/08 TERR: 00

AMOUNT:	1685.12
FRGHT/INS/HNDL:	5.00
SALES TAX:	.00
INVOICE TOTAL:	1690.12

TERMS: F 1% 10 NET 30

3937 660
8205

ORDER ISSUED IN: AIR SYSTEMS DIV
PHONE#: 508-393-7660

SOLD TO: BODY SHOP WORLD
700 PLANTATION ST
WORCESTER MA 01605-2084
US

SHIP TO: BODY SHOP WORLD
700 PLANTATION ST
WORCESTER MA 01605-2084
US

CUST PO#: VBL CRAIG NEWTON IW

MARK#: &&&

ISO 9001:2000 Certified

Form C-257 Rev. C

Mark W. Wagner
Wagner Motor Sales

State Commission to Study Autobody Labor Rates

OUTLINE

November 13, 2008

I. Extruded Aluminum Cross Members

II. Fiber Optic Wiring Harnesses

III. Boron Steel Reinforcements

IV. Example of Training for Technicians for a dealership

Technicians need to be able to work on all types of manufacturers' products and be skilled in the different variants of vehicles they produce.

Due to the race for fuel economy and safety, all manufacturers are spending large amounts of resources and money to research and develop new materials and processes. The auto repair industry must have a new labor rate revenue structure to keep up with the demands for the future.

V. Employee Recruitment

Uncompetitive pay structure compared to neighboring States makes recruiting to Mass. difficult.

Cost of living in Mass. is too high for entry level technicians.

VI. Maintaining qualified, motivated entry level journeymen is unattainable due to the cost pressure of the current labor rate

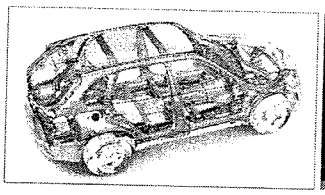
The average age of our technicians is approximately 46 years. We currently have a small new generation of qualified technicians. This minimal pool is disconcerting for the future of our business.

VII. Autobody's Repair Profits are simply non-existent ---We have not made a consistent profit in a ten year period. The last few years have become even more difficult due to the rapid increase in the inflationary pressure of commodities and every day expenses. With the current labor rate, which is artificially suppressed, we cannot continue on this trajectory.

We currently support our auto repair facility with our auto dealerships in many ways; such as marketing, internet, accounting, parts support and management. Without these borrowed resources, it would be impossible to grow and expand this business.

VIII. This is a historic opportunity to save an industry in Massachusetts. It is my opinion that with some careful analysis and consideration. the Committee will conclude that the current labor rate structure and procedures are simply outdated and unrealistic to equip the Massachusetts Auto Repair Industry with the qualified technicians and tools, training and incentive to repair for the future. With a change in the environment between Auto Repair providers and the Insurance Industry, a high level of efficiency and profit savings can be accomplished for the Consumer and the Industry.

Safety and Security



The first generation X5 earned the admiration of Insurance Institute of Highway Safety President Brian O'Neill, who called the X5 "outstanding." The all-new X5 has been designed and built to be stronger, safer and to offer an overall higher level of protection than its predecessor.

Passive safety

Passive safety design takes over in the split second when an accident occurs. Another way of looking at passive safety is as effective energy management. It is how a vehicle's design redirects and dissipates the energy of a collision while protecting the occupants.

BMW's X5 protects occupants with state-of-the-art safety systems that include:

- Rollover Sensor that, in the event of an imminent rollover, activates the front and rear Head Protection System on both sides and the tensioners on the tensioner-equipped front seat safety belts.
- Dual front-impact Supplementary Restraint System (SRS) with dual-threshold, 2-stage airbags that are designed to provide maximum front seat occupant protection while limiting the force and necessity of deployments.
- Front safety belts with automatic tensioners and force limiters that effectively position and decelerate a front-seat occupant in the event of a frontal impact.
- First-row and second-row curtain-type Head Protection System deploys to cushion an outboard occupant's head in the event of a side-impact.
- Front-seat, side-impact, seat-mounted airbags that are designed to protect front seat passengers with a cushioning barrier in the event of a side impact and provide optimum protection relative to seat position.
- The steel safety cage provides robust added protection for the 3rd-row seat passengers with a structural "torsion" ring that reinforces the body in the "D" pillar area. The two-piece tailgate design is integrated into the overall structural framework to contribute significantly to the added structural integrity, as does the positioning of the rear axle.

Comprehensive protection for all occupants

All occupants benefit from a consistent high level of protection.

- 3-Point safety belts at all seating positions.
- Height-adjustable head restraints at all seating positions.
- Force limiters on all safety belts.

Utilizing superior steels, the X5 passenger cage with supplemental cross-members and door beams provides a state-of-the-art protection system that shields all occupants. Using a variety of steels that promote predictable deformation and controlled force transfer, crumple zones in fenders, hoods and other perimeter structures bend in a collision to absorb and redirect the energy of an impact to protect the occupants.

To further strengthen the safety cage, the X5 features a massive steel structural "torsion" ring that reinforces the body in the "D" pillar area and provides particular protection to 3rd-row occupants.

BMW's Battery Safety Terminal protects X5 occupants by significantly reducing the danger of a system-induced spark and fire in the event of a severe accident.

Active safety for avoiding accidents

The all-new X5's enhanced handling capabilities advance the already superior active safety design of the first generation X5 with:

- Enhanced Dynamic Stability Control that features a wide array of safety enhancing brake functions, including Brake Fade Compensation, Brake Standby, Brake Drying, Start-off Assistant and Modulated ABS function to maximize stopping power in challenging conditions.
- DSC in the AWD X5, as compared to RWD BMWs, has additional features including:
  - Automatic Stability Control (ASC-X) offers exceptional benefits to the X5. This is due to the fact that, with the X5, ASC is being applied to an AWD system and, thus, has engine power management directed to all four wheels for an even greater effect than with a RWD vehicle.
  - Hill Descent Control (HDC) at low speeds, with the push of a button gently applies the brakes to maintain a slow "walking" pace of 4 to 6 mph. HDC relieves the driver of having to tap or ride the brakes in a steep descent situation or on a slippery surface and, thus, frees the driver to focus on steering.
  - Dynamic Traction Control (DTC), appearing for the first time in the X5, allows the driver to deactivate DSC functions such as engine management intervention and some braking functions (ABS can never be deactivated) for situations where additional slip can help in gaining traction. DTC can be very helpful in increasing traction with specific surface conditions such as deep snow, sand or gravel.
- xDrive all-wheel drive system for superior traction in all driving conditions.
- Xenon Adaptive Headlights with auto-leveling make night driving safer by allowing the outboard headlights to steer in unison with the front wheels.
- Adaptive Brake Lights provide for additional lighting area and brighter illumination during heavy braking or whenever ABS is activated to alert following motorists and help prevent rear impacts.

- Cornering lights are a brand new feature useful when turning corners or making sharp turns at low speeds. Cornering lights focus illumination in the direction that the vehicle will be turning to permit the driver to see potential obstacles.
- Runflat tires, even when fully deflated, can maintain their essential shape and guidance characteristics. BMW Runflat tires allow the vehicle to be driven up to 50 mph for 90 miles. Runflat tires are accompanied by a Tire Pressure monitoring system that alerts the dirver with an instrument cluster warning light should pressure in any tire drop by 25% or more.

Personal Security

Many X5 features enhance personal protection:

- Coded Driveaway Protection changes the key code each time the key is removed creating a significant deterrent to theft.
- Park Distance Control (option), front and rear, reduces the chances for low speed collisions when parking or backing up.
- Rearview camera (option) augments Park Distance Control with a wide-angle view of the scene behind the vehicle.
- Ground lighting (option) in the door handles enhances personal security by illuminating the vehicle perimeter.
- The clamshell glove compartment has no visible lock and is automatically locked when the user leaves and locks the vehicle.

Vehicle Key Memory

Vehicle & Key Memory provides an extensive capability to incorporate a driver's personal profile. As well, it includes standard functions that expand the perimeter of protection provided by the all-new X5. Features that enhance personal protection by limiting the threat posed by others and reduce the vehicle's attractiveness to thieves include:

- Central Locking with double-lock anti-theft feature prevents a locked door from being opened from the outside, even if the "lock" button is physically pulled up.
- Coded Driveway Protection changes the key code each time the key is removed creating a significant deterrent to theft.
- Alarm system activation an panic button for personal protection and reduced the potential for vehicle theft.
- Pathway lighting enhances personal security by illuminating the vehicle perimeter.

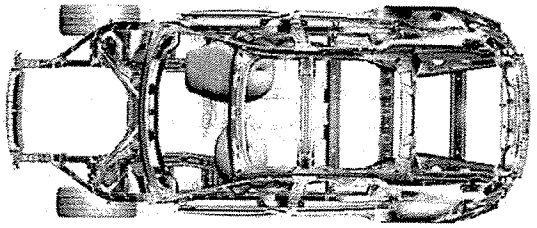
Important points when selling safety and security

1. A rigid steel safety cage with a massive steel structural "torsion ring' that reinforces the body in the "D" pillar area and provides particular protection to 3rd-row occupants creates a protective perimeter around all X5 occupants.
2. BMW's active safety design utilizes the X5's high performance chassis and DSC technology to enhance a driver's ability to avoid harm when confronted with a road hazard that is immediate and unexpected.
3. Runflat tires with tire pressure monitor allow the vehicle to be driven up to 50 mph for 90 miles even with the tire totally deflated.
4. Rollover Sensor, in the event of an imminent rollover, activates the front and rear Head Protection System on both sides and tensioners on all tensioner-equipped safety belts.
5. Head Protection System provides front and rear inflatable curtain-type head protection over the length of the greenhouse to contain and cushion outboard occupants.
6. xDrive all-wheel drive system for superior traction in all driving conditions.
7. Dynamic Traction Control (DTC) allows the driver to deactivate DSC functions such as engine management intervention and some braking functions (ABS can never be deactivated) for situations where additional slip can help in gaining traction. DTC can be very helpful in increasing traction with specific surface conditions such as deep snow, sand or gravel.
8. Cornering lights are a brand new feature useful when turning corners or making sharp turns at low speeds. Cornering lights focus illumination in the direction that the vehicle will be turning to permit the driver to see potential obstacles.
9. Coded Driveaway Protection provides theft protection with a code that changes each time the key is removed from the ignition.
10. BMW Assist Safety Plan™ (option)* provides a voice link between the driver and a trained response specialist and can transmit the vehicle's location and other relevant data. It also provides for automatic collision notification in event of a crash.

* 4 years of BMW Assist Safety Plan™ comes with the Premium Package

X6 Body Structure

X6 Body Structure



IIHS testing here in the United States. Since the X5 has received both of these honors, BMW is confident the X6 will do so as well.

In the X6, the use of deformable "crush" zones and a mix of deformable and high strength steels are intended to absorb the energy of an impact, and direct it around the passenger compartment. This design includes an immensely strong high-strength steel "cage" around the passengers to give them the maximum protection, even in severe impacts.

With its large, sloping rear hatch opening the X6 represented a particular challenge, but a perimeter of high-strength steel around the D-pillars and the tailgate itself make this area particularly strong. New age high-strength steels, especially at the B-pillars, accomplish specific patterns of strength, deformability and force transfer that promote effective energy management.

The X6 was also designed to conform to new standards for pedestrian protection, by using special deformable plastics at the front—including plastic "fenders" or side panels—designed to minimize injury to pedestrians struck by the vehicle. This also includes crush zones and the use of plastic components directly under the hood to move hard components away from the exterior surface of the hood itself.

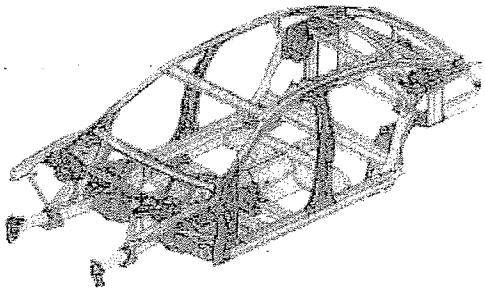
ALCOA

Audi A8 Spaceframe

Audi A8 Spaceframe
Cast And Extruded Aluminum Components;
8 Welded Sub-Assemblies Produced By Alcoa - Soest, Germany

Alcoa Soest delivers:

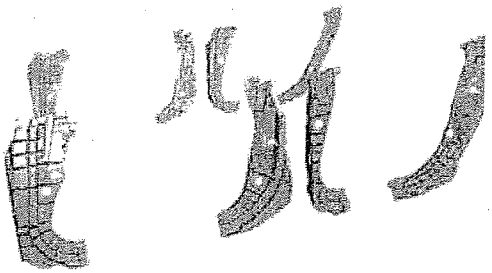
- **30 Extrusion Parts**
- **9 Components incl. Hydroforming**
- **23 Alcoa Vacuum Die Casting Parts**
- **4 Alcoa Green Sand Casting Parts incl. Machining**



Volume: 18,000 car sets/yr.

Alcoa's automotive structural technology in the A8 offers drivers outstanding stability and sets new standards in safety performance, while maintaining one of the automotive industry's lightest luxury sedan body shells.

According to Audi, its new A8 achieves "maximum stability with minimum mass" through the effective integration of multiple aluminum product forms supplied by Alcoa from its manufacturing facility in Soest, Germany.



The functional integration capabilities provided by the complex designs and part geometries of Alcoa's high-strength, ductile die castings and partially-hydroformed extrusions were also instrumental in stiffening the Spaceframe structure on the new A8 to improve its handling and safety performance. The presence of Alcoa's newest cast and extruded components also facilitated the use of more automated assembly techniques to help Audi manage their production costs.

Audi's new aluminum Spaceframe features fewer components than its predecessor...267 versus 334. Newly-designed, larger and more complex Alcoa Vacuum Die Castings have replaced combinations of castings, extrusions and sheet components used in the original Spaceframe to consolidate parts and reduce total systems cost.

The new A8 also features other "firsts" in the use of Alcoa's proprietary casting technologies. Four AVDC castings are used in the doors. The luxury sedan also represents the first application of a new Alcoa casting alloy that does not require water quenching after heat treatment.

From a manufacturing perspective, Alcoa's Soest facility met all of Audi's delivery performance targets throughout the launch of the A8. This was a significant challenge since the ramp up to series production included a 33% expansion in the size of the location, featuring the addition of two new vacuum die casting machines, a

significant expansion of the plant's shipping and receiving area and expansion of the location's prototyping capability, including new measurement, fixturing, testing and assembly facilities.

The wide variety of Soest's processing capabilities...from vacuum die casting to extrusion forming to hydroforming...coupled with the plant's expanding knowledge of prototyping, fixturing, joining and assembly...make it one of Alcoa Advanced Transportation System's most versatile operations. We now have almost 10 years worth of experience in helping our customers go from concept to prototype to pre-series to series products.

Alcoa and the Aluminum Auto
Read how Alcoa and Audi helped realize an automotive first with the original A8.
Learn more about the Audi A8

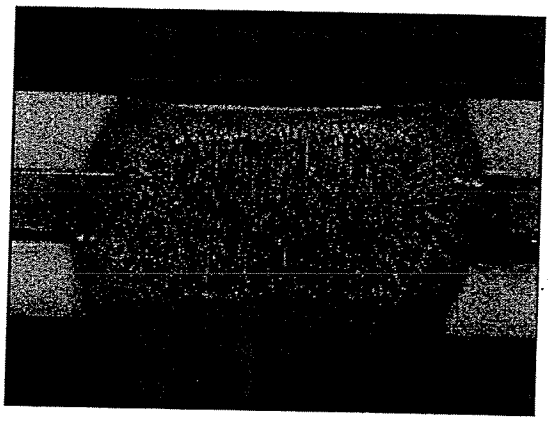
Alcoa Named Preferred Supplier by Audi AG
July 2003 Alcoa news release
Learn more about the Audi A8

Wieländer and Schill UK Ltd

Tel: 01722 422270

Boron Steel

Much has been written about the new range of Advanced High Strength Steel being used in Modern car design.



USIBOR-BTR-Boron are all the same grade of steel, just with a different name, depending which country it comes from. It is very strong but light in weight.

This steel will be found in the new Volvo XC90, Saab, BMW E60, Porsche Cayenne, VW Toureg and many other cars.

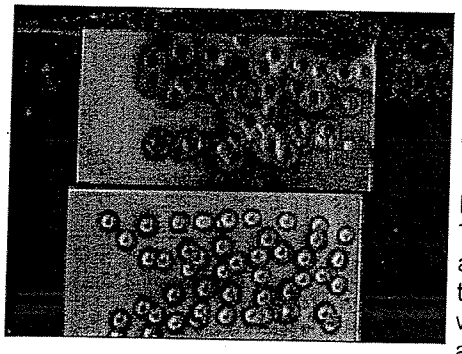
In general it is used to provide extra strength in the sill area, B Post, chassis areas, rear cross members and as roll over bars. It is difficult to repair and certain repair methods should only be employed.

However, whichever new car you are working with now or in the future it is very likely that you will find some Boron steel somewhere.

Not only are there are many other new steels all with differing strengths, there are also many new coatings which the steel has been treated with. Coatings such as Zinc, Bonazinc, Granocoating, Aluminated sheet metals etc. This all adds to the confusion over the steels as well as the difficulty in repair.

Spotwelding repairs

The High Strength Steel ZSTE 340 being used on all European cars today is lighter than normal steel, on account of the alloys that have been added during manufacture. It is designed to be light and very strong but it must not tear or fold easily in an accident.



To spot weld this steel correctly there are three very important aspects that have to be present.

a. Electrode force
b. Correct power
c. Correct tip (size and shape)

Electrode Force

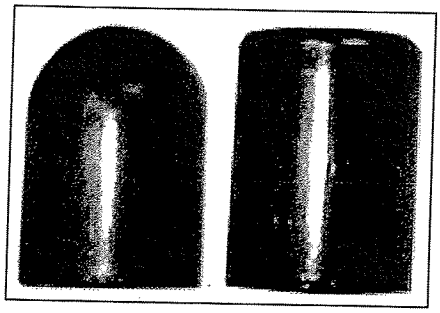
The electrode force must be above 300daN (decanewtons) which is approx 300kgs of force. This is to ensure that during the welding process the metal is kept firmly in place and will fuse correctly at the spot. With weaker electrode force the metal may explode (spark fiercely) and leave a porous, weak weld that would definitely not hold up in an accident.

Power

The welding power needed to fuse the high strength steel correctly must be at least 8,000 amps (rms). This means that the average power for the whole weld process must be 8,000 amps and not just for a momentary spike of power at some time during the weld. The resultant spot must have a very small burn mark around it so that the strength of the metal remains constant.

With lower power or longer burn times the welds will have a bigger burn mark and the integrity of the weld will be compromised.

Correct Tip



It is important that the tips should be flat and not domed or pointed. The essence of the profile is to give a flat factory shaped weld that does not push into the surface of the steel, which would in turn weaken the metal at the spot.

All conventional welders and some of the new inverter welders fall down on the first point, as their electrode force would not reach 200daN. All conventional welders and some inverter welders also do not reach 8,000amps. All the existing spot welders do not have a combination of the correct tips or burn time (except the InvertaSpot).

Problems

This means that every day more and more cars are entering the market place which inevitably will need repair. However, most are not being repaired correctly because the incorrect tools are being used to repair them.

Bodyshops that do not have the correct equipment are actually welding the cars together, thinking they have achieved a satisfactory weld, in fact, if the welds were tested they would be shown to be weak or have insufficient nugget size. See for yourself on a car that has been repaired, how many welds have failed when the same car is in a subsequent accident.

The car manufacturers without exception are all looking at inverter welders as a means to welding this new steel. It is the process that is used in their factories, so it is logical that the same process should be now used in the bodyshops.

For more information and to register for updates by email, please click here.

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Boron Steel · Go

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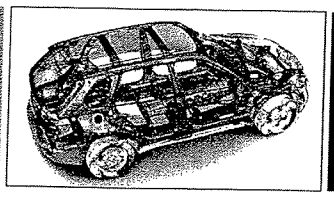
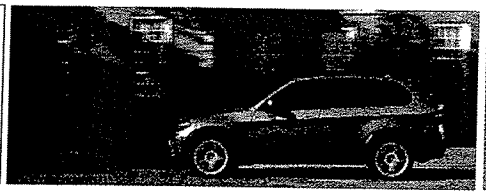
Safety and Security

October 2006





The first generation X5 earned the admiration of Insurance Institute of Highway Safety President Brian O'Neill, who called the X5 "outstanding." The all-new X5 has been designed and built to be stronger, safer and to offer an overall higher level of protection than its predecessor.

Passive safety

Passive safety design takes over in the split second when an accident occurs. Another way of looking at passive safety is as effective energy management. It is how a vehicle's design redirects and dissipates the energy of a collision while protecting the occupants.

BMW's X5 protects occupants with state-of-the-art safety systems that include:

- Rollover Sensor that, in the event of an imminent rollover, activates the front and rear Head Protection System on both sides and the tensioners on the tensioner-equipped front seat safety belts.
- Dual front-impact Supplementary Restraint System (SRS) with dual-threshold, 2-stage airbags that are designed to provide maximum front seat occupant protection while limiting the force and necessity of deployments.
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All occupants benefit from a consistent high level of protection.

- 3-Point safety belts at all seating positions.
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Utilizing superior steels, the X5 passenger cage with supplemental cross-members and door beams provides a state-of-the-art protection system that shields all occupants. Using a variety of steels that promote predictable deformation and controlled force transfer, crumple zones in fenders, hoods and other perimeter structures bend in a collision to absorb and redirect the energy of an impact to protect the occupants.

To further strengthen the safety cage, the X5 features a massive steel structural "torsion" ring that reinforces the body in the "D" pillar area and provides particular protection to 3rd-row occupants.

BMW's Battery Safety Terminal protects X5 occupants by significantly reducing the danger of a system-induced spark and fire in the event of a severe accident.

Active safety for avoiding accidents

The all-new X5's enhanced handling capabilities advance the already superior active safety design of the first generation X5 with:

- Enhanced Dynamic Stability Control that features a wide array of safety enhancing brake functions, including Brake Fade Compensation, Brake Standby, Brake Drying, Start-off Assistant and Modulated ABS function to maximize stopping power in challenging conditions.
- DSC in the AWD X5, as compared to RWD BMWs, has additional features including:
  - Automatic Stability Control (ASC-X) offers exceptional benefits to the X5. This is due to the fact that, with the X5, ASC is being applied to an AWD system and, thus, has engine power management directed to all four wheels for an even greater effect than with a RWD vehicle.
  - Hill Descent Control (HDC) at low speeds, with the push of a button gently applies the brakes to maintain a slow "walking" pace of 4 to 6 mph. HDC relieves the driver of having to tap or ride the brakes in a steep descent situation or on a slippery surface and, thus, frees the driver to focus on steering.
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- Runflat tires, even when fully deflated, can maintain their essential shape and guidance characteristics. BMW Runflat tires allow the vehicle to be driven up to 50 mph for 90 miles. Runflat tires are accompanied by a Tire Pressure monitoring system that alerts the dirver with an instrument cluster warning light should pressure in any tire drop by 25% or more.

Personal Security

Many X5 features enhance personal protection:

- Coded Driveaway Protection changes the key code each time the key is removed creating a significant deterrent to theft.
- Park Distance Control (option), front and rear, reduces the chances for low speed collisions when parking or backing up.
- Rearview camera (option) augments Park Distance Control with a wide-angle view of the scene behind the vehicle.
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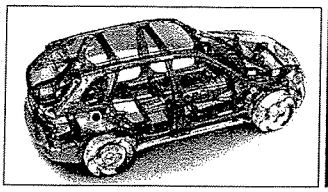
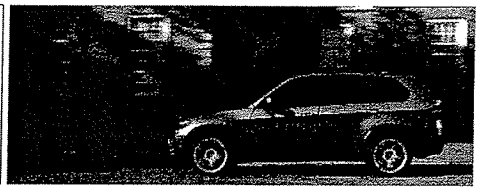
Safety and Security

October 2006





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continued

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ELNIK SYSTEMS
DIVISION OF PVA INDUSTRIES, L.L.

Boron in Steel

by Daniel H. Herring

May 3, 2007

Boron addition to steel is a complex subject, and it does not always make our lives as heat treaters easier. Let's learn more.

The Boron Hardenability Effect

An outstanding feature of boron steels is the improvement in hardenability produced by the additior of boron. It is generally accepted that a hardenability peak is reached when the quantity of boron is If an excessive amount of boron (>30 ppm) is present, the boron constituents become segregated i boundaries, which not only lowers hardenability, but also may decrease toughness, cause embrittle shortness. The affect of boron on hardenability also depends on the amount of carbon in the steel. increases in inverse proportion to the percentage of carbon present.

Boron must be in its atomic state to improve hardenability, which means that care must be taken d the boron to be effective. Boron may also become ineffective if its state is changed by incorrect hea high austenitizing temperatures must be avoided as well as temperature ranges where certain boro

Hardenability is highly dependent on the behavior of oxygen, carbon and nitrogen present in the ste oxygen to form boron oxide (B2O3); with carbon to form iron borocementite (Fe3(CB)) and iron bor with nitrogen to form boron nitride (BN). Loss of boron by oxygen is prevented by making the boror aluminum killed steels and by using good ladle and mold practices. Strong nitride formers (titanium protect the boron from reaction with nitrogen. For example, if nitrogen is fixed by using titanium, sa obtained in the temperature range up to 1830°F (1000°C) provided that the steel contains about 5-

The hardenability of boron steel is also closely related to austenitizing conditions and is generally sa above 1830°F (1000°C). Boron steel must also be tempered at a lower temperature than other allo same hardenability.

Case History 1 – Commercial Heat Treater

Problem description: A commercial heat treater reported low core hardness and localized core ferrit inspection of sample lots of steel parts carburized in separate loads. Inspection of subsequent loads to show a recurrence of the ferrite condition.

Background: Parts were carburized in a batch integral quench furnace – in one case at a temperatu in the other at 1700°F (925°C). Either temperature should have been sufficient to completely dissol (per the iron-carbon phase diagram).

Attempted solutions: The first step was to send parts out for chemical analysis and to compare the specification and to the material certification. The material chemistry was found to be within specifi

Next, the furnace temperature and temperature uniformity were checked and found to be within ac variation in case depth was found, which would be indicative of austenitizing temperature variation Additional steps involved increasing load sample size to nine pieces/load and complete microstructu patterns and load weight were monitored.

As an added precaution, carburizing temperature was increased to 1725°F (940°C), necessitating a dimensional changes associated with this higher temperature. Careful monitoring of case depth was often increasing diffusion temperature can add variation in shallow case depths.

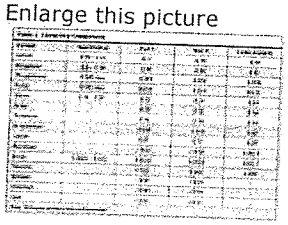
Samples containing core ferrite were reheated in a vacuum furnace at temperatures of 1675°F (915 Core ferrite did not dissolve completely at 1675°F (915°C), but austenitizing at 1800°F (980°C) fin solution.

Case History 2 – Captive Heat Treater

Problem description: Ferrite was observed in the core microstructure of 15B21 parts along with variations in core hardness from 93 HRB to 40 HRC.

Background: Parts were initially carburized at 1725°F (940°C) and oil quenched from 1550°F (840°C). A surface hardness of 58–61 HRC was obtained with an effective case depth (50 HRC) of approximately 0.055 inch (1.40 mm). Microstructural examination of parts at 93 HRB (Fig. 2) revealed the presence of ferrite in the core.

Enlarge this picture



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The next step was to run parts in different furnaces. A total of seven pusher furnaces were used in an attempt to rule out such variables temperature uniformity, carburizing uniformity, furnace atmosphere quenchant and quench severity. All parts run produced similar result

Finally, material from a different steel lot was processed to the same set of heat-treatment parameters. The result was consistent core hardness in the range of 34 HRC (Fig. 3).

Lessons Learned

The heat treater can control many of his process and equipment variables. He/she can design robust boost/diffuse carburizing cycles, minimize retained austenite and intergranular oxidation as well as control carbide distribution. The heat treater can also ensure that the equipment is operating properly, is well maintained and has good temperature uniformity. He/she can load

parts in a manner as to maximize heat transfer and aid uniformity of quenching. Sometimes all of t since the heat treater has limited control over material properties (e.g. alloy segregation, as-receiv cleanliness).

Both the commercial and captive heat treater in these case studies spent considerable resources an attempt to rule out a process or equipment problem and to find the root cause of the phenomenon. problems are not material issues, these case studies clearly pointed to the material as the root caus the fact that the Jominy readings were within an acceptable range for the steels in question, parts v

As it turns out, the titanium to nitrogen (Ti:N) ratio in the steel heat is a critical factor. When specif companies believe a 4:1 ratio (or greater) is needed to avoid the problem of "ineffective" boron. In boron content is not the total boron content. **IH**

Additional related information may be found by searching for these (and other) key words/terms vi www.industrialheating.com: hardenability, embrittlement, hot shortness, diffusion, case depth, reta intergranular, oxidation

Daniel H. Herring
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Dan Herring is president of THE HERRING GROUP Inc., which specializes in consulting services (hea metallurgy) and technical services (industrial education/training and process/equipment assistance. associate professor at the Illinois Institute of Technology/Thermal Processing Technology Center.

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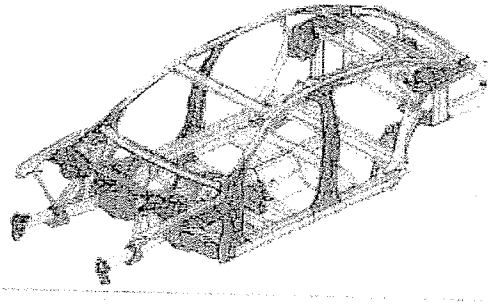
ALCOA

Audi A8 Spaceframe

Audi A8 Spaceframe
Cast And Extruded Aluminum Components;
8 Welded Sub-Assemblies Produced By Alcoa - Soest, Germany

Alcoa Soest delivers:

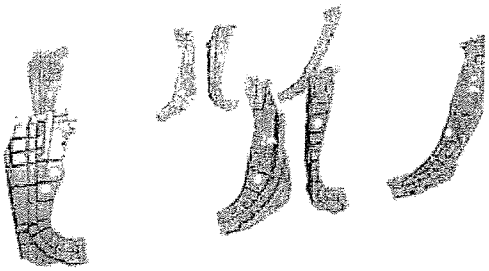
- **30 Extrusion Parts**
- **9 Components incl. Hydroforming**
- **23 Alcoa Vacuum Die Casting Parts**
- **4 Alcoa Green Sand Casting Parts incl. Machining**



Volume: 18,000 car sets/yr.

Alcoa's automotive structural technology in the A8 offers drivers outstanding stability and sets new standards in safety performance, while maintaining one of the automotive industry's lightest luxury sedan body shells.

According to Audi, its new A8 achieves "maximum stability with minimum mass" through the effective integration of multiple aluminum product forms supplied by Alcoa from its manufacturing facility in Soest, Germany.



The functional integration capabilities provided by the complex designs and part geometries of Alcoa's high-strength, ductile die castings and partially-hydroformed extrusions were also instrumental in stiffening the Spaceframe structure on the new A8 to improve its handling and safety performance. The presence of Alcoa's newest cast and extruded components also facilitated the use of more automated assembly techniques to help Audi manage their production costs.

Audi's new aluminum Spaceframe features fewer components than its predecessor...267 versus 334. Newly-designed, larger and more complex Alcoa Vacuum Die Castings have replaced combinations of castings, extrusions and sheet components used in the original Spaceframe to consolidate parts and reduce total systems cost.

The new A8 also features other "firsts" in the use of Alcoa's proprietary casting technologies. Four AVDC castings are used in the doors. The luxury sedan also represents the first application of a new Alcoa casting alloy that does not require water quenching after heat treatment.

From a manufacturing perspective, Alcoa's Soest facility met all of Audi's delivery performance targets throughout the launch of the A8. This was a significant challenge since the ramp up to series production included a 33% expansion in the size of the location, featuring the addition of two new vacuum die casting machines, a

significant expansion of the plant's shipping and receiving area and expansion of the location's prototyping capability, including new measurement, fixturing, testing and assembly facilities.

The wide variety of Soest's processing capabilities...from vacuum die casting to extrusion forming to hydroforming...coupled with the plant's expanding knowledge of prototyping, fixturing, joining and assembly...make it one of Alcoa Advanced Transportation System's most versatile operations. We now have almost 10 years worth of experience in helping our customers go from concept to prototype to pre-series to series products.

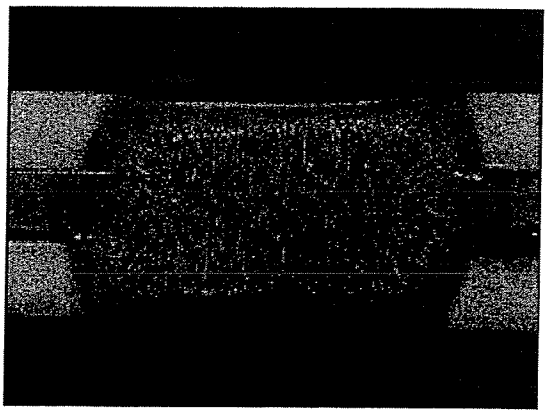
Alcoa and the Aluminum Auto
Read how Alcoa and Audi helped realize an automotive first with the original A8.
Learn more about the Audi A8

Alcoa Named Preferred Supplier by Audi AG
July 2003 Alcoa news release
Learn more about the Audi A8

Wieländer and Schill UK Ltd

Tel: 01722 422270

Boron Steel
Much has been written about the new range of Advanced High Strength Steel being used in Modern car design.



USIBOR-BTR-Boron are all the same grade of steel, just with a different name, depending which country it comes from. It is very strong but light in weight.

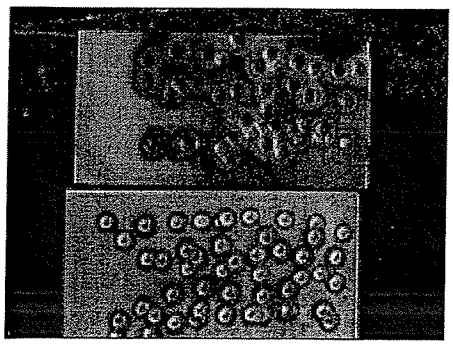
This steel will be found in the new Volvo XC90, Saab, BMW E60, Porsche Cayenne, VW Toureg and many other cars.

In general it is used to provide extra strength in the sill area, B Post, chassis areas, rear cross members and as roll over bars. It is difficult to repair and certain repair methods should only be employed.

However, whichever new car you are working with now or in the future it is very likely that you will find some Boron steel somewhere.

Not only are there are many other new steels all with differing strengths, there are also many new coatings which the steel has been treated with. Coatings such as Zinc, Bonazinc, Granocoating, Aluminated sheet metals etc. This all adds to the confusion over the steels as well as the difficulty in repair.

Spotwelding repairs
The High Strength Steel ZSTE 340 being used on all European cars today is lighter than normal steel, on account of the alloys that have been added during manufacture. It is designed to be light and very strong but it must not tear or fold easily in an accident.



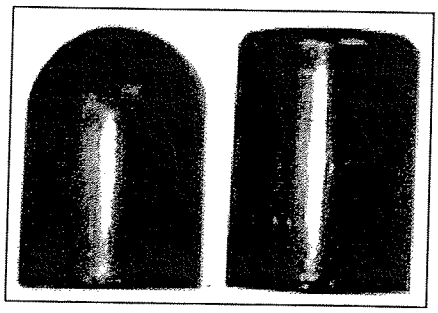
To spot weld this steel correctly there are three very important aspects that have to be present.
a. Electrode force
b. Correct power
c. Correct tip (size and shape)

Electrode Force
The electrode force must be above 300daN (decanewtons) which is approx 300kgs of force. This is to ensure that during the welding process the metal is kept firmly in place and will fuse correctly at the spot. With weaker electrode force the metal may explode (spark fiercely) and leave a porous, weak weld that would definitely not hold up in an accident.

Power
The welding power needed to fuse the high strength steel correctly must be at least 8,000 amps (rms). This means that the average power for the whole weld process must be 8,000 amps and not just for a momentary spike of power at some time during the weld. The resultant spot must have a very small burn mark around it so that the strength of the metal remains constant.

With lower power or longer burn times the welds will have a bigger burn mark and the integrity of the weld will be compromised.

Correct Tip



It is important that the tips should be flat and not domed or pointed. The essence of the profile is to give a flat factory shaped weld that does not push into the surface of the steel, which would in turn weaken the metal at the spot.

All conventional welders and some of the new inverter welders fall down on the first point, as their electrode force would not reach 200daN. All conventional welders and some inverter welders also do not reach 8,000amps. All the existing spot welders do not have a combination of the correct tips or burn time (except the InvertaSpot).

Problems

This means that every day more and more cars are entering the market place which inevitably will need repair. However, most are not being repaired correctly because the incorrect tools are being used to repair them.

Bodyshops that do not have the correct equipment are actually welding the cars together, thinking they have achieved a satisfactory weld, in fact, if the welds were tested they would be shown to be weak or have insufficient nugget size. See for yourself on a car that has been repaired, how many welds have failed when the same car is in a subsequent accident.

The car manufacturers without exception are all looking at inverter welders as a means to welding this new steel. It is the process that is used in their factories, so it is logical that the same process should be now used in the bodyshops.

For more information and to register for updates by email, please click here.

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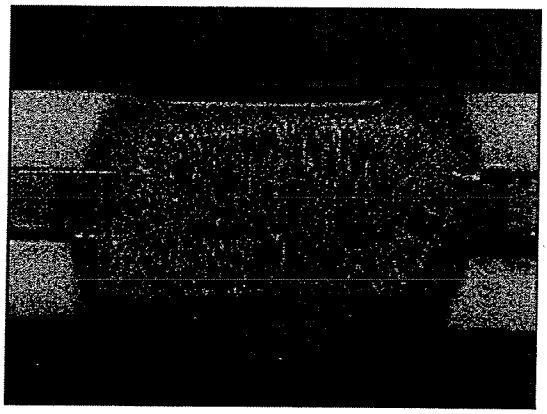

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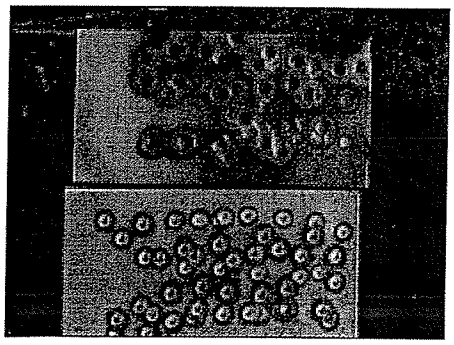

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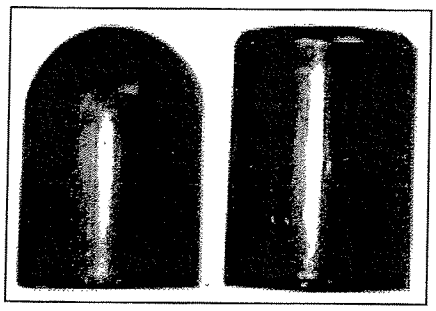

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ASSABET VALLEY REGIONAL VOCATIONAL SCHOOL DISTRICT

Special Commission on Auto Body Rates

2008

Excerpt from: http://lmi2.detma.org/Lmi/pdf/MEP_by_occupation.pdf

Commonwealth of Massachusetts Employment Projections 2004-2014
Current and Projected Employment by Occupation and Education and Training Requirements

Massachusetts Department of Workforce Development

Employment Projections 2004-2014

Occupational Employment Data

Code	Occupational Title	Jobs 2004	Jobs 2014	New Jobs	Growth Rate	Replacement Openings	Total Jobs Through 2014	Educational Training Level
49-3021	Automotive Body and Related Repairers	5,230	5,490	260	5.00%	1,060	1,330	9
49-3023	Automotive Service Technicians and Mechanics	18,310	20,000	1,690	9.20%	4,870	6,560	7

Replacements represent the number of job openings expected to arise from the need to replace workers who retire or move up the career ladder.

***** *Education and Training Level*
1. First Professional Degree
2. Doctorate
3. Master's Degree
4. Work Experience, plus a Bachelor's Degree or Higher
5. Bachelor's Degree
6. Associate's Degree
7. Postsecondary Vocational Training
8. Work Experience in a Related Occupation
9. Long-Term On-the-Job Training (1 or more years)
10. Moderate-Term On-the-Job Training (1 to 12 months)
11. Short-Term On-the-Job Training (1 to 4 weeks)

AUTOMOTIVE COLLISION TECHNOLOGY

Graduating class of:	Total graduates	Military related	Military non-related	Employed related	Working not related	Higher education	Unemp	not in force	status unknown	Yearly Perkins	Yearly chapter 74
2000	9	0	0	2	3	2	0	0	2	100%	57%
2001	9	0	0	2	1	4	0	0	2	100%	86%
2002	7	0	0	3	2	1	1	0	0	86%	57%
2003	6	0	0	1	3	0	0	0	2	100%	25%
2004	8	0	1	3	4	0	0	0	0	100%	38%
2005	10	0	0	3	0	2	0	0	5	100%	100%
2006	15	0	1	3	3	1	0	1	6	89%	44%
2007	13	0	1	3	0	3	1	0	5	88%	75%
8 year grads total	77	0	3	20	16	13	2	1	22		
percentage of graduates	100%	0%	4%	26%	21%	17%	3%	1%	29%		

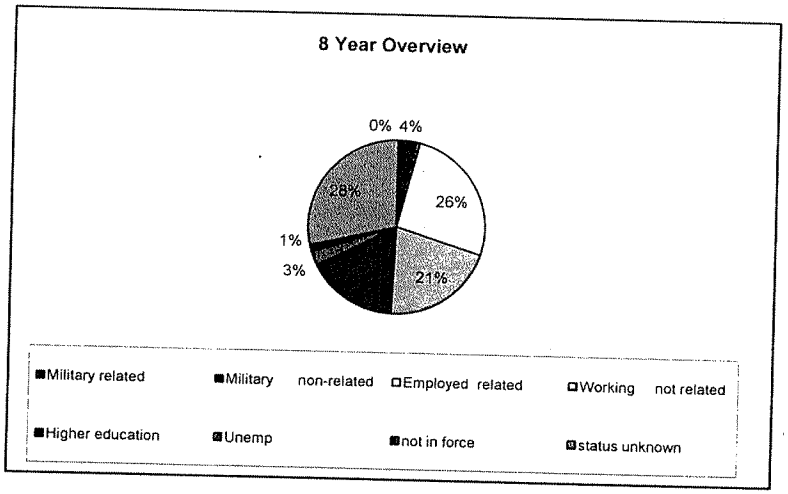
CHAPTER 74 *8 YR AVG* Classes 2000-'07 60%

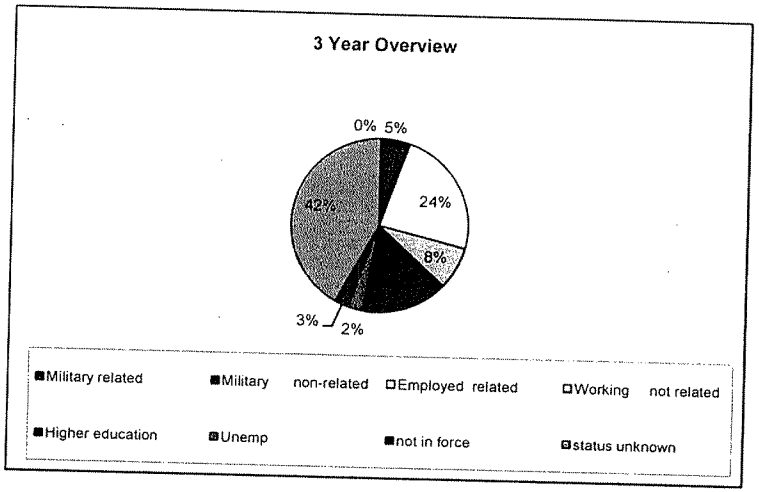
PERKINS *8YR AVG* Classes 2000-'07 95%

3 year grads total	38	0	2	9	3	6	1	1	16
percentage of graduates	100%	0%	5%	24%	8%	16%	3%	3%	42%

CHAPTER 74 *3 YR AVG* Classes 2005-'07 73%

PERKINS *3 YR AVG* Classes 2005-'07 92%





SHOP FOLLOW-UP

jkoopman 11/7/2008

AUTOMOTIVE TECHNOLOGY

Graduating class of:	Total graduates	Military related	Military non-related	Employed related	Working not related	Higher education	Unemp	not in force	status unknown	Yearly Perkins	Yearly chapter 74
2000	9	1	0	4	2	2	0	0	0	100%	78%
2001	5	0	0	4	1	0	0	0	0	100%	80%
2002	10	0	0	4	3	3	0	0	0	100%	70%
2003	5	0	0	4	1	0	0	0	0	100%	80%
2004	6	0	0	5	1	0	0	0	0	100%	83%
2005	8	0	0	3	1	2	0	0	2	100%	83%
2006	10	0	0	5	0	3	0	0	2	100%	100%
2007	13	0	0	6	1	3	0	0	3	100%	90%
8 year grads total	66	1	0	35	10	13	0	0	7		
percentage of graduates	100%	2%	0%	53%	15%	20%	0%	0%	11%		

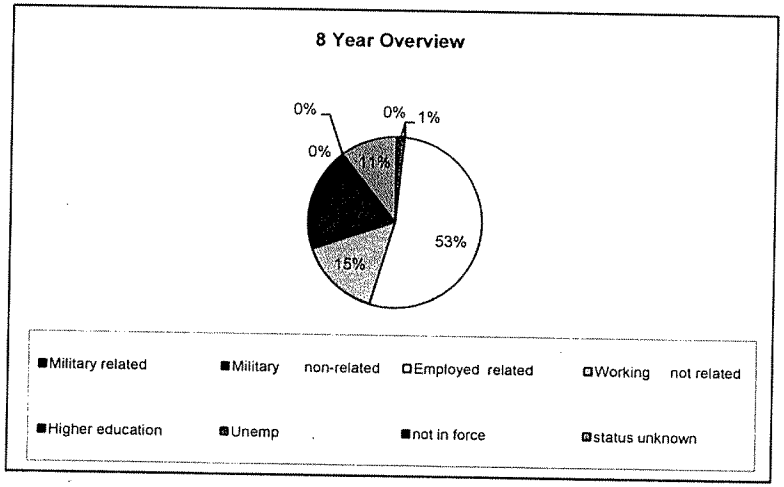
CHAPTER 74 ***8 YR AVG*** **Classes 2000-'07** **83%**

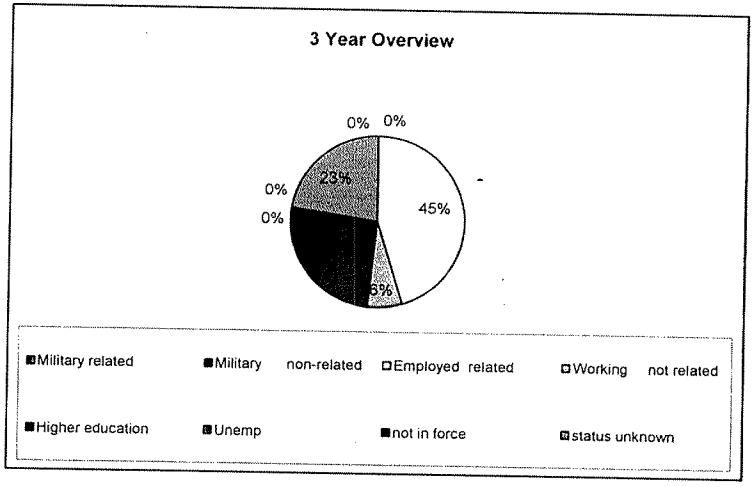
PERKINS ***8 YR AVG*** **Classes 2000-'07** **100%**

3 year grads total	31	0	0	14	2	8	0	0	7
percentage of graduates	100%	0%	0%	45%	6%	26%	0%	0%	23%

CHAPTER 74 ***3 YR AVG*** **Classes 2005-'07** **91%**

PERKINS ***3 YR AVG*** **Classes 2005-'07** **100%**





SHOP FOLLOW-UP

jkoopman 11/13/2008

Occupational Employment and Wage Statistics

To access annual data

Selection Criteria Hourly Data
Area: Massachusetts
Time Period: May 2007
Occupation: Automotive Body and Related Repairers

Excel of this data

SOC Code	Occupation Title	Employment	Median Hourly	Mean Hourly	Entry Hourly	Experienced Hourly
49-3021	Automotive Body and Related Repairers	4,130	$20.43	$20.68	$13.31	$24.37

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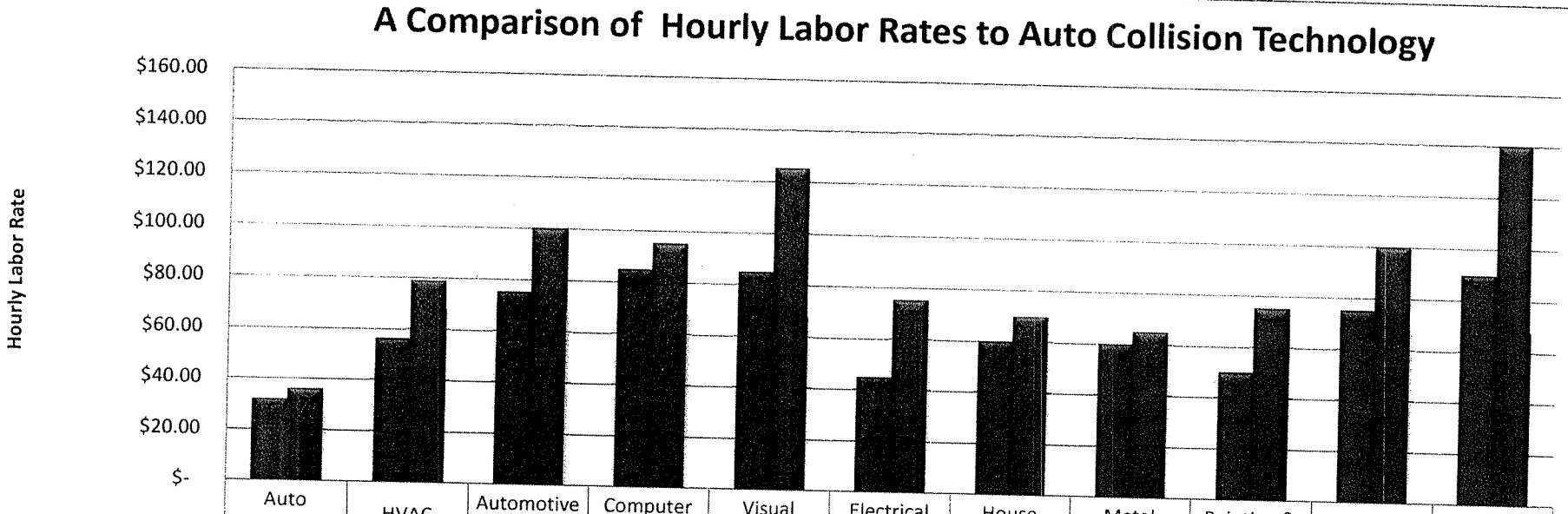
Auto Collision Technologies

Cooperative placement Data

2001-2009

Class Year	# placements	Wage Range	Average Wage	Notes:
2001	7	$7.50-9.50	$ 8.71	
2002	3	$8.00-9.00	$ 8.33	
2003	6	$7.00-11.00	$ 9.08	
2004	5	$7.00-9.00	$ 8.30	2 showing as early release only
2005	7	$8.00-11.00	$ 9.36	4 showing as early release only
2006	5	$9.00-12.00	$ 10.00	2 showing as early release only
2007	1	$10.00	$ 10.00	
2008	4	$8.00-9.00	$ 8.50	
2009	1 pending			
total placements	**38**	**$7.50-12.00**	**$ 9.04**	



	Auto Collision	HVAC	Automotive Repair	Computer Info	Visual Design	Electrical Wiring	House Carpentry	Metal Fabrication	Painting & Design	Plumbing	Precision Machining
Range low per hour	$32.00	$56.00	$75.00	$85.00	$85.00	$45.00	$60.00	$60.00	$50.00	$75.00	$90.00
Range High per hour	$36.00	$79.00	$100.00	$95.00	$125.00	$75.00	$70.00	$65.00	$75.00	$100.00	$140.00

A survey was done through Cooperative Placement Coordinators for Placement of Auto Collision Technology Students from Chapter 74 Programs throughout the Commonwealth.

Results of responses for placement in the last three school years are:

Tri-County Regional Technical High School – Franklin, Massachusetts

Average Placement in the trade:	3 Students/school year
Average Salary:	$11.00/hour

Pathfinder Regional Technical High School – Palmer, Massachusetts

Average Placement in the trade:	1-2 Students/school year
Average Salary:	$8.00/hour

Baypath Regional Technical High School – Charlton, Massachusetts

Average Placement in the trade:	4-5 Students/school year
Average Salary:	$9.75/hour

Diman Regional Technical High School – Fall River, Massachusetts

Average Placement in the trade:	8 Students/school year
Salary range:	$8-12.00/hour

Minuteman Regional Technical High School – Lexington, Massachusetts

Average Placement in the trade:	1-2 Students/school year
Average Salary:	$9.50/hour

Lynn Vocational Technical Institute – Lynn, Massachusetts

Average Placement in the trade:	2 Students/school year
Average Salary:	$10.00/hour

9 Bartlet Street, #143
Andover, MA 01810
Phone: (978) 749-9695 • Fax: (978) 749-0687

TESTIMONY OF EXECUTIVE DIRECTOR

HEARING, SPECIAL COMMISSION ON AUTO BODY LABOR RATES DIVISION OF INSURANCE OFFICE, BOSTON, MA NOVEMBER 13, 2008

Secretary Crane, Chairman Buoniconti, Chairman Mariano, Senator Hedlund, Representative Barrows, and members of the commission, my name is Peter Abdelmaseh. I serve as the Executive Director of the Massachusetts chapter of the Alliance of Automotive Service Providers, better known as AASP. Our organization has nearly 9,000 members representing the auto mechanical repair and collision repair industries, primarily in the Northeast region of the United States, though AASP is one of the three major national collision industry organizations.

The testimony we offer today will address all of the issues that were requested to be examined in Section 108, which was signed by the governor. In addition, we will also address the larger political issues that have emerged during the period of our advocacy for Auto Body Labor Rate Reform. And, as the primary author of the original legislation, House Bill 1085, I will offer insight into the concepts that were considered as this legislation was written.

Opposition Arguments

The commonwealth's auto insurers are the primary opponents of Auto Body Labor Rate Reform. Their two major arguments are that the provisions in the Labor Rate Bill (H1085), will cost policyholders too much money, especially in the difficult economic environment in which we currently find ourselves, and that the concept of "government regulation" of auto body labor rates is a turn away from the recent move to a free market model for auto insurance premiums in Massachusetts.

The Cost to Policyholders

During the course of the collision industry's efforts to bring fairness to labor rates, carriers have presented several different amounts of increases to the average policyholder, sometimes by the same groups. Estimates seem to have begun at 70 to 80 million dollars per year, then, we heard it was 90

million dollars, and, more recently, upwards of 115 million dollars. We agree that we are talking about a lot of money. However, when factored into the cost for the average policyholder, the insurance industry seems to agree on presenting it as a 2.4% increase, which translates, using their numbers, into approximately $22.50 per policy per year.

It appears that the estimating model that was used by the carriers included an across-the-board $15.00 per hour increase for all hours of labor they paid during a specific (or average) year. We believe this sample is not a sound interpretation of the provisions in the original legislation. Our model proposes that it will take up to three years for the 300-450 shops (of the state's 1,913 registered shops -- likely comprising approximately 50% of collision claims) that will earn classifications under the proposed system to begin receiving the new labor rates. Further, if those rates were to be calculated using estimates that utilize the current national average labor rate and the information in the most recent Bureau of Labor Statistics report, "Class A" shops would receive a minimum of approximately $50.00 per labor hour, and "Class B" shops would receive a minimum of approximately $45.00 per labor hour. Since the current average labor hour in Massachusetts is paid at approximately $35.00, it is clear that the insurers used the worst-case scenario, a $15.00 increase, or a rate of $50.00 for all shops.

Under the model we use, after a three year ramp up period, we believe that 25% of collision jobs will be performed by "Class A" shops at an estimated rate of $50.00 per hour, another 25% of jobs will be done by "Class B" shops at an estimated rate of $45.00 per hour, and the remaining 50% of jobs will be done by the non-classified shops at a rate that approximates the current rate of $35.00 per hour. This model yields an average rate of $41.25, which is well below the current national average. Because of the "tiered" rating system, the cost of which is borne almost entirely by the collision industry, the carriers have the opportunity to bring meaningful reform of labor rates and still keep their costs under the national average. That being said, we believe the estimated cost to the average policyholder is under $10.00 per year. And, it will take up to three years to reach that number.

Creating a Market Where One Doesn't Exist

The original Labor Rate Bill was written and introduced into the 2007-2008 session of the State Legislature prior to the move to the "managed competition" model. One could say that its genesis occurred during the era of regulation in the commonwealth. One could also argue that since the regulatory model has been discarded, nothing that has anything to do with auto insurance premium rates should have any connection to it. And, the carriers certainly do make that argument.

The auto insurance industry in Massachusetts would like all to believe that the new era in setting premium rates represents the beginning of a "domino effect" against regulation of any kind, and that to even utter the "R-word," would indicate the presence of a type of lunacy, for certain. They may be correct. But, we have a different view.

We believe that there is no more pure form of a free market than when an individual takes a personal and financial risk, puts all that he or she possesses on the line, and operates a business with the family name on the door. Quite simply, the auto collision industry does not need theoretical lectures on free markets. As an industry, we embody all of the elements that our democratic, capitalist system entails.

However, in 1988, when the carriers were crying about losing money and were abandoning this commonwealth, the first place they looked for help was the very government whose role they wish to admonish today. The cost containment regulation was promulgated, among others, to help keep carriers in the black and the collision industry was forced to make sacrifices to keep the insurers solvent. Worse than the money that was lost by the collision industry, virtually complete control of their businesses was given over to the carriers – from the initial damage appraisal to the final (discounted) payment. During

the intervening two decades, the regulation that helped the carriers has had an unintended consequence; that of an entire generation of collision shop owners who don't have any experience in operating under a free market. And, we contend that a free market is not going to magically appear because the cost containment regulation has recently found its way to the scrap bin.

No, we believe the commonwealth must, like government does in countless corners of our economy (does Wall Street bailout ring a bell), take action to ensure some order and fairness to this well-acknowledged problem. We believe that for every intervention into the "customer-seller" transaction that insurers make, there must be a countervailing balance for collision shops. Without listing all of these interventions, insurers control the initial transaction to the extent that a significant number of consumers do not know the name of the collision shops that repair their vehicles, insurers hold approval power over repair processes and often deny generally-accepted methods of repair, phrases such as "we don't pay for that" are uttered so often they now fall on deaf ears, etc. Clearly, the situation begs for some form of regulation because there are so many impediments to a free market that still exist. And we expect them to remain in place for a long time to come. Therefore, we believe that the original legislation addresses, in a fairly limited way, the major solution to the labor rate problem.

Provisions in Section 108

Collision Shop Population in Massachusetts

First, we address the issue of the number of collision repair shops in Massachusetts and the relevance of that number to this issue. As of July 30, 2008, there were 1,913 shops registered in the commonwealth. From conversations with Andrew Novatny at the Division of Standards, approximately 150 shops registered to specific addresses are no longer listed, when compared to the Division's oldest report from 2003. Since a significant number of operators enter and go out of business each year, the registrations to specific addresses seem to be the only reasonable barometer available to establish this piece of information.

While evaluating this information, we suggest that the commission also consider that registrants continue to be listed until the license expires, which is after the business closing date. Also, individuals often maintain active licenses even though they do not operate shops. And, sadly, we must acknowledge that a number of new car dealerships that operated collision shops have recently closed and the prospects for some to remain open in the coming year appear bleaker today than in the past decade or so.

However, due to the many other factors that contribute to the ultimate decision made by a shop owner to close a business, such as the shrinking number of auto damage jobs due to skyrocketing total losses here in the commonwealth and throughout the United States, we believe that there is little correlation between inadequate labor rates and shop closings. Rather, we believe a more accurate measurement is the level of employment within the industry, since expanded adequate labor rates would not drag down the opportunity to maintain or increase employment levels. A recent survey that our association, along with the Central Mass Auto Rebuilders Association (CMARA) conducted shows that of the 193 shops responding (out of all 1,913 registered shops that were mailed – a 10.1% sample), 119 (or 61.7%) report decreased employment since the year 2000, 55 (or 28.5%) report the same level of employment, and 19 (or 9.8%) reported increased employment during this period. We believe these numbers relate somewhat more closely to the labor rate problem.

The Setting of Current Labor Rates

The provisions contained in Section 108 require the commission to study the existing practices in setting rates. We believe this is a question best requested of the insurance industry. The heresay for years

emanating from the carriers is that they conduct surveys in local markets to determine rates. Unless the insurers consider the information contained in referral shop contracts to be their form of survey, we don't believe that any domestic carriers makes a serious effort at conducting an objective analysis.

But, this issue strikes at another problem related to labor rates. We believe that it is fundamental that all of you on the commission understand the unusual nature of the business relationship that collision repairers, and, indeed, nearly all other large classes of vendors for property and casualty carriers must confront; quite simply, the carrier is the payer, but not the consumer. This fact creates a series of problems and conflicts for collision shops, most especially when they hear that dreaded six-word phrase, "that's all we're going to pay." In real, functioning markets, consumers know what the price is and make decisions based on the qualitative value they perceive they will receive from a variety of vendors offering different prices that are determined based on a combination of true costs and realistic, market-based profit margins. That kind of functioning market does not, and has not, existed for two decades in the auto collision industry in Massachusetts because of an ill-conceived regulation. It is our hope that you consider this important fact in your final report.

The most important concepts of the original Auto Body Labor Rate Bill are included in the required list of items to be investigated by this commission. The issues are the following:

- the benefits and costs of developing a rate-setting system;
- establishing a tiered rating system (the so-called "A, B, C classifications);
- the use of the average national hourly labor rate; and
- the use of a cost of labor multiplier based on Massachusetts labor wages provided by the Bureau of Labor Statistics of the US Department of Labor.

The Benefits and Costs of Developing a Rating System

We proposed that a rating system be developed for collision shops so that there would be fairness in any type of reform made to labor rates, for three main reasons. The first reason is that there is, quite simply, a vast difference in the quality of output from the best shops down to the "not-so-good" shops. During the deliberations of the so-called "Working Group," that has met sporadically over the past six years primarily to resolve the insurance company steering issue, I distinctly remember your commission member, Dave Antocci from Commerce Insurance Company, explaining how his company had to constantly monitor the quality of repairs and had to spend a significant amount of money to have jobs redone, sometimes at shops other than the one that performed the original repairs. We believe that a rating system that consumers can recognize is a market-driven answer to the quality problem.

Clearly, quality is an issue, especially on late model, high technology vehicles. And, quality is related to vehicle occupant safety. Further, many collision industry professionals agree that quality output is strongly related to the level of equipment, tools, and technician expertise that is present in a shop. To achieve high levels of quality, shops generally must make larger investments. These higher investments correlate to higher productivity that benefits customers and their insurers. Thus, we believe that for shops to make these higher investments, there must be an incentive to do so. We believe that Massachusetts needs to have an innovative collision repair market and the only related source from which to build the required capital to achieve this is through the labor rate.

The third reason for the rating system proposed in the legislation is that in order to keep the costs down for the insurers, not every shop should receive the same amount for the very different levels of labor quality. A truly functioning, non-commodity market includes sellers that offer different prices to consumers who make selections based on perceived value. We have that type of market now in the auto insurance industry in Massachusetts with the competition managed, to some degree to nurture a fair

market, by the commonwealth. We must have that same type of market in the collision industry as well, and we believe that the rating system offers an excellent solution to begin this process.

From the beginning, we have proposed that the costs related to the rate-setting system would be borne primarily by the collision industry through additional registration and application fees. We believe that inspections of shops be conducted without prejudice, thus we proposed that two people conduct them. We proposed that every registered shop pay an additional $100.00 per year and each insurance carrier pay $1,000.00 per year to support what we expect to be the "fixed" cost of operating the rating system. In addition, we proposed that each shop that applies for classification (only a small minority of shops will do so) will pay an application fee to cover the "variable" costs of the rating system.

A Tiered Rating System

We proposed a simple rating system to achieve the above goals. As stated above, we believe that shops should be rated according to the level of equipment, tools, and technician expertise. An organization, called the Collision Industry Conference, which is composed of representative from virtually all participants in the auto damage industry – insurance companies, database companies, collision shops, paint suppliers, etc. – developed a document, in 2005, entitled, "Minimum Recommended Requirements For a 'Class A' Collision Center." This document is included as "Addendum A." We propose that a model such as this be used to determine the "top-tier" in the rating system. Since the investments required to reach this level are so high and that other levels of equipment and tools exist that allow good quality repairs to be made to vehicles, we further proposed that a "Class B" rating be established. We believe this would be a fair, open, merit-based, and inclusive system that will reasonably contribute to the modernization of the collision industry.

Utilizing a National Labor Rate Average and Multiplier to Determine Minimum Rates

In the original legislation, we proposed a fair and equitable solution to help determine the minimum rates for the two classifications for shops. For several years, Massachusetts collision shops have received the lowest labor rate in the United States. This low rate is further exacerbated by the fact that living and operating a business in the commonwealth is at the highest end of most accepted indexes. Therefore, we proposed that we combine two discrete numbers that can be easily accessed by any governing body or individuals.

The national labor rate for collision shops is available through database companies that publish the information that is placed through their systems, based on the actual invoice amounts approved by insurance companies. While these numbers may vary slightly from each source, certainly an average of these averages can be utilized as the first number in determining the minimum rates.

To deal with the issue of the labor wage cost in a competitive market, we proposed that information provided periodically by the Bureau of Labor Statistics of the US Department of Labor be utilized. This report uses classification number 49-3021 for the over 150,000 auto collision technicians in the US and there is a mean average amount listed in both the national and Massachusetts segments of the report. We propose that the national average amount be divided into the Massachusetts average amount, and the resulting number be used as a multiplier. We believe that using these two components are most closely related to determining auto body labor rates in our state. These are competitive, market-driven numbers, and a modernized collision industry in Massachusetts must operate in that environment.

Why This Solution and Why Now?

We wrote the original legislation as a practical and fair solution to the collision industry's most pressing problem. We know the carriers are against this bill. But, their position on any additional cost going into the system would be the same, anyway. Their reaction is not unexpected. But, it is important to note that we considered so many aspects of the labor rate issue that had been presented by the carriers over the years, and we believe that the provisions in the original legislation are moderate and fair to the concerns of the carriers.

Collision shop owners have, to say the least, a tense and emotional relationship with insurance companies. The current environment is not a good one for either side on this issue. But, the auto insurance industry in Massachusetts now operate in an open market. However, the commonwealth, in its wisdom, has promulgated regulations to manage the economic environment in which the carriers operate. These regulations address the needs of consumers by monitoring what they get for their premium dollars, and the needs of the insurance companies by allowing for the flexibility to sell at competitive, but non-discriminatory prices and to offer plans more consistent with the modernized insurance market.

The collision industry is asking for the same things. The commonwealth played a major role in the two decade long suppression of labor rates, much like it did over the same period in requiring the "fixed-and-established" system for insurance premiums. The need to modernize the insurance industry is driven by the demands of consumers, and it is the same for the collision industry.

In its wisdom, the commonwealth is nurturing the insurance industry's move to a more market-driven environment. Again, we ask the same thing. We ask that the commonwealth nurture our industry's move to a more market-based environment, as well. We propose that the state can do this by setting a floor underneath the labor rates paid by insurers. This is necessary because there is an entire generation of collision shop owners who, quite simply, don't know how to operate in a fair market. They haven't been able to participate in one because of barriers placed in their way by the commonwealth. It is eminently fair to ask that the commonwealth do for the collision industry what it has done for the carriers.

Along with the overwhelming majority of collision shop owners in Massachusetts, the AASP humbly requests that the commission, in its final report, recommend legislation for the 2009-2010 session that duplicates all major provisions of the original Auto Body Labor Rate Bill (H1085), and fully endorses its passage into law as expeditiously as possible.

Respectfully submitted.

Peter Abdelmaseh
Executive Director

Statement for the Hearing of the Special Commission on Auto Body Rates

November 13, 2008

I, Thomas McClements, submit this statement to the Special Commission on Auto Body Rates (the "Commission"). I am the General Manager of Tom's Auto Body in Ashland, Massachusetts. Tom's Auto Body is an independent registered collision repair facility, has been in business since 1978 and currently has approximately 30 employees. I serve as the Vice President of the Central Mass Auto Rebuilders Association ("CMARA") and am a member of both the Massachusetts Auto Body Association ("MABA") and the Alliance of Automotive Service Providers ("AASP"). I was also a participating member of the "Auto Body Working Group" established by House Financial Services Committee Chairman Mariano. I present my testimony before the Commission in support of an increase of the labor rate pursuant to Outside Section 108 of the Fiscal Year 2009 Massachusetts Budget Conference Report and pending House Bill ("H.B.") 1085.

I. Background: How Did We Get Here?

Auto insurance companies have been engaging in a pattern and practice of suppressing the labor rate of collision repair businesses in the auto repair industry since the Automobile Insurance Reform Act of 1988 was enacted. The '88 Act contains cost containment provisions, promulgated by Chapter 211 of the Code of Massachusetts Regulations, Section 93, et seq., which allows insurance companies to control the labor rate that collision repair businesses can expect to be paid by insurance companies in connection with auto collision claims filed by auto policyholders.

In fact, the '88 Act provides that a 16.1% savings will be afforded to the auto insurance companies, with an inclusive 4% savings from the direct payment and referral repair shop system alone.[1] It is obvious that the auto insurance companies have saved far in excess of the stated statutory percentage.

Not only have the insurers far surpassed a 16.1% savings, the very check and balance mechanism provided for in the '88 Act was not performed. The Commission of Insurance did not undertake the requisite study of the direct pay and referral systems instituted by Sections 24 and 51 of the '88 Act.[2] Specifically, the Commissioner of Insurance failed to examine the "implementation of the direct pay and referral systems and their financial impact on consumers, on body shop owners, and on the system as a whole, including cost savings attributable thereto in the rate making process."[3] The results of this study were supposed to be reported to the General Court, with drafts of legislation to be submitted to the Clerk of Representatives and the Joint Committee on Insurance and the House and Senate Committees on Ways and Means by January 1, 1992.[4] This lack of compliance is an egregious disregard of the rights of Massachusetts insureds and the auto collision repair industry, for which redress is long overdue and the rectification thereof immediate.

The issue of labor rate suppression in the auto collision repair industry by insurance companies is a national issue -- not simply a Massachusetts issue. Recent examples of other states' efforts to address labor rate suppression include a Connecticut court's ruling that a class action lawsuit can proceed against The Hartford for suppressing labor rates and "steering". In connection with Rhode Island's recent labor rate legislation, a Rhode Island judge has ruled that all insurers must conduct the labor rate surveys as

required by the statute and that the results of such surveying efforts must be the sole determination of applicable labor rate in Rhode Island.[5] In addition to Massachusetts, Connecticut and Rhode Island, there are several other states which are dealing with labor rate suppression by insurers and legislative efforts to remedy same, including California, New York,[6] Maryland, and Nevada.[7]

As discussed in detail below, the Massachusetts auto collision repair industry is on the verge of collapse as the result of one of the highest technician wage rates in the country, compounded by the highest costs of doing business in the U.S., the shrinking of the number of repair shops, and an aging, dwindling population of collision repair technicians.

II. The Present Situation

Massachusetts has the lowest average collision repair labor rate in the country.[8] Massachusetts insurers, through their representative Massachusetts Automobile Insurers Bureau (the "AIB"), have most recently admitted in a report entitled the "Actuarial Analysis of House Bill 5056" that they have systematically controlled "'the labor rate and other aspects of the repair process'" in connection with other pending H.B. 5056.[9] Further, the AIB acknowledged in this report that the passage of H.B. 5056 would result in Massachusetts auto insurers paying $100 million in additional labor costs to collision repair shops because they would be required to pay amounts on par with the national labor rate average.[10] H.B. 5056 is not before this Commission and does not deal specifically with the labor rate -- while H.B. 1085 does -- but the insurers believe that the result of H.B. 5056's passage would be an increased labor rate.[11]

H.B. 1085 is an opportunity for collaborative effort between auto body collision repair shops and insurance companies to rectify the inequities that have infected the auto collision repair industry for the past 20 years. The insurers' purported concern about $100 million in increased labor costs is unfounded and self-serving given the exorbitant profits reaped by them with the existence of suppressed labor rates -- $9 out of every $100 of earned private passenger premiums in 2007.[12] Leading auto collision industry indices indicate that of the average vehicle repair cost, 41.8% of the costs is apportioned to labor.[13] It is thus no surprise that the labor rate issue resonates among all interested parties as a significant issue that cries out for a solution.

III. Impact of Labor Rate Suppression

For those who doubt, however, the repercussions of a suppressed labor rate are blatantly evident in the auto collision repair industry.

A. Closing and Consolidation of Auto Repair Shops

Small body shops will continue to go out of business[14] because increasing volume through shop expansion is the only way for surviving shops to maximize economies of scale as the less than 10% profit margin shrinks further without labor rate relief. This trend is occurring across the country in the auto collision repair industry. In fact, the number of large and "super" shops with revenue of $1 million plus have steadily increased, while small shops with annual revenue under $300,000 has continued to decline.[15] Moreover, the percentage of "super" shops increased from 15.3% in 1995 to 37.1% in 2007.[16] Conversely, the number of small shops decreased from 44.3% in 1995 to 14.3% in 2007.[17] Massachusetts has not been immune from this trend.

Further, the number of shops across the country has decreased from 53,505 in 1995 to 46,910 in 2007 -- a diminishment of 12.3% in the number of shops. Consistently, the number of years of shops being able to stay in business has decreased to 27.5 in 2007 from 17.3 in 1995, and the average square footage per shop has increased to 10,034 in 2007 from 5,761 in 1995.[18]

B. Shrinking Labor Pool: Aging and Retiring Technicians

Both in Massachusetts and nationally, the auto collision repair industry has, and continues, to suffer a shrinking pool of qualified technicians and specialists. With such erosion, and an aging labor force, the cost for the labor will continue to rise significantly, and insurance companies will be forced into paying such higher costs. This alone merits a decision to support the auto collision repair industry working collectively to change course to rectify the inevitable labor shortage and the consequential increase in labor costs in the auto collision repair industry.

The trend of a diminishing qualified labor pool for the auto collision repair industry is particularly significant as Massachusetts ranks as one of the top 5 paying states in the nation for automotive body and related repairers, paying an hourly mean wage of $20.68 and an annual mean wage of $43,020, according to 2007 data from the U.S. Bureau of Labor Statistics ("BLS").[19] In its rank in the top 5, the auto body repairer employment category[20] comprises 0.129% of Massachusetts' employment base.[21]

Strikingly, despite its top 5 ranking, Massachusetts has seen a steady decline over the past 10 years of qualified workers. Based on BLS data for 2005, Massachusetts had the highest mean wage average in the nation for a second year in a row but had seen a drop of almost 13% in the number of employees: from 4,650 in 2004 to 4,050 in 2005.[22]

Based on 2005 wage data, the BLS ranked the Boston metro area as having the second highest mean hourly wage of $28.49 for auto body professionals, while placing first in 2004 with an hourly rate of $28.77.[23] Nevertheless, the auto body professionals in the Boston metro area declined from 2,660 in 2004 to about 1,900 in 2005.[24]

Despite the fact that Massachusetts remains one of the top paying states for auto body repairers, it -- like so many states across the nation -- cannot attract auto body professionals in light of the aging candidate pool and the high cost of doing business. Specifically, in an April 2006 Forbes survey of 200 metropolitan locations across the country, Boston was ranked in last place as having the highest cost of doing business.[25]

Nationally, since 1995, the average technician age has steadily increased every year, increasing from 35.5 years in 1995 to 38.7 in 2007.[26] Alarmingly, the age of auto collision repair technicians between 46 and 65 years old is at its highest level between 2001 and 2007, while the age of such technicians between 21 and 40 has significantly declined during the same period.[27]

C. Shortfall of New Talent Entering the Auto Collision Repair Industry

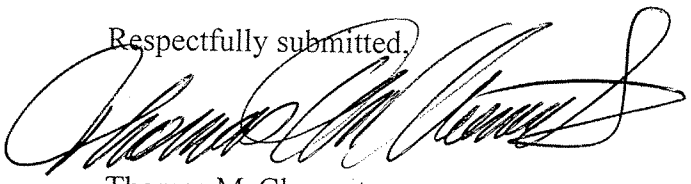
New talent is not entering the auto collision repair industry even though the number of BLS projected average annual job openings of 33,000 per year between 1998 and 2008.[28] Notably, the BLS projected a 33% shortfall in the number of technicians nationwide needed to fill such openings.[29] A key contributing factor in the dearth of new technicians is the suppressed labor rate, which makes the industry unattractive to possible new entrants and prohibits shops from being able to make the collision repair field more appealing through the offering of more robust compensation packages. Again, Massachusetts is significantly disadvantaged with the lowest labor rates in the country.

Even though Massachusetts ranks high in terms of the hourly wage paid to technicians, shops' profit margins remain squeezed because their labor rate can only absorb a fixed number of technicians at such high wages. This dynamic handicaps the auto collision repair industry's ability to be viable long-term. Clearly this does not serve any of the interested parties' respective interests.

IV. The Alternative

The victimization of the auto collision repair industry in Massachusetts has been an ongoing travesty for the past 20 years as a result of the '88 Act's cost containment provisions. It should be noted that the Massachusetts Commissioner of Insurance has commenced efforts within the past two months to repeal the cost containment regulations (211 CMR 93). It cannot go without recognizing that cost containment has interfered with free market forces and restrained free trade through the artificial manipulation of the labor rate -- the result of which has poured huge dollars into insurance companies' coffers and has counteracted the heavily regulated premiums taken in by the insurance companies at the expense of the auto repair industry. It is obvious that only a solution among legislators, insurers and auto collision repairers can most effectively redress the egregious injustice suffered by the auto collision repair industry.

Respectfully submitted,



Thomas McClements

[1] Automobile Insurance Reform Act of 1988, Section 1.

[2] See Endnote 1, Section 68.

[3] See Endnote 2.

[4] See Endnote 3.

[5] *CollisionWeek News, Statistics, and Trend Analysis*, "Rhode Island Sees Some Labor Increases Following New Survey Regulation", http://www.collisionweek.com/cw/news/2007/f1026-rhod.asp (October 26, 2007).

[6] *CollisionWeek News, Statistics, and Trend Analysis*, "New Study Concludes Insurance Industry Suppresses Repair Rates", http://www.collisionweek.com/cw/news/2006/0517-news.asp (May 17, 2006).

[7] See Endnote 6.

[8] Mitchell Collision Repair Industry Data, Mitchell Industry Trends Report (published by Mitchell International, Inc.), Volume 7, Number 1, page 20 (Winter 2007) https://www.mitchell.com/mcms/content/pub/Newsletters/IndustryTrends_Winter2007-1956.pdf

[9] *CollisionWeek News, Statistics, and Trend Analysis*, "Insurance Group Report Describes Systematic Control of Labor Rates", http://www.collisionweek.com/cw/news/2008/1105-insu.asp (November 5, 2008); see also MABA's *BodyLine* publication, "Massachsuetts Insurance Group Admits to 'Control' of Labor Rate in Response to MABA Legislation (House Bill 5056): Says Loss of Control Would Mean $100 Million a year in Additional Shop Payments" (dated November 2, 2008).

[10] See Endnote 9.

[11] See Endnote 10.

[12] Sources: III, ISO, NAIC, IRC, A.M. Best.

[13] CCC 2008 *Crash Course* and *BSB* 2007 Survey; also see Audatex *Directions*, First Quarter, 2008 showing 41.9%.

[14] *CollisionWeek News, Statistics, and Trend Analysis*, "Massachusetts Repairers Tell Legislators of Serious Industry Problems", http://www.collisionweek.com/cw/news/2007/1023-mass.asp (October 23, 2007).

[15] "Snapshot of the Collision Industry: Executive Summary of the 2007 Survey", I-CAR Education Foundation, Collision Repair Industry Survey (Allstate 2007).

[16] See Endnote 15.

[17] See Endnote 16.

[18] See Endnote 17.

[19] U.S. Bureau of Labor Statistics ("BLS"), Occupational Employment and Wages, 49-3021 Automotive Body and Related Repairers (May 2007) (http://data.bls.gov/cgi-bin/print.pl/oes/current/oes493021.htm).

[20] This category does not include the BLS "Painters, Transportation Equipment" and "Automotive Glass Installers and Repairers" categories.

[21] See Endnote 19.

[22] *CollisionWeek News, Statistics, and Trend Analysis*, "Wages on the Rise for Collision Repair Professionals", http://www.collisionweek.com/cw/news/2006/f06-0901-wages.asp (September 1, 2006).

[23] See Endnote 22.

[24] See Endnote 23.

[25] Forbes, "Best Places for Business", http://www.forbes.com/lists/2006/1/CODB_1.html (April 2006).

[26] See Endnote 15.

[27] See Endnote 26.

[28] *CollisionWeek News, Statistics, and Trend Analysis*, "The Looming Technician Crisis: Bureau of Labor Statistics Estimates Auto Body Repair Technician Base Must Grow 15.8%", http://www.collisionweek.com/cw/news/f2000-0601-techstudy.asp (June 1, 2000).

[29] See Endnote 28.

Performance Consulting Services

Labor Rate Research Material For: The Special Commission On Auto Body Rates

Boston, Massachusetts

13 November 2008

John Niechwiadowicz
Performance Consulting Services
PO Box 133
Orefield, PA 18069
610-706-0729

Purpose

- Provide relevant, objective data to the Massachusetts Special Commission On Auto Body Rates that may be of interest and assistance when determining a fair and equitable collision repair body labor rate

Performance Consulting Services

Background

- John Niechwiadowicz
  - Independent business consultant primarily focused on the autobody industry (previous 3 years)
  - Industry experience includes VP Business Development for True2Form (large regional multiple shop operator) and Regional Manager for CARSTAR (national franchise) (prior 7 years)
  - Additional experience in the signals intelligence development field for a DoD contractor as well as product development in the ultrasonics industry

Performance Consulting Services

Background

- Labor rate research
  - Conducted independent research over the past 18 months, comparing national collision repair labor rates to mechanical service rates and other economic benchmarks
  - Prompted by repeated and persistent comments from collision repair facility owners: "labor rates are too low"
  - Research was not tied in any specific way to Massachusetts or the Special Commission
  - Discussion with Tom Ricci in response to his request for any available data on labor rates; Tom reviewed the research findings and requested the data be shared with the Special Commission
  - Copy of booklet provided to each member

Performance Consulting Services

MA Specific Data

- Basis: MA 1987 Rates
  - Average MA body labor rates were $30.00 in 1987
  - If rates were fair and accurate in 1987 and if standard SSA COLA adjustments were applied since then, the current rate should be $53.92

Calculated Body Labor Rate
53.92

Year	Social Security Cost-Of-Living Adjustments	Labor Rate Calculation
1987		30.00
1988	4.0%	31.20
1989	4.7%	32.67
1990	5.4%	34.43
1991	3.7%	35.70
1992	3.0%	36.78
1993	2.6%	37.73
1994	2.8%	38.79
1995	2.6%	39.80
1996	2.9%	40.95
1997	2.1%	41.81
1998	1.3%	42.35
1999	2.5%	43.41
2000	3.5%	44.93
2001	2.6%	46.10
2002	1.4%	46.75
2003	2.1%	47.73
2004	2.7%	49.02
2005	4.1%	51.03
2006	3.3%	52.71
2007	2.3%	53.92

Performance Consulting Services

MA Specific Data

- Basis: MA 1988 Rates
  - Average MA body labor rates were $28.00 in 1988
    - Roll back due to insurance reform cost containment instructions
  - If rates were fair and accurate in 1988 and if standard SSA COLA adjustments were applied since then, the current rate should be $48.39

Calculated Body Labor Rate
48.39

Year	Social Security Cost-Of-Living Adjustments	Labor Rate Calculation
1988		28.00
1989	4.7%	29.32
1990	5.4%	30.90
1991	3.7%	32.04
1992	3.0%	33.00
1993	2.6%	33.86
1994	2.8%	34.81
1995	2.6%	35.71
1996	2.9%	36.75
1997	2.1%	37.52
1998	1.3%	38.01
1999	2.5%	38.96
2000	3.5%	40.32
2001	2.6%	41.37
2002	1.4%	41.95
2003	2.1%	42.83
2004	2.7%	43.99
2005	4.1%	45.79
2006	3.3%	47.30
2007	2.3%	48.39

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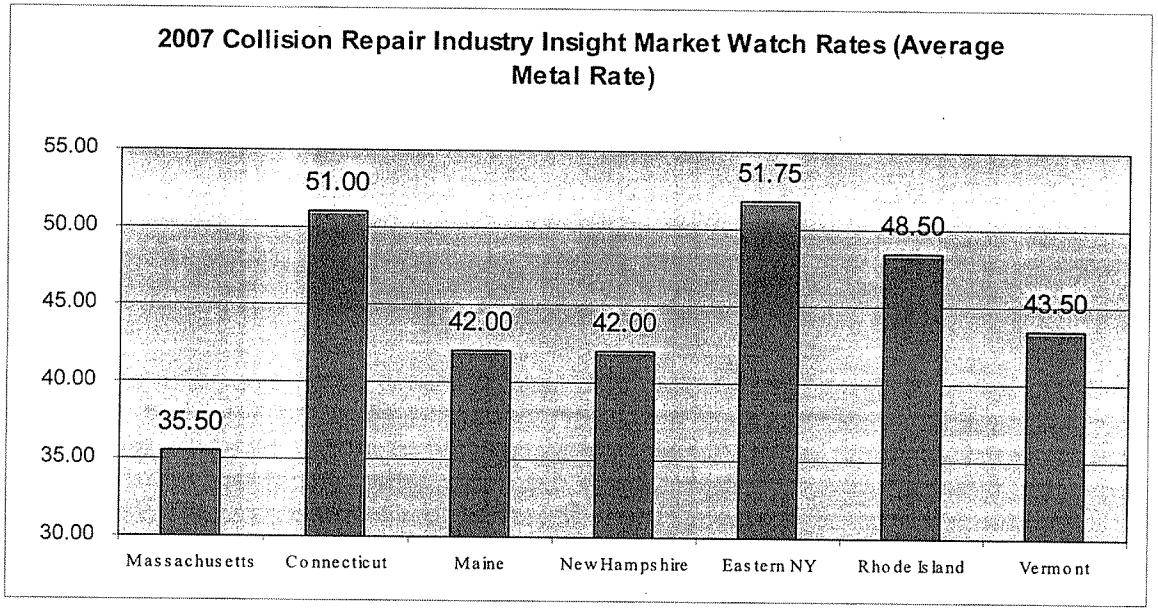
Northeast Regional Data



2007 Collision Repair Industry Insight Market Watch Rates
Select Northeastern States

State	Average Metal Rate
Massachusetts	35.50
Connecticut	51.00
Maine	42.00
New Hampshire	42.00
Eastern NY	51.75
Rhode Island	48.50
Vermont	43.50

The average labor rate in Massachusetts is **$6.50** less than the next closest labor rate in the Northeast region of the US

(Source: Collision Repair Industry Insight 2007 Market Watch)

Labor Rate v. Labor Hours

- In this analysis, labor rates have been analyzed independent of the number of labor hours per RO
  - Why? I make the assumption that insurance adjustors and autobody facility representatives currently reach agreement on the fair and accurate number of hours necessary to repair each vehicle
- Keep in mind:
  - The agreed-upon duration of the majority of labor operations is pre-defined by the estimating system providers (CCC, Mitchell, Audatex)
  - Subjective, negotiated times are primarily limited to those associated with removing dents and straightening frames ("pull times")

Labor Rate v. Labor Hours

- If the assumption is faulty, it implies insurance adjustors regularly and knowingly participate in the improper adjustment of repair times – to the financial detriment of their company and their insureds

Labor Rate v. Labor Hours

- If the assumption is accurate, the number of labor hours per RO is irrelevant to our discussion
- Differences in the average number of labor hours per RO between MA and other states and regions in the country will be influenced by numerous factors including driving habits, type, size and complexity of the predominant vehicles in the area (4x4 / AWD v. FWD or RWD for ex), type of travel (highway v. rural roads), weather patterns, road conditions, etc.

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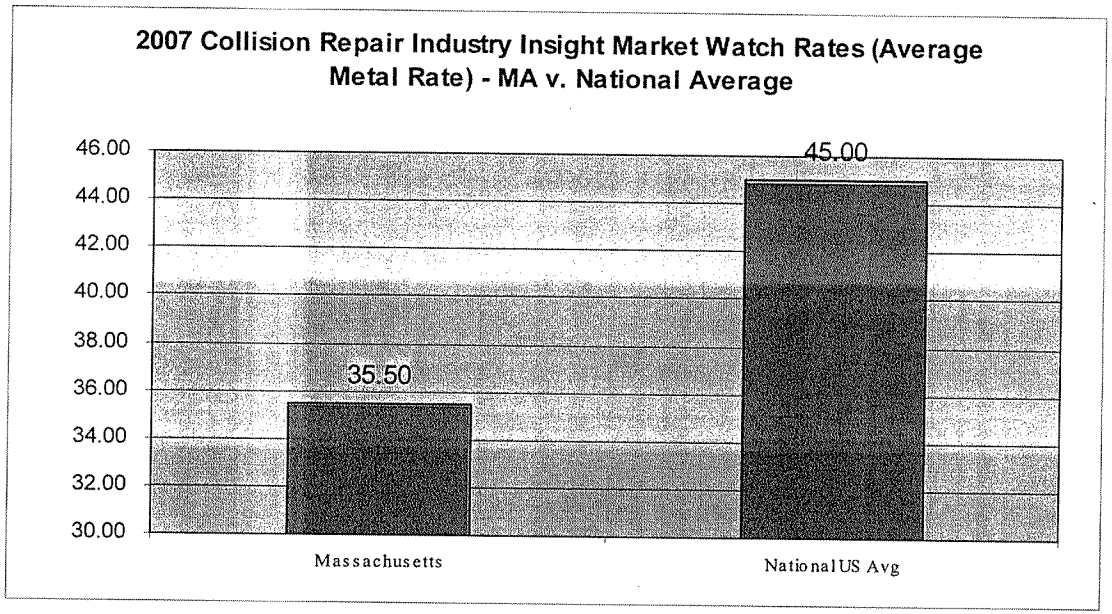
MA v. National Average



2007 Collision Repair Industry Insight Market Watch Rates
MA v. National Average

Location	Average Metal Rate
Massachusetts	35.50
National US Avg	45.00

The average labor rate in Massachusetts is **$9.50** less than the national average

(Source: Collision Repair Industry Insight 2007 Market Watch)

But…Is The National Avg Itself Fair?

- Reference selected material from the labor rate research findings entitled "An Industry In Crisis: A Comparative Analysis of Collision Repair Labor Rates"

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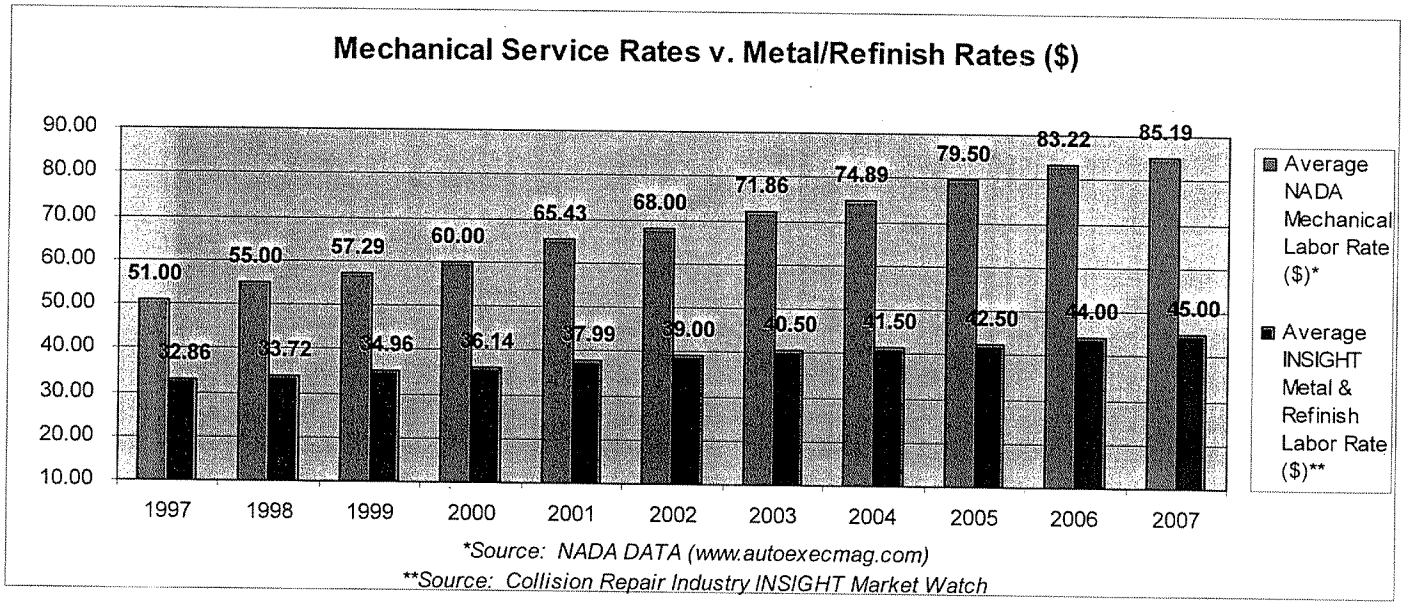
Autobody v. Mechanical Service



National mechanical service labor rates exceeded autobody rates by $40.19 in 2007

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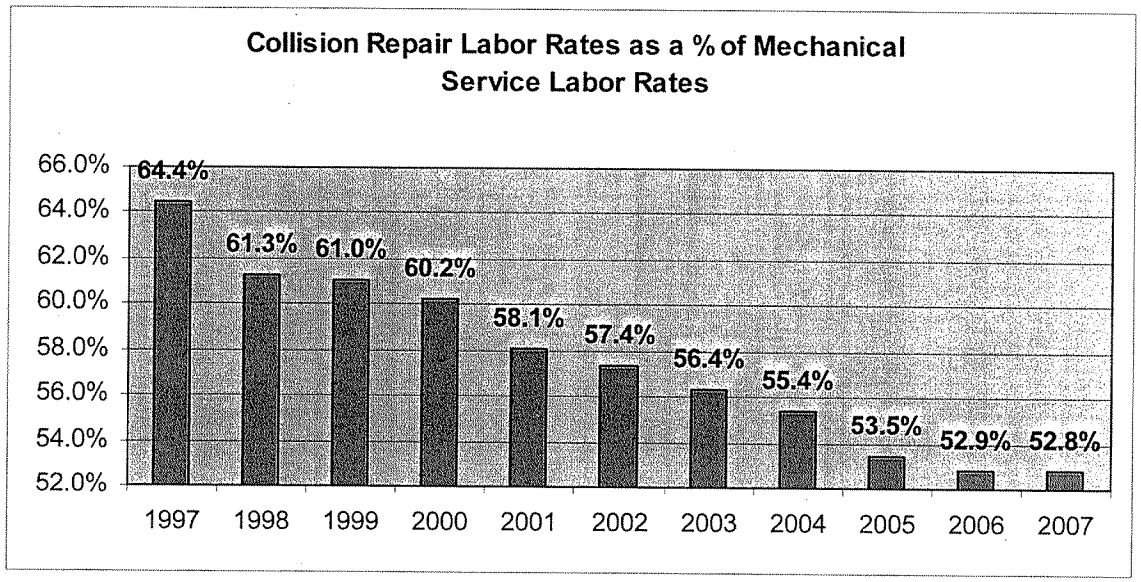
Autobody v. Mechanical Service



Collision repair rates are approximately HALF of mechanical labor rates – and losing ground every year

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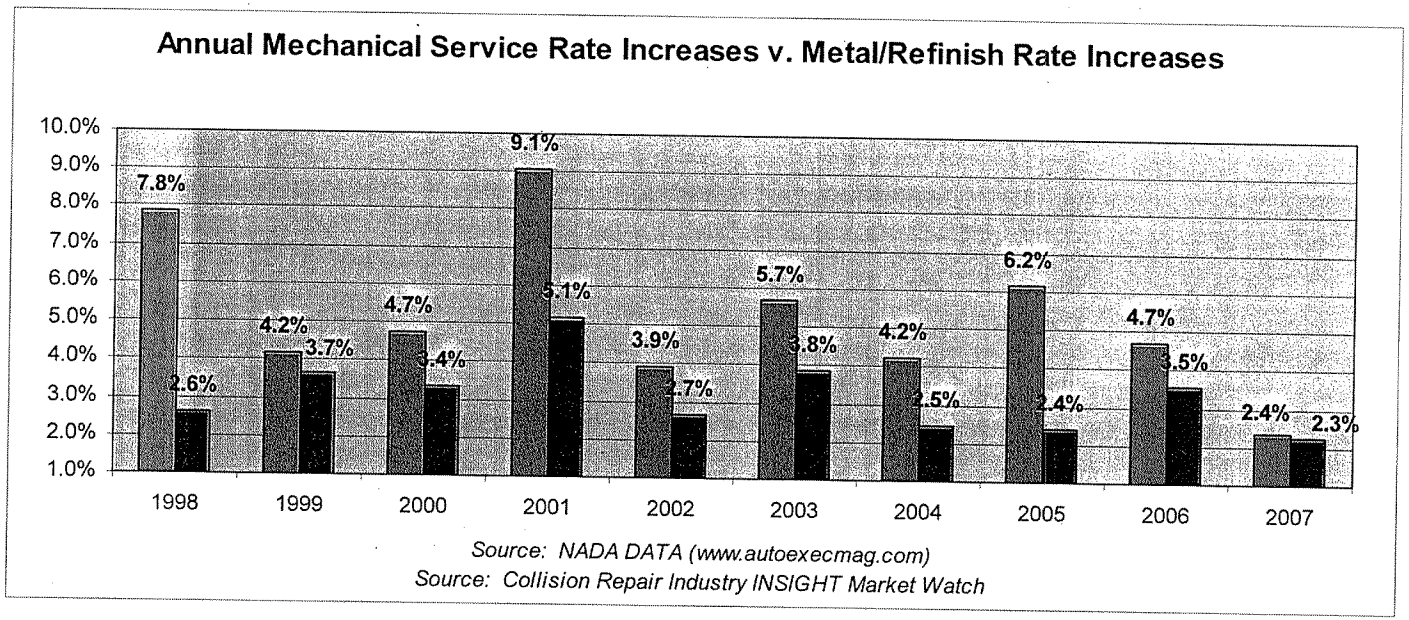
Autobody v. Mechanical Service



Mechanical rate increases have outpaced autobody rate increases every year of the study

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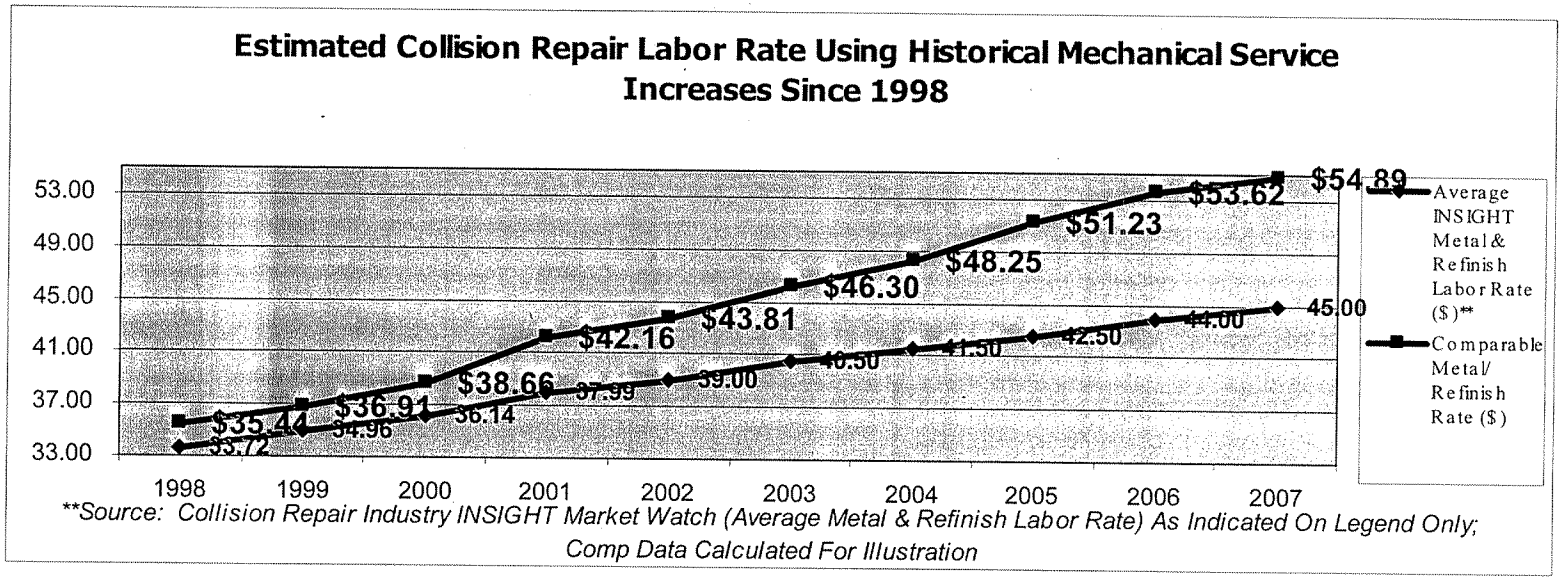
What If?



Rates would have risen nearly $10.00 in 2007
if increases matched those seen in mechanical service

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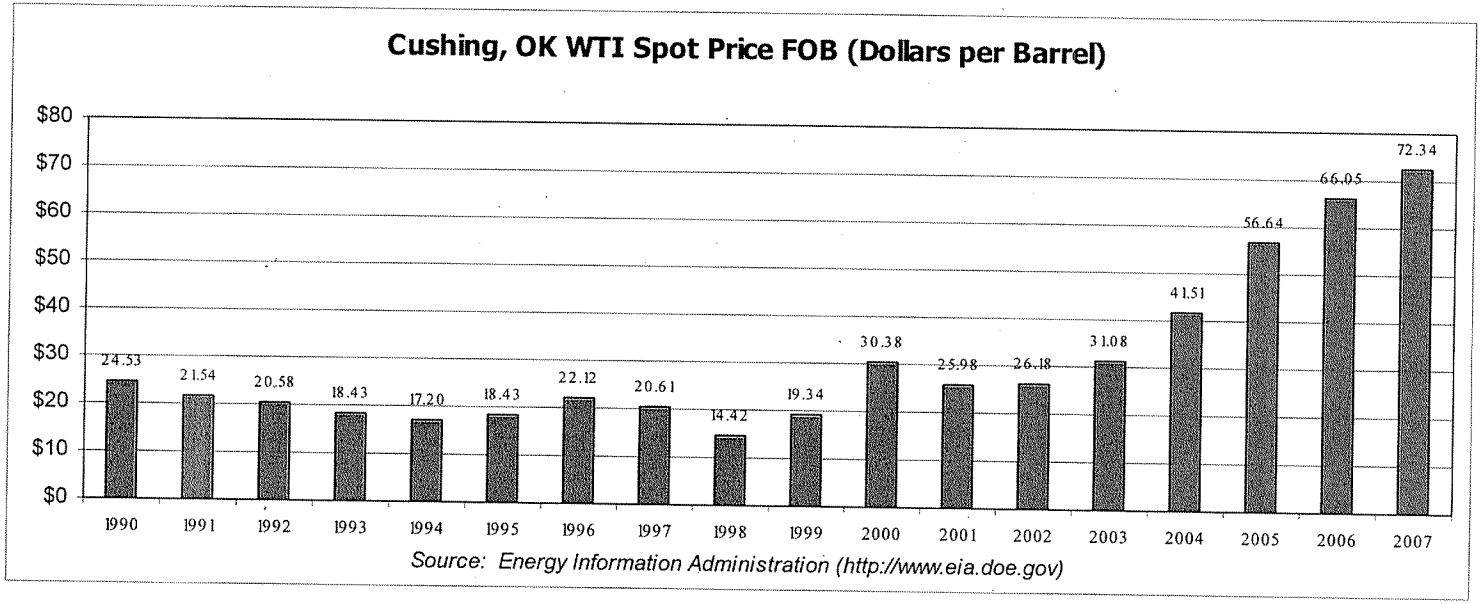
Strongly Correlated Commodities: Crude Oil



	2005 Average	Comparative Factor	Comparative 2007 Labor Rate	Avg INSIGHT Metal Rate (2007)	Comparative Difference	
Body/Refinish Labor Rate	**42.50**	27.7%	**54.28**	45.00	**9.28**	20.6%

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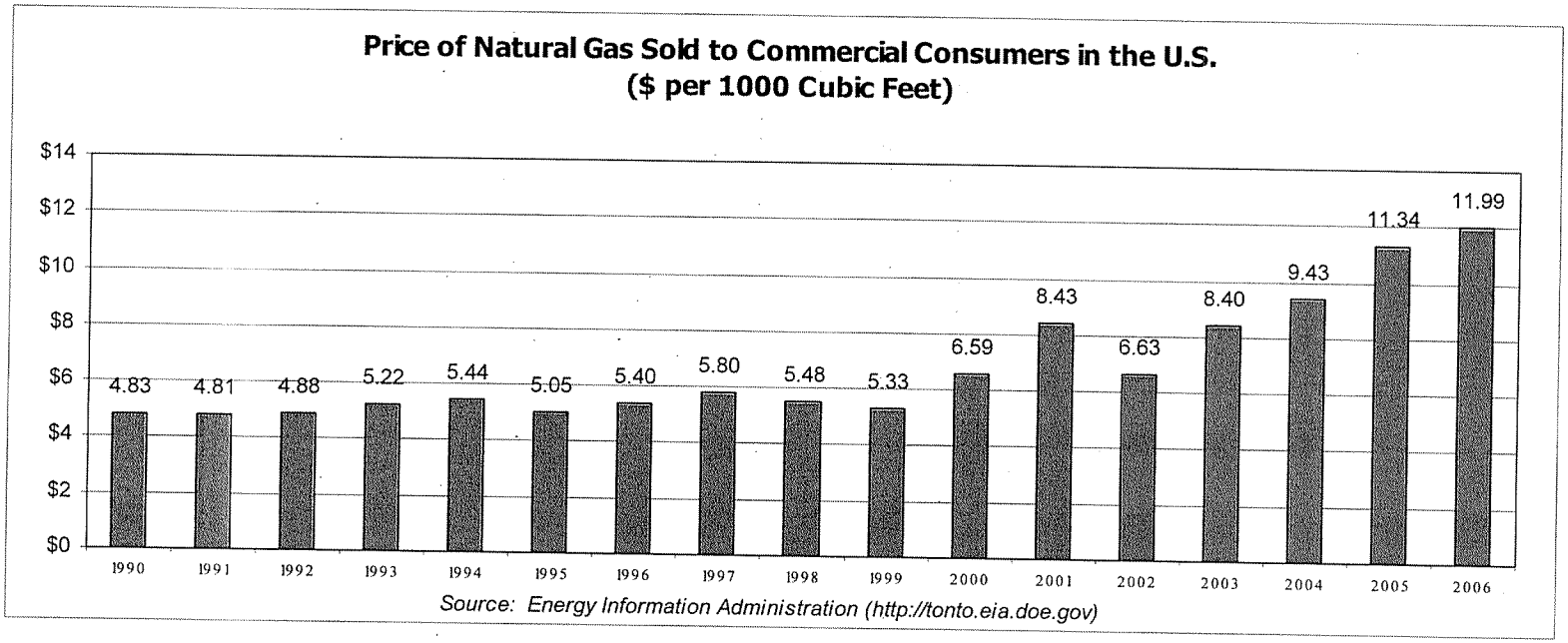
Strongly Correlated Commodities: Natural Gas



	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	Comparative 2006 Labor Rate	Avg INSIGHT Metal Rate (2006)	Comparative Difference	
Body/Refinish Labor Rate	**36.14**	81.9%	**65.74**	44.00	**21.74**	49.4%

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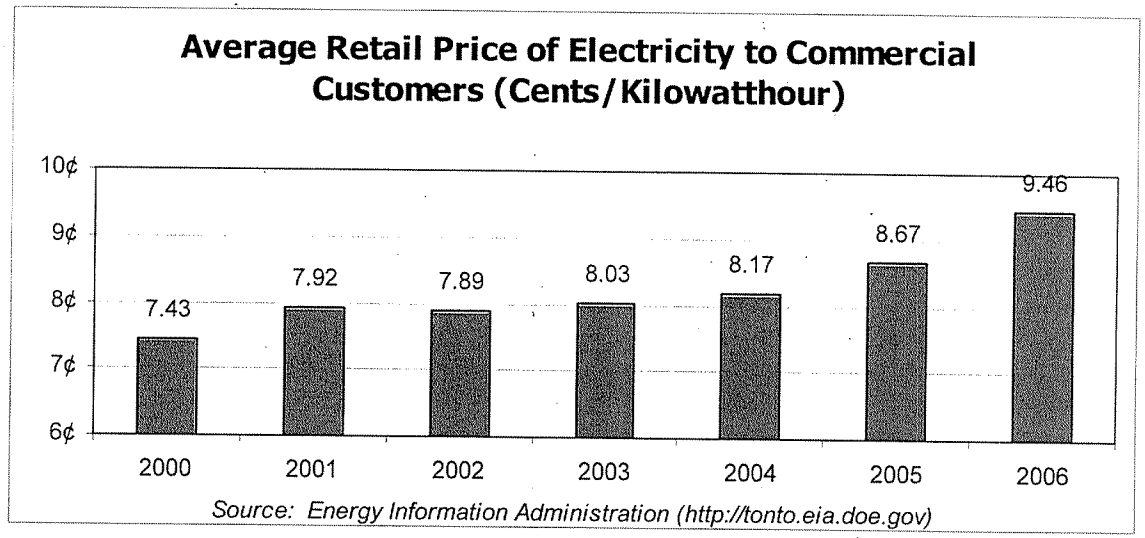
Strongly Correlated Commodities: Electricity



	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	Comparative 2006 Labor Rate	Avg INSIGHT Metal Rate (2006)	Comparative Difference	
Body/Refinish Labor Rate	**36.14**	27.3%	**46.01**	44.00	**2.01**	4.6%

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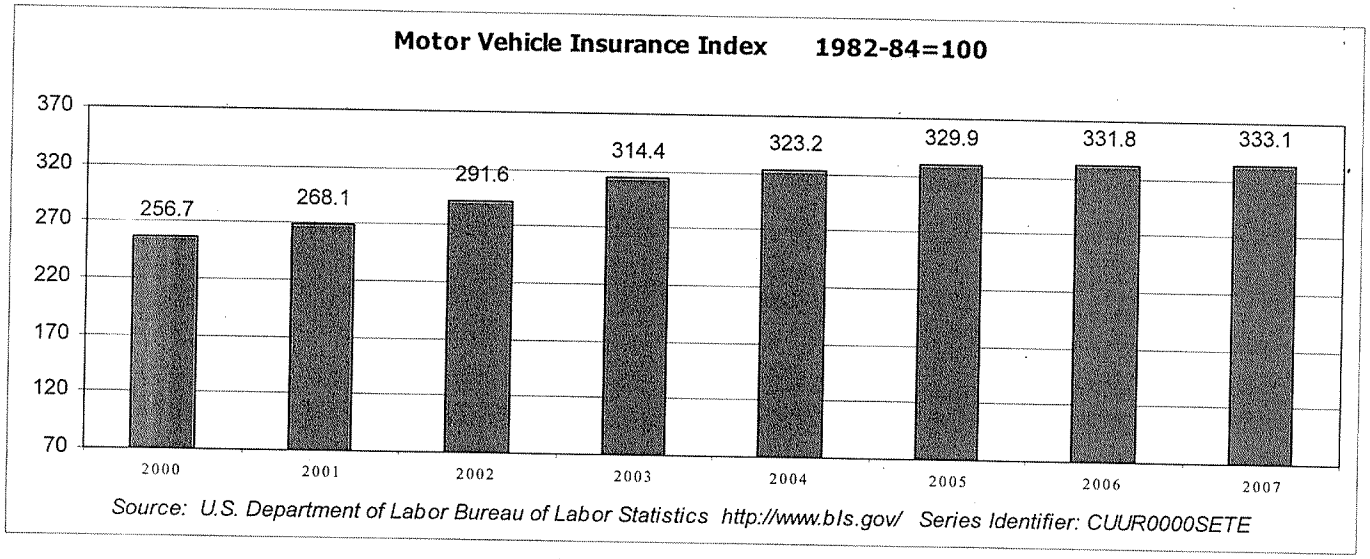
Strongly Correlated Commodities: Auto Insurance



	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	Comparative 2007 Labor Rate	Avg INSIGHT Metal Rate (2007)	Comparative Difference	
Body/Refinish Labor Rate	**36.14**	29.8%	**46.90**	45.00	**1.90**	4.2%

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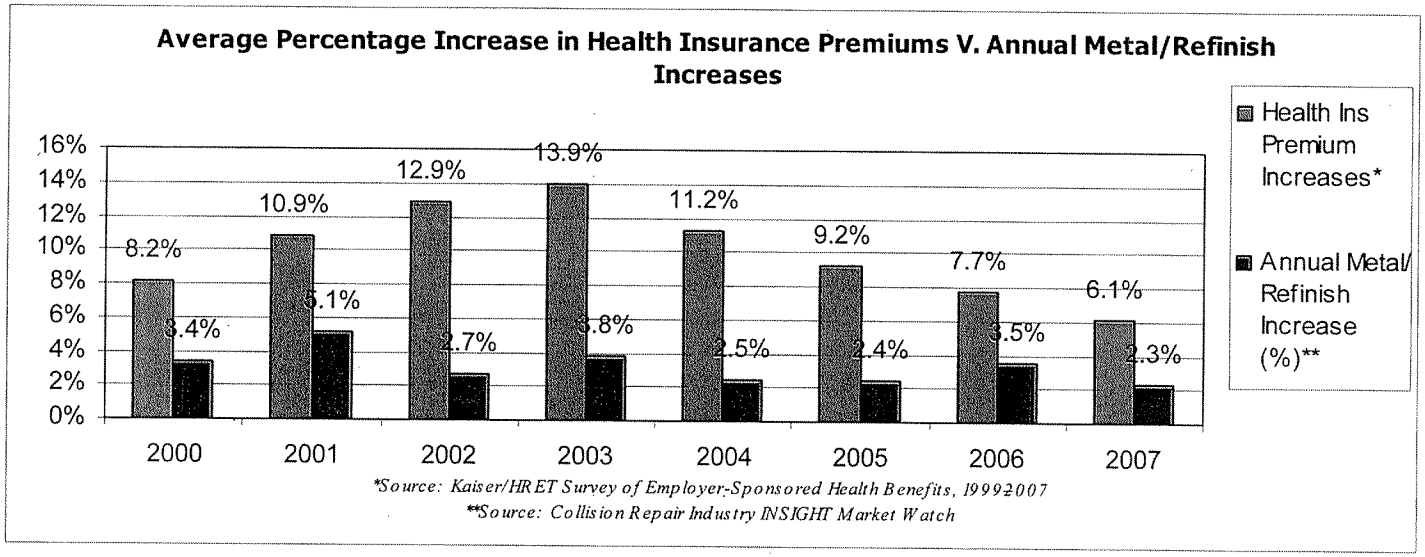
Strongly Correlated Commodities: Health Insurance



	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	Comparative 2007 Labor Rate	Avg INSIGHT Metal Rate (2007)	Comparative Difference	
Body/Refinish Labor Rate	**36.14**	114.1%	**77.37**	45.00	**32.37**	71.9%

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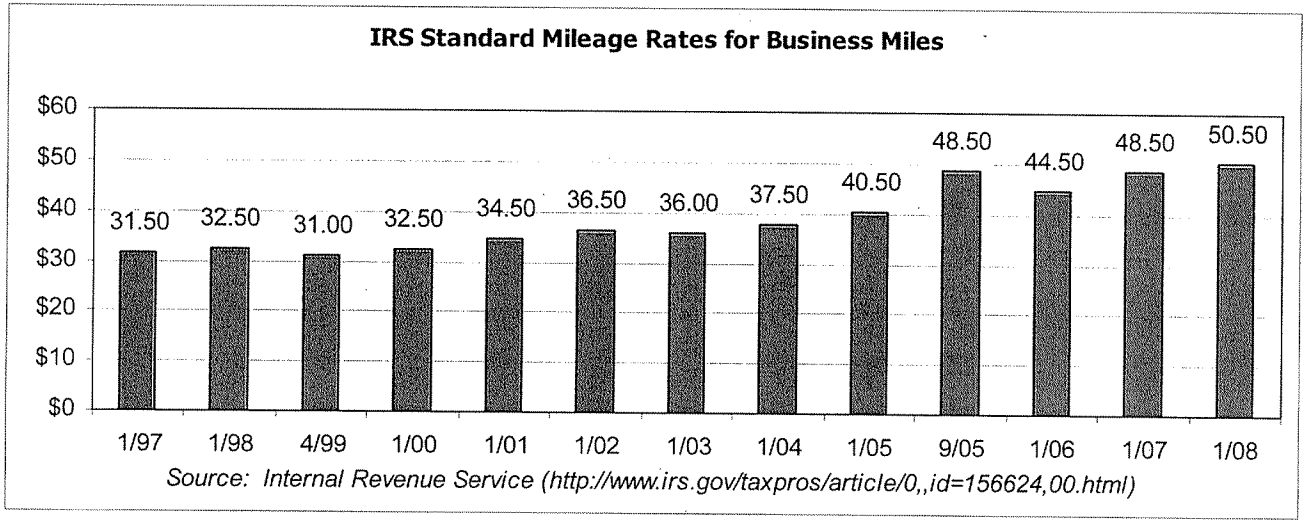
Other Items Of Interest: IRS Mileage Reimbursement



	Avg INSIGHT Market Watch Rate (1998)	Comparative Factor	Comparative 2006 Labor Rate	Avg INSIGHT Metal Rate (2006)	Comparative Difference	
Body/Refinish Labor Rate	**33.72**	49.2%	**50.32**	44.00	**6.32**	14.4%

Data Validity

- Collision Repair Industry INSIGHT data compared to Mitchell Industry Trends Report data
  - To ensure the validity of the collision repair labor rate data published in Insight and used in the analysis
  - Variance was 4% or less per year over 2004 - 2006

Year	Mitchell Average Body Hourly Labor Rates*	Average INSIGHT Metal & Refinish Labor Rate ($)**	Difference ($)	Difference (%)
2004	39.92	41.50	1.58	4.0%
2005	41.64	42.50	0.86	2.1%
2006	42.80	44.00	1.20	2.8%

*Source: Mitchell Industry Trends Report

**Source: Collision Repair Industry INSIGHT Market Watch

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Relative Labor Costs

- Massachusetts has the fifth highest labor costs in the country
- There is only 6¢ difference between MA and the fourth highest state in the country (MI)
- There is only 25¢ difference between MA and the third highest state in the country (MO)

State	Employment	Hourly mean wage
Alaska	220	27.67
Colorado	2,180	22.77
Missouri	4,090	20.93
Michigan	6,640	20.74
Massachusetts	4,130	20.68

Source: U.S. Department of Labor Bureau of Labor Statistics
Occupational Employment and Wages, May 2007
49-3021 Automotive Body and Related Repairers

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Cost of Labor Multiplier

- The Massachusetts hourly mean wage for 'automotive body and related repairers' was $2.15 higher than the national mean
- Using the BLS data as a benchmark, the 'cost of labor multiplier' should be 1.12
- Formula = 1+ ((MA mean – national mean) / MA mean)

Area	Employment	Hourly mean wage
Massachusetts	4,130	$ 20.68
US	152,790	$ 18.53
Massachusetts premium ($)		$ 2.15
Massachusetts premium (%)		11.60%

Source: U.S. Department of Labor Bureau of Labor Statistics
Occupational Employment and Wages, May 2007
49-3021 Automotive Body and Related Repairers

Calculated Multiplier = 1.12

An Industry In Crisis: A Comparative Analysis Of Collision Repair Labor Rates

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Profitability: Society's Mandate

"The principal role of business is to improve the human condition through the creation of wealth. If we cannot make a good profit, it means we are committing some kind of crime against society. We take society's capital, we take their people, we take their materials; yet, without a good profit we are using precious resources that could better be used elsewhere. If many companies do not operate profitably, the country and society will eventually grow poor. Conversely, customers are more than willing to pay a company a profit as long as the overall price/quality/service is a good value for them. The bigger the value, the more customers are willing to pay, and thus the higher the profit. As such, the **profitability of a product or service is one measure of how well it serves society**."

Konosuke Matsushita, Founder Panasonic, Inc.

Kotter, John P. (1997). *Matsushita Leadership: Lessons from the 20th Century's Most Remarkable Entrepreneur*. United States: Free Press

Introduction & Purpose

INTRODUCTION

There is a widely held opinion within the collision repair ownership community that billable labor rates - the hourly labor rates that are charged on the final bill to the customer - are simply too low. When discussing this point of view one day, the suggestion was proposed that it might be insightful and interesting to research the changes in historical autobody rates as compared to the labor rates charged by similar businesses in a different industry. The challenge, though, would be to avoid local, area and regional-specific influences so that the results are as objective, valid and universally applicable as possible. The solution was fairly simple - analyze macro-level, national data. And luckily, the chosen primary benchmark - automotive service rates - has national data readily available. And as you will hopefully agree after paging through the charts, the results did prove to be very interesting.

But the analysis only grew from there. The next logical step seemed to be to compare the autobody labor rate trends to economic indicators. In technical terms, I decided to dive into some of the microeconomic "supply-side" factors. A collision repair facility is strongly affected by the cost of paint and materials, petroleum (as it affects the price of both gasoline and paint), utilities (electricity, natural gas), and so on. Have the labor rates successfully kept up with or surpassed the growth in underlying costs? Read on and see!

THE TITLE

Before concluding, a few words about the title. Why, you might wonder, was "An Industry In Crisis" chosen? Was it merely an overly dramatic headline used in a blatant attempt at drawing in more readers? Sure it was. The best data in the world is worthless if nobody looks at it. But the title also has a ring of truth to it. According to Merriam-Webster, crisis means "an unstable or crucial time in which a decisive change is impending." Key costs are rapidly rising, the technical workforce continues to migrate to other technical trades that are perceived to be more lucrative, and many collision repair owners are dissatisfied with their profitability. A decisive change surely seems to be looming on the horizon.

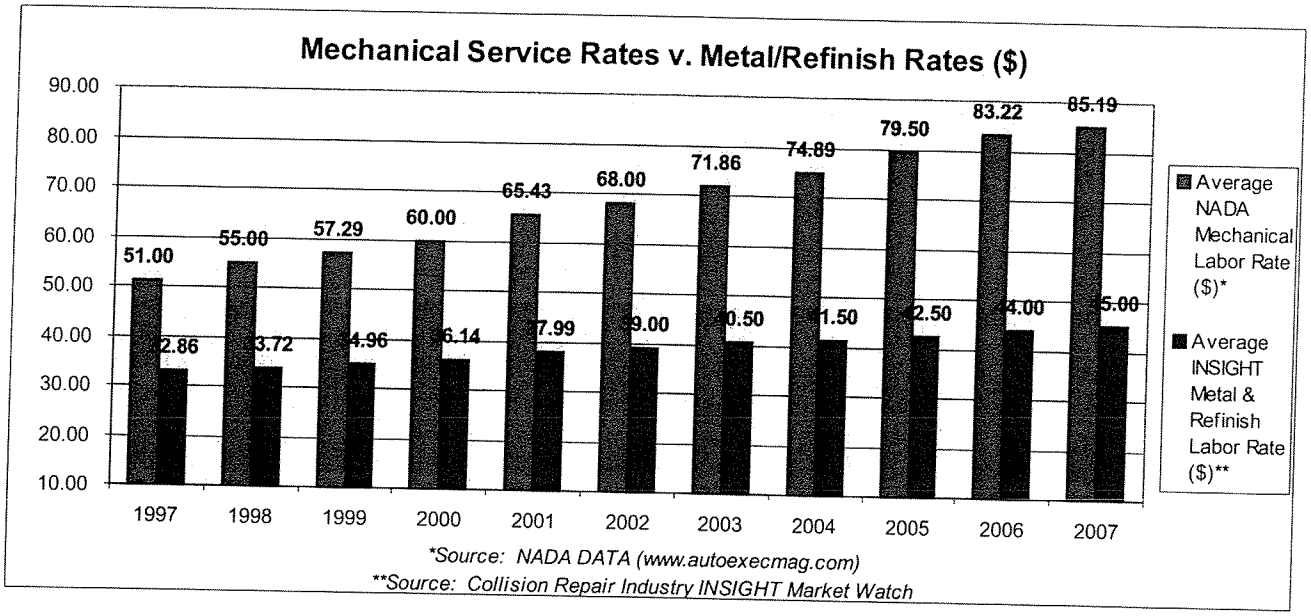
CONTINUED...

PURPOSE & OBJECTIVE

The underlying purpose and objective of this analysis, then, is to provide comparative labor rate data in an intuitive, objective manner such that all parties involved in the collision repair process have a better understanding of some of the pricing forces at work. While microeconomic pricing theory does not revolve solely around the supply-side factors researched, no one can deny they are important components in the pricing equation.

John Niechwiadowicz
Performance Consulting Services
john@perfconservices.com
9/2008

Mechanical Rates Significantly Exceed Collision Repair Rates



THE DATA

The data from two well-known industry entities – Collision Repair Industry INSIGHT and the National Automobile Dealers Association (NADA) – was selected based upon the ease with which anyone can access the data, the number of years of data available and each company's reputation for objectivity and professionalism. Please keep in mind that this data represents national averages and will vary from region to region and even from city to city.

THE RESULTS

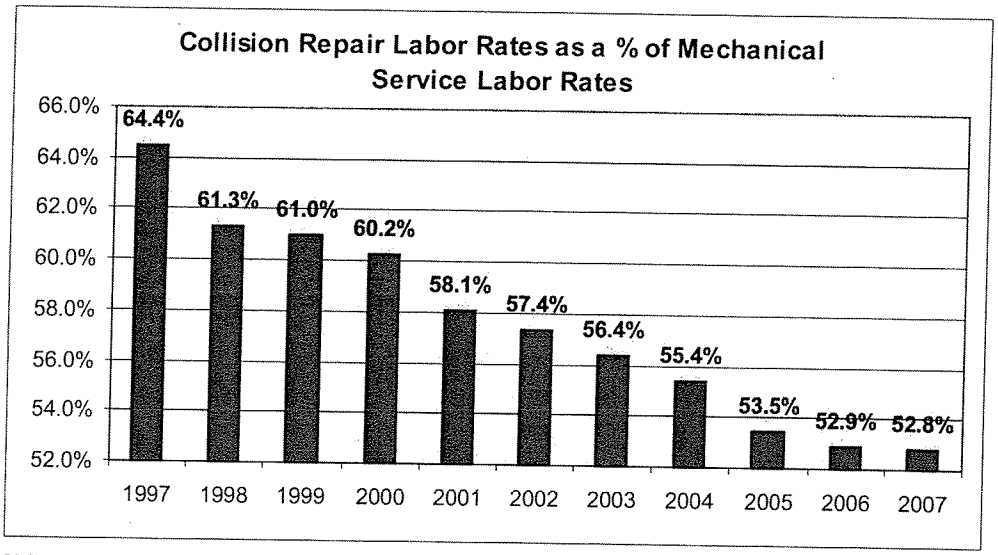
The above chart illustrates the escalating disparity between the annual increases realized by the automotive service rates (in blue) versus the increases in the average collision repair rates (in red). The automotive service rates are noticeably steeper (indicating higher annual increases) versus the relatively flat growth in the collision repair rates. As shown in the table to the left, average dealership automotive service rates exceeded collision repair rates by $18.14 in 1997 and by $40.19 in 2007! In other words, ***the difference between mechanical rates and autobody rates more than doubled in just eleven years***!

Year	Average NADA Mechanical Labor Rate ($)*	Average INSIGHT Metal & Refinish Labor Rate ($)**	Difference
1997	51.00	32.86	-18.14
1998	55.00	33.72	-21.28
1999	57.29	34.96	-22.33
2000	60.00	36.14	-23.86
2001	65.43	37.99	-27.44
2002	68.00	39.00	-29.00
2003	71.86	40.50	-31.36
2004	74.89	41.50	-33.39
2005	79.50	42.50	-37.00
2006	83.22	44.00	-39.22
2007	85.19	45.00	-40.19

*Source: NADA DATA (www.autoexecmag.com)
**Source: Collision Repair Industry INSIGHT Market Watch

Mechanical labor rates exceeded autobody rates by ***$40.19*** in 2007

Collision Repair Rates Fall Further And Further Behind Mechanical Service Rates



RATIO OF COLLISION TO MECHANICAL

On the previous page we calculated the difference between the average mechanical rates and the average collision repair rates and saw a significant disparity. In this chart, we show how collision repair rates are not only less than mechanical rates, but are actually losing ground to them every year.

To illustrate this, we calculated the ratio of collision repair rates to mechanical rates. This yielded the percentages (see graph above) that we can look at to identify any trends in the data.

AN EXAMPLE

As a simple example, if collision rates were $10 and mechanical rates were $15, collision rates would be 67% of mechanical rates ($10 divided by $15). Further, if collision rates were $10 and mechanical rates were $20, collision rates would be 50% (half) of mechanical rates ($10 divided by $20).

ACTUAL TRENDS

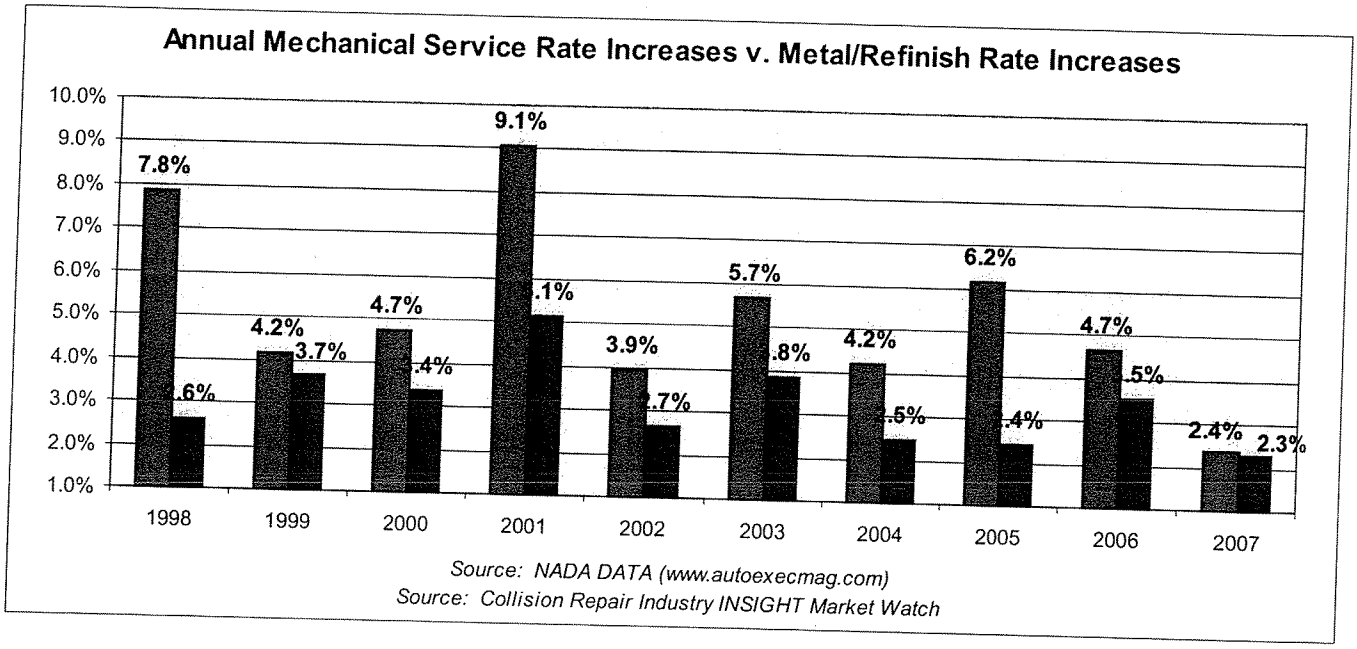
In 1997 average collision repair rates were $32.86 and average mechanical rates were $51.00. Collision repair rates, then, represented 64.4% of mechanical rates ($32.86 divided by $51.00). In 2007, collision repair rates were only 52.8% -- or approximately HALF – of mechanical rates. Not only are mechanical rates higher than collision repair rates, but as illustrated in the graph above, ***collision repair rates have lost ground to mechanical rates every single year since the data has been available!***

Year	Average NADA Mechanical Labor Rate ($)*	Average INSIGHT Metal & Refinish Labor Rate ($)**	Metal / Refinish Rates As % Of Mechanical Rates
1997	51.00	32.86	64.4%
1998	55.00	33.72	61.3%
1999	57.29	34.96	61.0%
2000	60.00	36.14	60.2%
2001	65.43	37.99	58.1%
2002	68.00	39.00	57.4%
2003	71.86	40.50	56.4%
2004	74.89	41.50	55.4%
2005	79.50	42.50	53.5%
2006	83.22	44.00	52.9%
2007	85.19	45.00	52.8%

*Source: NADA DATA (www.autoexecmag.com)
**Source: Collision Repair Industry INSIGHT Market Watch

Collision repair rates are approximately ***HALF of mechanical labor*** rates – and ***losing ground every year.***

Percentage Increase In Mechanical Rate Is Higher Than Collision Repair Every Year



ANNUAL PERCENTAGE INCREASES

The graph displayed above illustrates the year by year percentage increases for both automotive service (blue) and collision repair (red) rates. As an example, mechanical service rates increased 7.8% from 1997 to 1998, while collision repair rates only increased by 2.6%. The graph highlights the point that the average dealership automotive service department realized a higher percentage increase in labor rates every year versus the average collision repair facility.

DOUBLE-EDGED SWORD

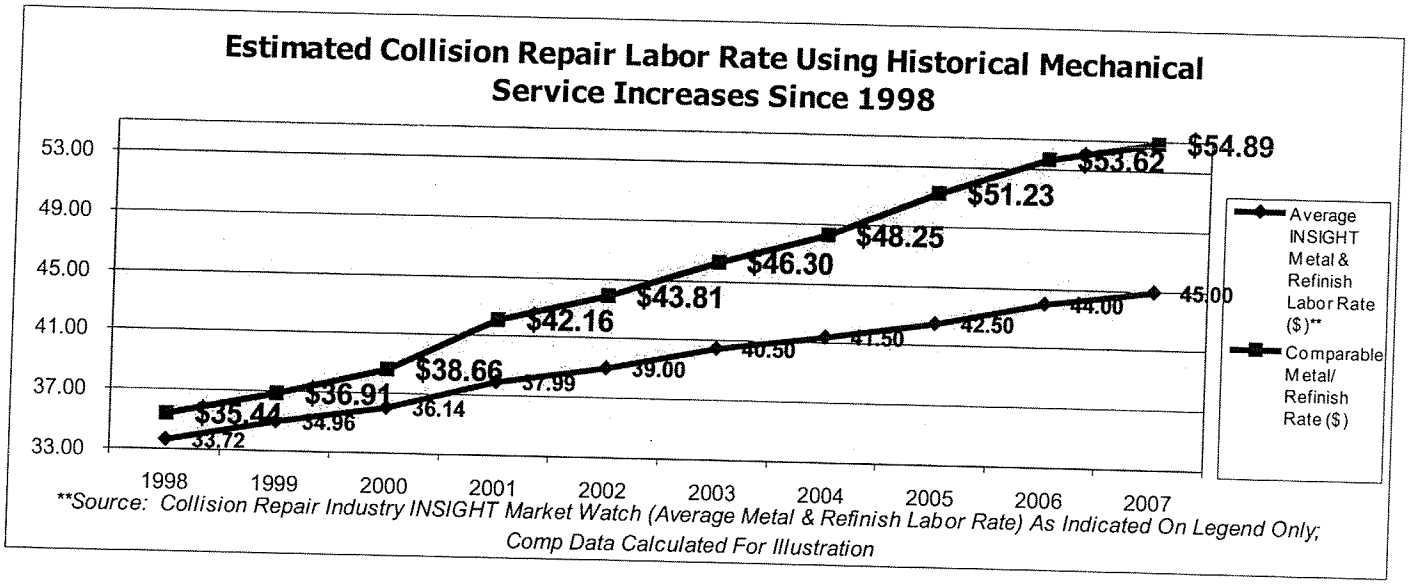
Keep in mind that even if both industries increased their labor rates by the exact same percentage each year, mechanical rates would at this point still see a larger dollar amount increase. Why? The same percentage is being applied to a higher base amount. Ten percent of $85 (the approximate 2007 mechanical rate) is $8.50 while 10% of $45 (the approximate 2007 collision repair rate) is only $4.50. Therefore, mechanical rate increases have exceeded collision repair increases in terms of both dollars and percentages every year of the study.

Year	Average NADA Mechanical Labor Rate ($)*	Annual Mechanical Increase		Average INSIGHT Metal & Refinish Labor Rate ($)**	Annual Metal/Refinish Increase	
1997	51.00			32.86		
1998	55.00	$ 4.00	7.8%	33.72	$ 0.86	2.6%
1999	57.29	$ 2.29	4.2%	34.96	$ 1.24	3.7%
2000	60.00	$ 2.71	4.7%	36.14	$ 1.18	3.4%
2001	65.43	$ 5.43	9.1%	37.99	$ 1.86	5.1%
2002	68.00	$ 2.57	3.9%	39.00	$ 1.01	2.7%
2003	71.86	$ 3.86	5.7%	40.50	$ 1.50	3.8%
2004	74.89	$ 3.03	4.2%	41.50	$ 1.00	2.5%
2005	79.50	$ 4.61	6.2%	42.50	$ 1.00	2.4%
2006	83.22	$ 3.72	4.7%	44.00	$ 1.50	3.5%
2007	85.19	$ 1.97	2.4%	45.00	$ 1.00	2.3%

*Source: NADA DATA (www.autoexecmag.com)
**Source: Collision Repair Industry INSIGHT Market Watch

Mechanical rate increases have **outpaced autobody** rate increases **every year** of the study

What If Collision Repair Rate Increases MATCHED Mechanical Service Increases?



WHAT-IF SCENARIO

Previous pages have highlighted the differences between the annual increases in mechanical service rates versus collision repair rates. Not only have collision repair rates lagged behind automotive service rates, they are losing more ground every year. Where would collision repair labor rates be if they mirrored the increases seen in the automotive service industry? The graph presented above provides the answer.

SIGNIFICANT INCREASES

In 2007, the national collision repair labor rates would have averaged approximately $54.89 if they would have seen the same annual increases as mechanical service rates since 1998.

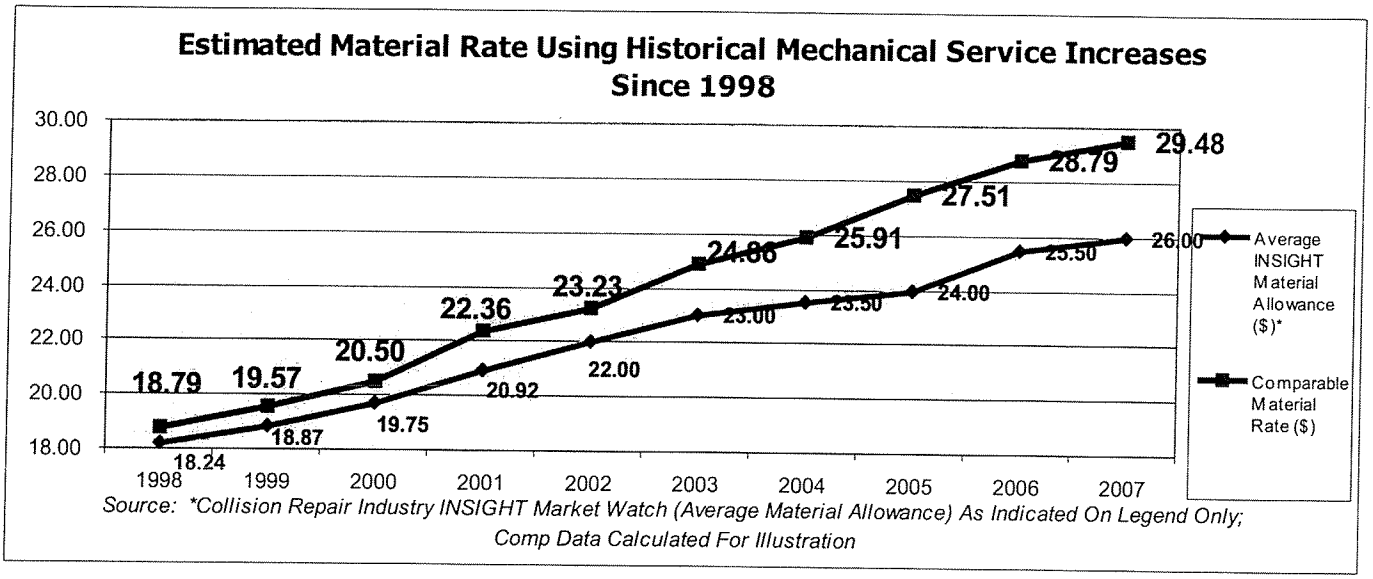
The chart below illustrates the difference between the actual collision repair labor rates and the comparable rates listed in the above table. Simply applying the same annual increases seen in a similar, automotive-based service industry would have yielded significant increases in the billable rates.

Year	Average NADA Mechanical Labor Rate ($)*	Annual Mechanical Increase		Average INSIGHT Metal & Refinish Labor Rate ($)**	Annual Metal/Refinish Increase		Comparable Metal/ Refinish Rate ($)
1997	51.00			32.86			
1998	55.00	$ 4.00	7.8%	33.72	$ 0.86	2.6%	$ 35.44
1999	57.29	$ 2.29	4.2%	34.96	$ 1.24	3.7%	$ 36.91
2000	60.00	$ 2.71	4.7%	36.14	$ 1.18	3.4%	$ 38.66
2001	65.43	$ 5.43	9.1%	37.99	$ 1.86	5.1%	$ 42.16
2002	68.00	$ 2.57	3.9%	39.00	$ 1.01	2.7%	$ 43.81
2003	71.86	$ 3.86	5.7%	40.50	$ 1.50	3.8%	$ 46.30
2004	74.89	$ 3.03	4.2%	41.50	$ 1.00	2.5%	$ 48.25
2005	79.50	$ 4.61	6.2%	42.50	$ 1.00	2.4%	$ 51.23
2006	83.22	$ 3.72	4.7%	44.00	$ 1.50	3.5%	$ 53.62
2007	85.19	$ 1.97	2.4%	45.00	$ 1.00	2.3%	$ 54.89

*Source: NADA DATA (www.autoexecmag.com)
**Source: Collision Repair Industry INSIGHT Market Watch

Rates would have ***risen*** nearly ***$10.00*** in 2007 if increases matched those seen in mechanical service

What If Material Rate Increases MATCHED Mechanical Service Increases?



MATERIAL RATES

So far we've been focused on the national collision repair body and refinish labor rates averages. While not quite as dramatic, national paint and materials allowance averages are also not increasing as quickly as national mechanical labor rate averages.

WHAT-IF SCENARIO

Posing a similar question, where would collision repair materials allowances be in 2007 if they mirrored the increases seen in the automotive service industry? The above graph provides the answer. **In 2007, the national collision repair materials allowance rates would have averaged approximately $29.48** if they would have seen the same annual increases as mechanical service rates.

The table below illustrates the difference between the actual collision repair material allowances and the comparable rates listed in the above graph.

Year	Average NADA Mechanical Labor Rate ($)*	Annual Mechanical Increase		Average INSIGHT Material Allowance ($)**	Annual Material Increase		Comparable Material Rate ($)
1997	51.00			17.43			
1998	55.00	$ 4.00	7.8%	18.24	$ 0.81	4.7%	**18.79**
1999	57.29	$ 2.29	4.2%	18.87	$ 0.63	3.5%	**19.57**
2000	60.00	$ 2.71	4.7%	19.75	$ 0.88	4.6%	**20.50**
2001	65.43	$ 5.43	9.1%	20.92	$ 1.17	5.9%	**22.36**
2002	68.00	$ 2.57	3.9%	22.00	$ 1.08	5.1%	**23.23**
2003	71.86	$ 3.86	7.0%	23.00	$ 1.00	4.5%	**24.86**
2004	74.89	$ 3.03	4.2%	23.50	$ 0.50	2.2%	**25.91**
2005	79.50	$ 4.61	6.2%	24.00	$ 0.50	2.1%	**27.51**
2006	83.22	$ 3.72	4.7%	25.50	$ 1.50	6.3%	**28.79**
2007	85.19	$ 1.97	2.4%	26.00	$ 0.50	2.0%	**29.48**

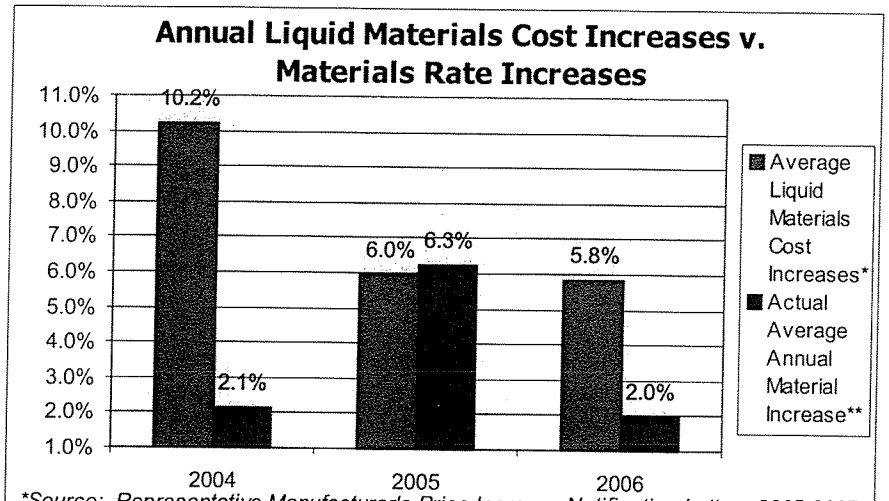
*Source: NADA DATA (www.autoexecmag.com)
**Source: Collision Repair Industry INSIGHT Market Watch

Material Rates would have ***risen*** nearly ***$3.50*** in 2007 if increases matched those seen in mechanical service

Liquid Material Cost Increases Exceed Materials Rate Increases

Year	BASF	DuPont	PPG	Average
2005	9.9%	10.4%	10.3%	10.2%
2006	7.2%	5.3%	5.4%	6.0%
2007	6.2%	5.4%	5.9%	5.8%
Average	7.8%	7.0%	7.2%	7.3%

Source: Manufacturer's Price Increase Notification Letters 2005-2007



**Source: Representative Manufacturer's Price Increase Notification Letters 2005-2007*
***Source: Collision Repair Industry INSIGHT Market Watch*

WHY IS THIS RELEVANT?

General economic indicators such as the Consumer Price Index are accurate barometers for the market as a whole, but individual industries may be more highly affected by certain segments of the market based on the types and volumes of products they purchase.

The four largest direct cost centers a collision repair facility encounters are labor, parts, materials and sublet costs. Paint materials costs in particular (i.e. *liquid* material *costs only*) can range from *6 - 8% of total sales*. Materials is not a large profit center, and the situation becomes compounded by vendor price increases that must be absorbed if there are no corresponding increases in the paint material billable rate.

Year	Average Liquid Materials Cost Increases*	Average INSIGHT Material Allowance ($)**	Actual Average Annual Material Increase**		Comparable Material Rate ($)
2004		23.50			
2005	**10.2%**	24.00	$ 0.50	**2.1%**	**26.45**
2006	**6.0%**	25.50	$ 1.50	**6.3%**	**28.03**
2007	**5.8%**	26.00	$ 0.50	**2.0%**	**29.66**

**Source: Representative Manufacturer's Price Increase Notification Letters 2005-2007*
***Source: Collision Repair Industry INSIGHT Market Watch*

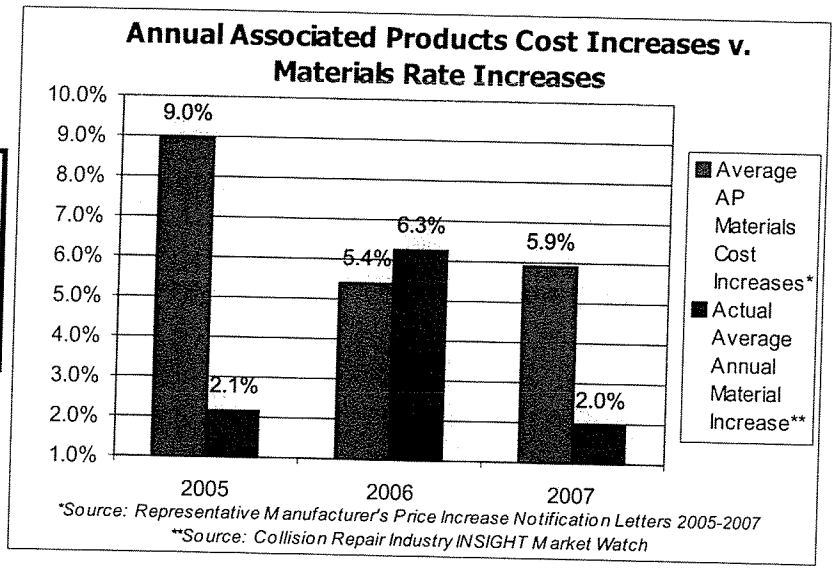
	Avg INSIGHT Market Watch Rate (2005)	Comparative Annual Increase	Comparative 2007 Rates	Avg INSIGHT Rates (2007)	Comparative Difference	
Body/Refinish Labor Rate	**42.50**	7.3%	**52.55**	45.00	**7.55**	16.8%
Paint / Materials Rate	**24.00**	7.3%	**29.66**	26.00	**3.66**	14.1%

NOTE – see Appendix A for a description of this table

Material Rates should have been nearly ***$3.70 higher throughout 2007*** just to remain even with liquid increases

Associated Products Cost Increases ALSO Exceed Materials Rate Increases

Year	Fibreglass Evercoat	3M	Lord Fusor	Norton	Average
2005	17.5%	4.4%	5.0%	3.9%	9.0%
2006	6.0%	4.6%	5.6%	4.8%	5.4%
2007	8.0%	2.2%	7.5%	3.8%	5.9%
Average	10.5%	3.7%	6.0%	4.2%	6.8%



WHY IS THIS RELEVANT?

Typically, a collision repair facility strives to maintain a 60/40 split between paint materials sales (60) and associated products (40). Associated products *costs* (i.e. tape, sandpaper, masking paper, etc.) can range from *3 - 5% of total sales*. Consistent increases in AP costs further compound the issue raised on the previous page: vendor price increases must be *absorbed* if there are no corresponding increases in the paint material billable rate - further reducing a shop's materials gross profit.

NOTE - Because of the relative high volume of materials invoices a shop processes, the large number of items on an invoice, and the cryptic terminology often used on the invoices, materials costs are frequently coded as a "shop materials" expense rather than as a materials cost of goods sold. This will artificially increase the reported materials gross profit. It is worthwhile to verify that all materials costs are accurately coded.

Year	Average AP Materials Cost Increases*	Average INSIGHT Material Allowance ($)**	Actual Average Annual Material Increase**		Comparable Material Rate ($)
2004		23.50			
2005	**9.0%**	24.00	$ 0.50	**2.1%**	**26.15**
2006	**5.4%**	25.50	$ 1.50	**6.3%**	**27.56**
2007	**5.9%**	26.00	$ 0.50	**2.0%**	**29.19**

*Source: Representative Manufacturer's Price Increase Notification Letters 2005-2007

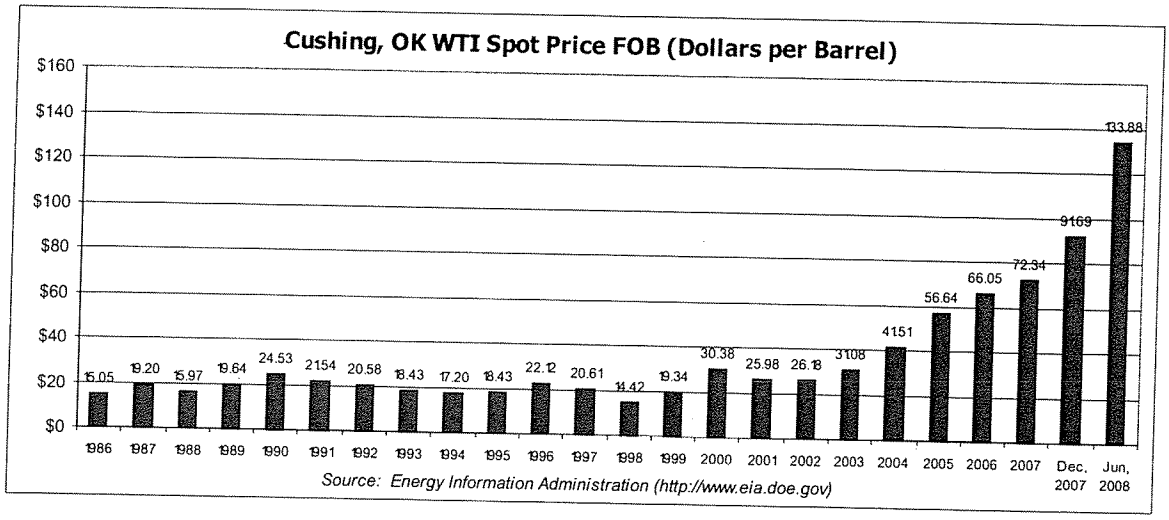
**Source: Collision Repair Industry INSIGHT Market Watch

	Avg INSIGHT Market Watch Rate (2005)	Comparative Annual Increase	Comparative 2007 Rates	Avg INSIGHT Rates (2007)	Comparative Difference	
Body/Refinish Labor Rate	**42.50**	6.8%	**51.71**	45.00	**6.71**	14.9%
Paint / Materials Rate	**24.00**	6.8%	**29.19**	26.00	**3.19**	12.3%

NOTE – see Appendix A for a description of this table

Material Rates should have been nearly ***12.5% higher throughout 2007*** just to remain even with AP increases

Average Annual Crude Oil Prices Jumped Nearly 30% In 3 Years



Annual Avg	Cushing, OK WTI Spot Price FOB (Dollars per Barrel)	% Change
1990	24.53	24.9%
1991	21.54	-12.2%
1992	20.58	-4.5%
1993	18.43	-10.4%
1994	17.20	-6.7%
1995	18.43	7.2%
1996	22.12	20.0%
1997	20.61	-6.8%
1998	14.42	-30.0%
1999	19.34	34.1%
2000	30.38	57.1%
2001	25.98	-14.5%
2002	26.18	0.8%
2003	31.08	18.7%
2004	41.51	33.6%
2005	56.64	36.4%
2006	66.05	16.6%
2007	72.34	9.5%
Increase 05-07 ($)	15.70	27.7%
Dec, 2007	91.69	26.7%
Jun, 2008	133.88	46.0%

Source: Energy Information Administration (http://www.eia.doe.gov)

WHY IS THIS RELEVANT?

Petroleum prices have a major impact on the operation and profitability of a collision repair facility. For example:

- Paint / Materials Costs – all major manufacturers have referenced rising petroleum costs when announcing price increases over the past three years
- Parts Costs – it is commonplace to encounter a "fuel surcharge" on parts invoices, especially for parts that are not kept in the local vendor's stockroom
- Other "Fuel Surcharges" – similarly, it is commonplace to be assessed a "fuel surcharge" for the delivery of everything from tires to bottled water to heating oil!

WHAT IS THE CUSHING, OK WTI SPOT PRICE FOB?

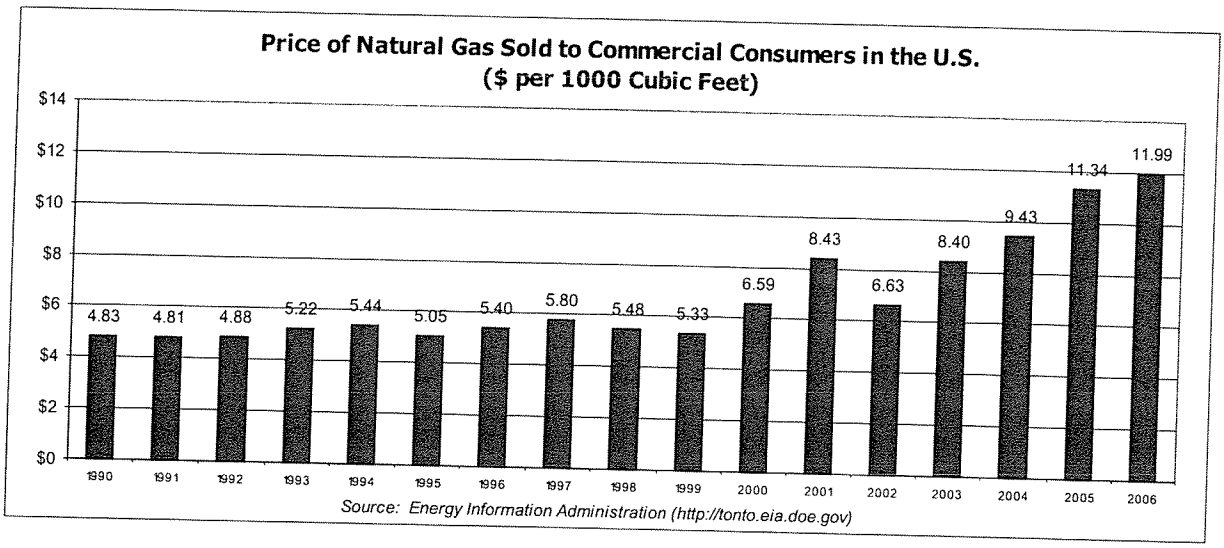
From the EIA website: "A crude stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma."

	2005 Average	Comparative Factor	Comparative 2007 Labor Rate	Avg INSIGHT Metal Rate (2007)	Comparative Difference	
Body/Refinish Labor Rate	**42.50**	27.7%	**54.28**	45.00	**9.28**	20.6%
Paint / Materials Rate	**24.00**	27.7%	**30.65**	26.00	**4.65**	17.9%

NOTE – see Appendix A for a description of this table

Crude oil prices skyrocketed ***nearly 50%*** in the first six months of 2008

Natural Gas Prices Increased An Average of 6.6% Per Year Since 1990



Year	Price of Natural Gas Sold to Commercial Consumers in the U.S. ($ per 1000 Cubic Feet)	% Change
1990	4.83	
1991	4.81	-0.4%
1992	4.88	1.5%
1993	5.22	6.9%
1994	5.44	4.1%
1995	5.05	-7.0%
1996	5.40	6.9%
1997	5.80	7.3%
1998	5.48	-5.5%
1999	5.33	-2.7%
2000	6.59	23.6%
2001	8.43	27.9%
2002	6.63	-21.4%
2003	8.40	26.7%
2004	9.43	12.3%
2005	11.34	20.3%
2006	11.99	5.7%
Increase 00-06	5.40	**81.9%**

Source: Energy Information Administration (http://tonto.eia.doe.gov)

WHY IS THIS RELEVANT?

Gas-fired paint booths consume significant amounts of natural gas. Regardless of the increases in efficiency and reductions in heat loss in current models, the air is heated, the car is baked, the heated air is released and the process must start over again.

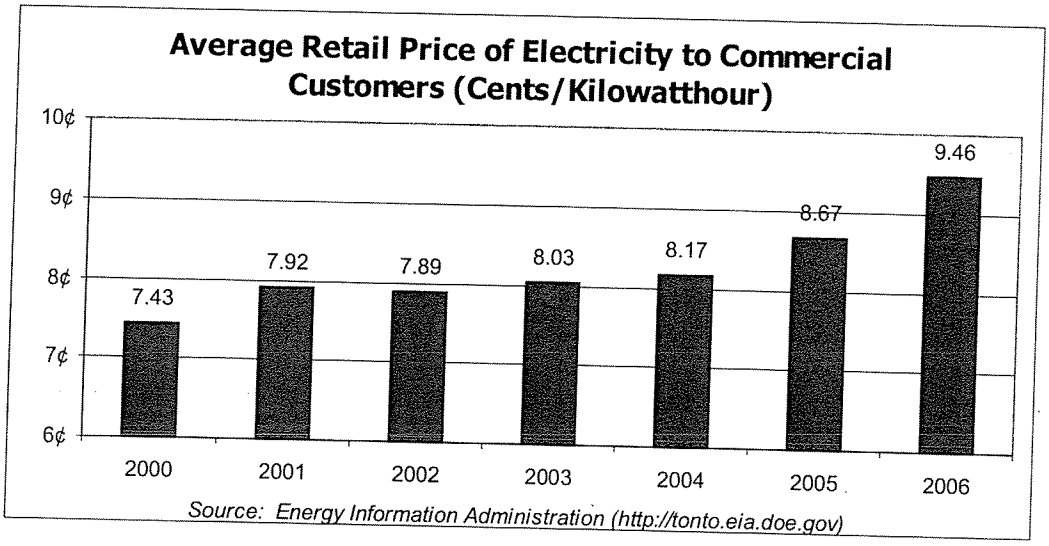
Water-borne paint does provide relief, but the cost to replace or retrofit a booth properly is also substantial. In addition, the cost to switch paint lines, with all the associated training needs and friction costs, cannot be ignored.

	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	**Comparative 2006 Labor Rate**	Avg INSIGHT Metal Rate (2006)	**Comparative Difference**	
Body/Refinish Labor Rate	**36.14**	81.9%	**65.74**	44.00	**21.74**	49.4%
Paint / Materials Rate	**19.75**	81.9%	**35.93**	25.50	**10.43**	40.9%

NOTE – see Appendix A for a description of this table

Natural gas prices rose ***nearly 45%*** from 2003 to 2006

Electricity Costs Rose Over 27% Since 2000



Year	Avg Retail Price of Electricity to Commercial Customers (Cents/ Kilowatthour)	% Change
2000	7.43	
2001	7.92	6.6%
2002	7.89	-0.4%
2003	8.03	1.8%
2004	8.17	1.7%
2005	8.67	6.1%
2006	9.46	9.1%
Increase 00-06	2.03	**27.3%**

Source: Energy Information Administration (http://tonto.eia.doe.gov)

WHY IS THIS RELEVANT?

Electricity costs fall right behind petroleum and gas prices in the major impact utility costs have on the operation and profitability of a collision repair facility. For example:

- Lighting and Office Equipment – we live in the world of electronics and the prevalence of computers has resulted in ever-increasing rates of power consumption
- Shop Equipment – resistance welders and other equipment designed to recreate factory fabrication techniques come wtih increased power requirements

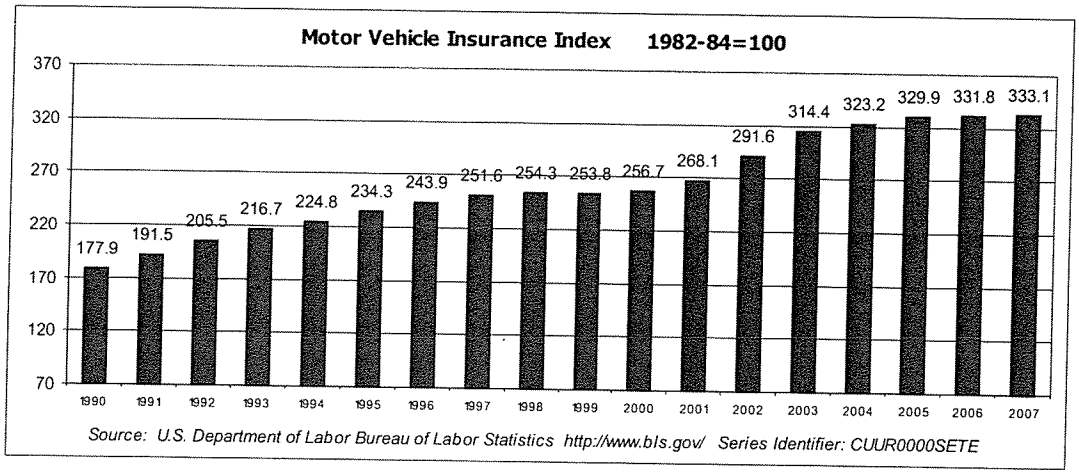
NOTE - the data for 2007 was not available as of the date this booklet was created.

	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	**Comparative 2006 Labor Rate**	Avg INSIGHT Metal Rate (2006)	**Comparative Difference**	
Body/Refinish Labor Rate	**36.14**	27.3%	**46.01**	44.00	**2.01**	4.6%
Paint / Materials Rate	**19.75**	27.3%	**25.14**	25.50	**(0.36)**	-1.4%

NOTE – see Appendix A for a description of this table

Every parameter analyzed to this point has risen faster than body/refinish rates

Automobile Insurance Comparison



Year	Motor Vehicle Insurance	% Change
2000	256.7	1.1%
2001	268.1	4.4%
2002	291.6	8.8%
2003	314.4	7.8%
2004	323.2	2.8%
2005	329.9	2.1%
2006	331.8	0.6%
2007	333.1	0.4%
Increase 00-07	76.4	**29.8%**

Source: US Dept of Labor

WHAT DOES THIS INCLUDE?

"This index covers physical damage, liability and miscellaneous insurance coverage for private passenger vehicles. The major types of coverage included are collision, comprehensive, bodily injury liability, property damage liability, medical payments, uninsured motorist, and personal injury protection. Vehicles used primarily for business and policies written for farmers or ranch owners are excluded."

WHY IS THIS RELEVANT?

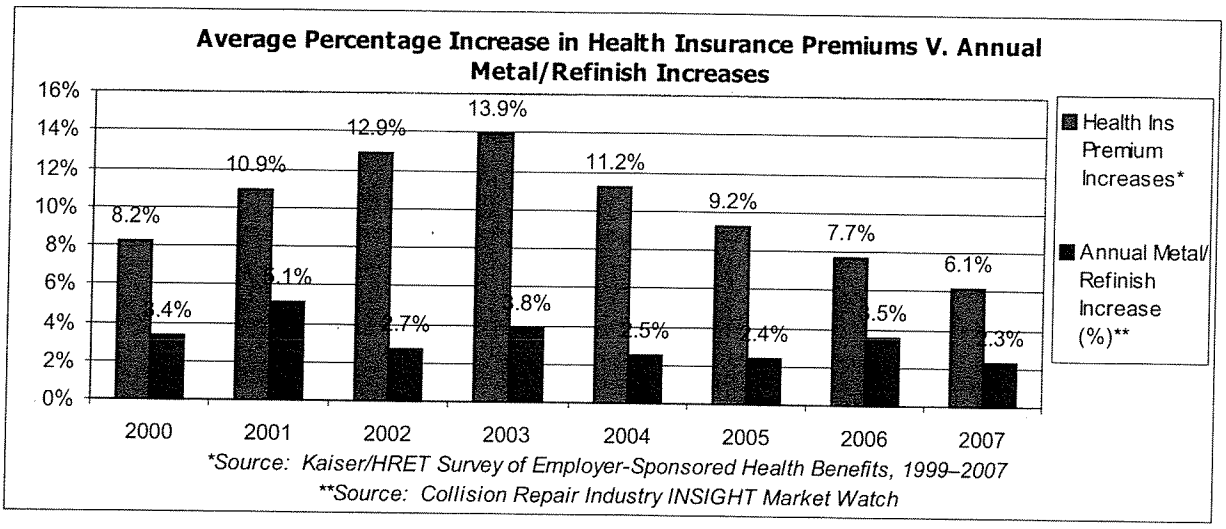
Even though business vehicles are excluded from this index, it is still illustrative of another mounting overhead expense increase shouldered by a collision repair facility.

	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	**Comparative 2007 Labor Rate**	Avg INSIGHT Metal Rate (2007)	**Comparative Difference**	
Body/Refinish Labor Rate	**36.14**	29.8%	**46.90**	45.00	**1.90**	4.2%
Paint / Materials Rate	**19.75**	29.8%	**25.63**	26.00	**(0.37)**	-1.4%

NOTE – see Appendix A for a description of this table

Increases in auto insurance rates **exceeded inflation by** approximately **25%** since 2000

Health Insurance Rates Increased Over 3X Faster Than Autobody Rates



Year	Health Ins Premium Increases*	Annual Metal/ Refinish Increase (%)**
2000	8.2%	3.4%
2001	10.9%	5.1%
2002	12.9%	2.7%
2003	13.9%	3.8%
2004	11.2%	2.5%
2005	9.2%	2.4%
2006	7.7%	3.5%
2007	6.1%	2.3%
Increase 00-07	**114.1%**	**28.7%**

**Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007*
***Source: Collision Repair Industry INSIGHT Market Watch*

WHY IS THIS RELEVANT?

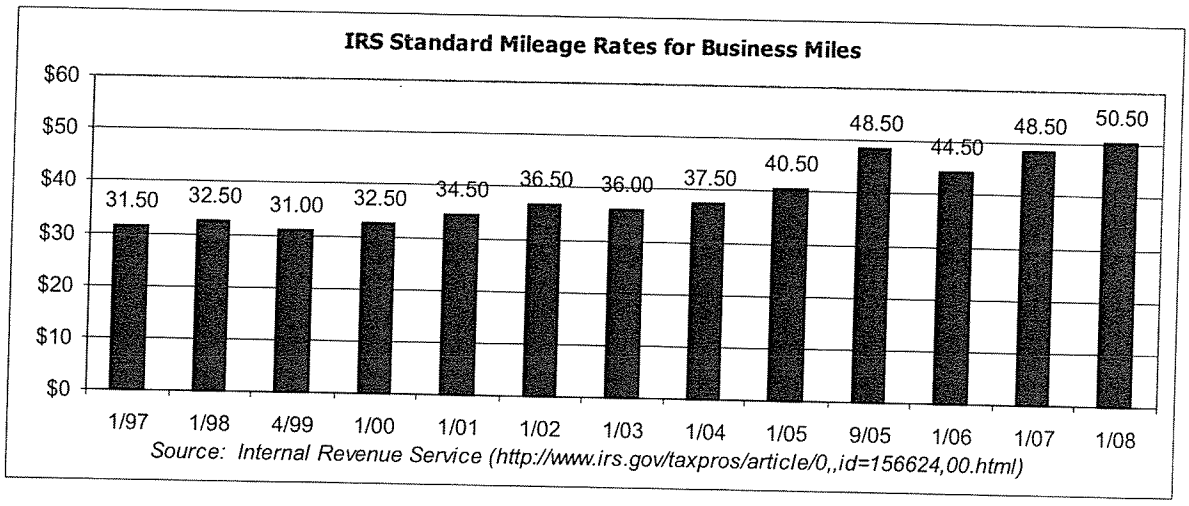
Company-paid health insurance is typically the single most costly benefit provided to employees. Company health insurance contributions are typically double that of worker's compensation costs or retirement program contributions. As the table to the left illustrates, health insurance premium increases have significantly outpaced the rate of increase seen in billable hourly rates. The comparison is actually astounding – over a period of eight years, health insurance premiums have soared by 114.1%, while metal/refinish billable rates have only increased by 28.7%. The effect is typically two-fold: some portion is passed on to the employees, but the majority is typically absorbed by the employer and results in a further erosion of profitability.

	Avg INSIGHT Market Watch Rate (2000)	Comparative Factor	**Comparative 2007 Labor Rate**	Avg INSIGHT Metal Rate (2007)	**Comparative Difference**	
Body/Refinish Labor Rate	**36.14**	97.9%	**71.50**	45.00	**26.50**	58.9%
Paint / Materials Rate	**19.75**	97.9%	**39.08**	26.00	**13.08**	50.3%

NOTE – see Appendix A for a description of this table

Health insurance premiums increased approximately **114%** from 2000 to 2007

IRS Mileage Reimbursement Comparison



Date	IRS Standard Mileage Rates for Business Miles	% Change
1/97	31.50	
1/98	32.50	3.2%
4/99	31.00	-4.6%
1/00	32.50	4.8%
1/01	34.50	6.2%
1/02	36.50	5.8%
1/03	36.00	-1.4%
1/04	37.50	4.2%
1/05	40.50	8.0%
9/05	48.50	19.8%
1/06	44.50	-8.2%
1/07	48.50	9.0%
1/08	50.50	4.1%
Increase 98-07	16.00	**49.2%**

Source: Internal Revenue Service (http://www.irs.gov/taxpros/article/0,,id=156624,00.html)

WHY IS THIS RELEVANT?

According to the IRS website, "the standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile... Runzheimer International, an independent contractor, conducted the study for the IRS." As the first federal government benchmark we'll be reviewing, two questions come to mind: why do reimbursable mileage rates increase more frequently than autobody rates, and how can the costs of operating an automobile rise faster than the costs of operating a collision repair facility?

	Avg INSIGHT Market Watch Rate (1998)	Comparative Factor	**Comparative 2006 Labor Rate**	Avg INSIGHT Metal Rate (2006)	**Comparative Difference**	
Body/Refinish Labor Rate	**33.72**	49.2%	**50.32**	44.00	**6.32**	14.4%
Paint / Materials Rate	**18.24**	49.2%	**27.22**	25.50	**1.72**	6.7%

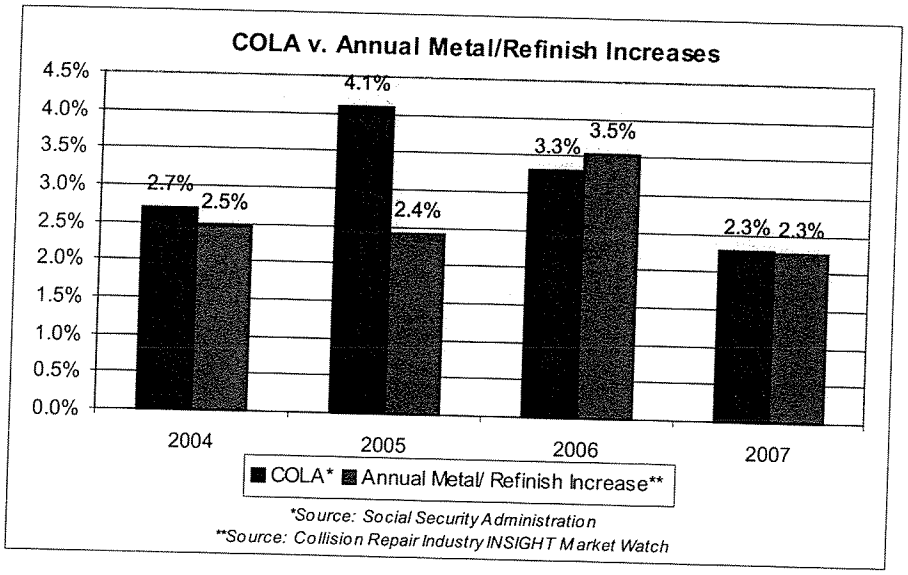
NOTE – see Appendix A for a description of this table

The federal government raised reimbursement rates for business travelers **faster than autobody rates increased**

Social Security Cost of Living Adjustment – Labor Rate Increases Linked To COLA?

Year	COLA*	Annual Metal/ Refinish Increase**
2004	2.7%	2.5%
2005	4.1%	2.4%
2006	3.3%	3.5%
2007	2.3%	2.3%

*Source: Social Security Administration
**Source: Collision Repair Industry INSIGHT Market Watch



WHY IS THIS RELEVANT?

Per the Social Security Administration and the Bureau of Labor Statistics: "In general, a COLA is equal to the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of one year to the third quarter of the next." "The Consumer Price Indexes (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services. "

COINCIDENTAL RELATIONSHIP?

Referencing the above graph, the COLA and average annual labor rate increases are within .2% of each other in three of the past four years. Is it merely coincidental that increases in autobody rates have been so closely aligned with the Cost of Living Adjustments since 2004? Is it possible that referral sources use these measurements to determine when an increase is "allowable"? If so, it should be noted that a body shop's "cost of doing business" is intrinsically different than the prices tracked by the COLA.

	Avg INSIGHT Market Watch Rate (2004)	Comparative Factor	Comparative 2007 Labor Rate	Avg INSIGHT Metal Rate (2007)	Comparative Difference	
Body/Refinish Labor Rate	**41.50**	10.0%	**45.65**	45.00	**0.65**	1.5%
Paint / Materials Rate	**23.50**	10.0%	**25.85**	26.00	**(0.15)**	-0.6%

NOTE – see Appendix A for a description of this table

Autobody rate increases have **closely followed** changes in the COLA – even though the cost structures are inherently different

Labor Rate Cost Of Living Adjustment Worksheet

Year	Social Security Cost-Of-Living Adjustments	Sample Labor Rate Calculation*	Calculate Your Comparable Labor Rate**
1974		14.00	
1975	8.0%	15.12	
1976	6.4%	16.09	
1977	5.9%	17.04	
1978	6.5%	18.14	
1979	9.9%	19.94	
1980	14.3%	22.79	
1981	11.2%	25.34	
1982	7.4%	27.22	
1983	3.5%	28.17	
1984	3.5%	29.16	
1985	3.1%	30.06	
1986	1.3%	30.45	
1987	4.2%	31.73	
1988	4.0%	33.00	
1989	4.7%	34.55	
1990	5.4%	36.42	
1991	3.7%	37.77	
1992	3.0%	38.90	
1993	2.6%	39.91	
1994	2.8%	41.03	
1995	2.6%	42.10	
1996	2.9%	43.32	
1997	2.1%	44.23	
1998	1.3%	44.80	
1999	2.5%	45.92	
2000	3.5%	47.53	
2001	2.6%	48.76	
2002	1.4%	49.45	
2003	2.1%	50.48	
2004	2.7%	51.85	
2005	4.1%	53.97	
2006	3.3%	55.75	
2007	2.3%	57.04	

WHAT IS THE SAMPLE LABOR RATE CALCULATION?

The Sample Labor Rate Calculation illustrates the effect of the annual cost of living adjustment on a labor rate that was effective in 1974. In each successive year, the comparable labor rate is calculated based on that year's COLA. For example, if the labor rate was $14.00 in 1974, then the calculated labor rate in 1975 would be:

$14.00 x 1.08 = $15.12

Continuing to apply the same formula results in a **comparable 2007 rate of $57.04.**

HOW CAN I CALCULATE MY OWN COMPARABLE RATE?

Select your labor rate for any given year.

- Pick the cost of living adjustment for the next year (i.e. if you started with your labor rate from 1977, pick the COLA for 1978)
- Calculate the adjustment factor
- Adjustment = 1 + COLA percentage listed in the table
- Calculate the adjusted labor rate
- Adjusted rate = beginning rate x the adjustment factor

Starting with an estimated labor rate of $14.00 in 1974, and applying the standard COLA increases, the average labor rate in 2007 should be **$57.04**

REVIEWING THE PURPOSE OF THE BOOKLET

In the Introduction & Purpose, we began by stating "there is a widely held opinion within the collision repair ownership community that billable labor rates...are simply too low." Later in the same section we noted "the underlying purpose...is to provide comparative labor rate data in an intuitive, objective manner such that all parties involved in the collision repair process have a better understanding of some of the pricing forces at work."

The three main objectives, then, are to:

- Help increase awareness among all players in the collision repair arena regarding the state of autobody rates relative to industry-specific and general economic benchmarks. In reality, though, you may have already seen the majority of this data published in some industry-related newsletter or magazine article in the past. It may be the first time it's been compiled in one booklet, however, and hopefully it's been presented with a slightly different twist that makes the data easy to absorb and assists the reader in reaching his or her own logical conclusions.
- Provide the research data in such a way that it can be distributed to all parties involved in the collision repair process: business owners and staff, insurance companies, fleet management companies, vendors, and vehicle owners alike.
- Stimulate the possibility of additional research that explores further back in time to determine at what point mechanical and collision repair rates began to significantly diverge – and identify why.

WHAT CAN A SHOP OWNER DO?

I suspect that the best ideas for using the data will come from shop owners themselves, but here are a few ideas to get the process rolling:

- Make objective, fact-based business decisions. Use the data in the booklet, combined with information from other sources, to avoid making decisions based on "gut feel" or spur-of-the-moment reactions. Instead, analyze the facts, review your business objectives, and arrive at logical conclusions regarding the best course of action based on those objectives.

CONTINUED...

- Help distribute the data. Hand out the booklet to your customers and referral sources, and at association meetings, training events, etc. Spread the news!

- Regularly communicate with your business partners – and reference the data in the booklet as support. For example, regularly send letters out highlighting a particular piece of data, explaining the impact it has on your business. And don't just send out one piece of communication – it very well may be overlooked, misplaced, or mistakenly thrown out – but every few months follow up with something new. A sample letter is provided in Appendix B for your reference.

- Pass along surcharges. If it fits within your business model, send a letter notifying your referral partners of surcharges. See Appendix C for a sample vendor's surcharge letter and use it to craft one for yourself.

- Most importantly – ask for rate increases! Again, review your business objectives, and if a rate increase is warranted, ask for it! Similar to the way the vendor did in the sample surcharge letter in Appendix C, be sure to rationalize and explain the reasoning behind your request.

Begin with these tactics, use them to jump-start different ideas, or take a completely different approach. The most important point is to take action!

Appendix A Description of the Comparative Labor Rate Table

All of the pages in the Materials Cost Analysis and Economic Indicator Analysis sections include a small data table, typically toward the bottom of the page, that can be referred to as the "comparative labor rate table" (CLR).

The CLR compares the average actual body/refinish labor rate and paint/materials rate for a certain year to the item that is being analyzed on that particular page. To illustrate, let's review each of the fields in the table, then discuss an example.

	Avg INSIGHT Market Watch Rate (2005)	Comparative Annual Increase	**Comparative 2007 Rates**	Avg INSIGHT Rates (2007)	**Comparative Difference**	
Body/Refinish Labor Rate	**42.50**	7.3%	**52.55**	45.00	**7.55**	16.8%
Paint / Materials Rate	**24.00**	7.3%	**29.66**	26.00	**3.66**	14.1%

Lists the average autobody rates for the beginning of the period that is being analyzed.

The annual percentage increase in price for the item that is being analyzed. This same number is typically found in the table that lists the detailed data elsewhere on the same page.

Calculates what the autobody rates would have been IF they had matched the price increases seen by the item being analyzed.

Lists the average autobody rates for the end of the period that is being analyzed.

Calculates the difference between what the rates "should" have been and what they actually were at the end of the period being analyzed.

As an example, the data in the table above pertains to liquid material costs. The period under analysis is 2005 through 2007. In 2005, the average labor and materials rates were $42.50 and $24.00, respectively. The paint costs that were studied rose 7.3% per year, on average, between 2005 and 2007. *IF* autobody rates were able to match the same increases per year, the average labor and materials rates would have been $52.55 and $29.66 in 2007. The actual average rates were $45.00 and $26.00. In comparison, the actual labor rate was $7.55 less than what it should have been and the materials rates were $3.66 less than what it should have been.

Finally, keep in mind that the "Comparative 2007 Rate" lists the autobody rates that should have been in effect throughout the entire 2007 calendar year and the rates for 2008 should be even higher!

Appendix B Sample Awareness Letter

The following letter is an example of the type of information a collision repair owner may want to distribute to referral sources on a regular basis in the interest of communication, education and awareness:

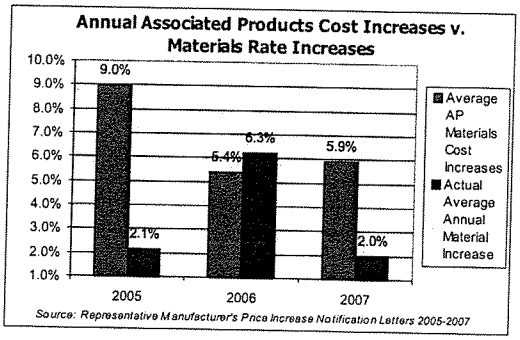
Date

Contact Name
Address
City, State Zip

[Mr./Mrs./Ms.] Contact:

We have recently received notification that our materials costs through [company] will increase by [x.x]% effective [date]. Please note, this is a weighted average increase that will affect all purchases we make through [company]. As you may be aware, a significant amount of the materials we use to repair a vehicle are procured from [company].

Unfortunately, this is not an unusual situation. As the following graph illustrates, materials cost increases have been significantly greater than average national materials billable rate increases:



The reason I am sending this is simply to communicate an example of the typical pricing pressures a collision repair facility regularly encounters. The costs for everything from health insurance, heating oil, electricity, automobile insurance to garbage collection have risen at rates that outpace collision repair billable rate increases.

In you would, please circulate this information freely. If anyone has any questions or needs additional information, please contact me directly on my cell phone (xxx-xxx-xxxx) or via email at [email address].

Sincerely,

[name]
Owner
[collision repair company]

Appendix C Sample Surcharge Letter From Vendor

The following letter is a typical example of the surcharges imposed upon a collision repair facility by parts vendors, uniform companies, materials suppliers, heating oil companies, etc. – nearly every vendor that delivers a product is imposing some type of surcharge.

July xx, 2008

Dear Valued Customer:

Governmental agencies such as OSHA, DOT, and EPA have imposed a number of mandatory regulations on the xxxx industry. More recently, the Department of Homeland Security has imposed additional requirements on both our facilities and our drivers. The cost of complying with these regulations increases every year.

Also, you are well aware that the cost of all motor fuels continues to rise, nearly doubling this year alone. This has resulted in a tremendous increase in our cost of making deliveries to you. To date we have elected to absorb these increased costs, but we simply are no longer able to do so. This letter will notify you that we are implementing an Administrative Fee of $4.00, and a Fuel Surcharge of $7.00 on all deliveries beginning August xx, 2008. Your agreement with us will be amended accordingly.

If you do not agree to this amendment, you must advise us in writing at the address above within thirty (30) days from the date of this notice, in which event we may elect to terminate our agreement with you in accordance with the terms of the agreement.

We appreciate you understanding in this matter and thank you for your valued business.

Sincerely,

Branch Manager

Letters such as these certainly beg the question: is every shop passing every surcharge on to the payor? If not, is it fair to the collision repair company to absorb the incremental costs? Are all shops aware of all the surcharges that are imposed upon them? Not all are preceded by a letter – some are merely added to the bill without any notice.

And the final question to ponder: what if every shop would distribute a letter to all the organizations they have referral relationships with and include the line that is highlighted above in yellow? What would the response be?

Plymouth Rock assurance

November 13, 2008

BY HAND DELIVERY

The Honorable Daniel C. Crane
Undersecretary of the Massachusetts Office
of Consumer Affairs and Business Regulation
c/o Bryan Jamele
Ten Park Plaza, Suite 5170
Boston, MA 02116

Re: Auto Body Labor Rates Study Commission

Dear Undersecretary Crane:

Plymouth Rock Assurance Corporation would like to offer the following comments regarding the work of the Special Commission on Auto Body Rates. We would appreciate your considering these comments and sharing them with the other members of the Study Commission.

Plymouth Rock opposes the establishment of state-set labor rates for auto body repairs. Massachusetts has not set labor rates for auto body repairs in the past, and we are not aware of any other state that does. It would be ironic for Massachusetts, which recently had been the only state to fix and establish insurance rates, to abandon that system, but at the same time, introduce the only fixed and established labor rate system.

As you know, the Massachusetts auto insurance system is just over half-way through the first year of its transition to competitive rates. The cost of labor to repair damaged vehicles is one of the largest costs that auto insurance companies must consider when establishing their rates. If this cost is made uniform among all companies, the degree to which companies will be able to compete on price will be diminished to the detriment of consumers.

This appears to be an effort to fix a problem that does not exist. We understand that at the November 13 hearing you will receive testimony that the average hourly labor rate paid in Massachusetts is less than in many other states. It is not surprising that labor rates in Massachusetts are different from the rates in other states. The costs of most goods and services vary by state due to the unique factors at play in each state. Comparing the rates of one state to another without understanding the underlying circumstances provides an incomplete picture. On that note, we understand that you will also receive testimony on November 13 that the time to repair a vehicle in Massachusetts

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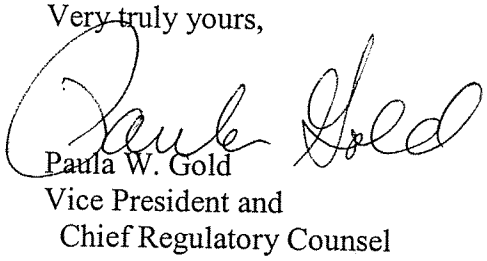
is greater than in other states, resulting in the total cost paid for repairs in Massachusetts to be about the same as in most other states.

In our experience we have seen no shortage of auto body repair shops in Massachusetts willing to do the work at the existing rates. Today, labor rates are determined by the market and vary by insurance company. Each insurance company determines its own labor rate that its pays to shops that participate in its referral shop program. Auto body shops that are not willing to accept the rate paid by a particular company are free to seek other company programs in which to participate or they may choose not to participate in any company programs. Claimants, of course, are free to have repairs made at any registered repair shop, regardless of whether it participates in the insurer's referral shop program.

This debate comes at a time when we are experiencing a national financial crisis of a magnitude that has not been seen in decades. Economic pressures have increased for all Massachusetts residents. At the same time, auto insurance is required for all drivers in Massachusetts. Many Massachusetts residents do not have access to public transportation – they need to drive in order to get to work, to search for new work, or to get to school in order to prepare for a new career. Under these circumstances it would be bad public policy to take an action that would likely increase auto insurance costs.

Thank you for your consideration of these comments.

Very truly yours,



Paula W. Gold
Vice President and
Chief Regulatory Counsel

cc: The Honorable Nonnie Burnes,
Commissioner, Massachusetts Division of Insurance

ACURA
of BOSTON

11/11/08

David Murray, General Counsel
Office of Consumer Affairs and Business Regulations
10 Park Plaza, Suite 5170
Boston, MA 02116

Dear Mr. Murray and Members of the Special Commission on Auto Body Labor Rates,

I am writing to implore you to change the process used to establish reimbursable hourly labor rates for the auto body repair industry in Massachusetts.

The current system has been unable to keep up with the extreme rise in virtually every expense category of our business. In the past several years we have seen our shop expenses climb so much faster than our revenue that the last 2 years have been unprofitable for this business. Our personnel costs alone are up by over 25% during this period while costs for paint, materials, petroleum based solvents and other supplies have skyrocketed even more. It necessitates the conversation of whether this business is viable going forward at the current reimbursement structure.

In addition to the basic financial concerns, there is an even greater need for your reconsideration of the current labor rate setting process. Auto body work is technically advanced, physically demanding and fewer and fewer prospects consider it as a viable profession. The expected hourly rate of pay is so considerably less than for other trades that work in similarly harsh environments, that we are failing to recruit, train and retain quality professionals for our body shops. This is exacerbated by the advances in manufacturing and materials that require even greater expertise to ensure a safe, quality product reaches the insured. As required skill sets increase, so does the need for reasonable compensation rates for those interested in an auto body career that will sustain their families.

Underscoring the fact that our mechanism to provide for labor rate reimbursement is so inadequate and outdated is that all our neighboring New England states have higher auto body labor rate reimbursements than Massachusetts. This causes us to lose potential employees to border communities thereby further reducing our workforce.

All owners and employees of Body Shops across the Commonwealth appreciate the Commission's effort to find a solution to this problem. We have been encouraged by discussions involving DRP and shop ranking reimbursement rates. However, we cannot afford any delay in providing a fair and reasonable labor rate for our businesses and employees. We ask that you implement a system that will provide the mechanism for regular, justified increases that can keep pace with the market.

Thank you again for your consideration.

Sincerely,

Peter F. Cronin
General Manager

ACURA

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