

# HOUSE . . . . . No. 1085

By Mr. Spellane of Worcester, petition of Robert P. Spellane relative to labor rates paid by insurance companies to auto repairers in the Commonwealth. Financial Services.

## The Commonwealth of Massachusetts

In the Year Two Thousand and Seven.

AN ACT REFORMING LABOR RATES PAID BY INSURANCE COMPANIES TO AUTO REPAIRERS IN THE COMMONWEALTH.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 SECTION 1. Automobile Repairer Labor Rate Commission.

2 There shall be a special commission that establishes and oversees,  
3 on a periodic basis, recurring at an interval of not more than three  
4 years:—

5 a) a procedure which fairly establishes, by survey or accurately  
6 published information, an average national auto repairer hourly  
7 compensation rate for all categories of labor performed by auto  
8 repairers, including, but not limited to, body labor, paint labor,  
9 unibody/frame labor, and mechanical labor.

10 b) a procedure which fairly establishes a number to be used as a  
11 cost of labor multiplier for the Commonwealth of Massachusetts,  
12 based on information provided by the Bureau of Labor Statistics  
13 of the United States Department of Labor, that indexes the labor  
14 costs across all industries for this Commonwealth relative to all  
15 other states in the United States.

16 c) a procedure which fairly establishes a set of definitions  
17 which clearly delineates qualifications that distinguish auto  
18 repairers from one another, using an “A” shop, “B” shop, and “C”  
19 shop classification system. Classification as a “C” shop shall be  
21 determined as shops which meet the minimum standards for regis-  
22 tration under Chapter 100A of the Commonwealth of Massachu-  
23 setts. “A” shop classification and “B” shop classification shall be  
24 earned by auto repair shops choosing to be classified under the  
25 regulations set forth by this commission;

26 d) a procedure which fairly verifies, by inspection, that auto  
27 repairers that choose to have their shops classified under the  
28 system referred to in subsection (c) above, possess, and are in  
29 operable condition at the time of inspection, the equipment and  
30 tools required for classification, as well as the certifications and/or  
31 credentials of managers and/or employees, required for classifica-  
32 tion;

33 e) a procedure for auto repairers to apply for the special classi-  
34 fications referred to in subsection (c) above;

35 f) a procedure by which auto repairers possessing either an “A”  
36 shop or a “B” shop classification may file formal complaints  
37 should labor rates paid by any specific insurer for any specific  
38 auto repair job does not comply with the minimum labor rates for  
39 the classification earned by that shop;

40 g) a procedure by which any auto insurer may file a formal  
41 complaint against a specific auto repair shop should it be alleged  
42 that such auto repair shop no longer complies with the require-  
43 ments of the classification under which it is paid.

1 SECTION 2. Such commission shall consist of nine members,  
2 including one member of the Senate from the Joint Committee on  
3 Financial Services, one member of the House of Representatives  
4 from the Joint Committee on Financial Services, three members  
5 from the auto insurance industry appointed by the Automobile  
6 Insurers Bureau (AIB), three members from the auto repairer  
7 industry appointed by the state affiliate of the Alliance of Auto-  
8 motive Service Providers (AASP), and one member designated by  
9 the Office of Consumer Affairs and Business Regulation, who  
10 shall act as the chair of the commission.

1 SECTION 3. Such commission shall meet, in public, not less  
2 than eight times per year. The commission shall conduct, at min-  
3 imum, the following business:—

4 a) the commission shall deliberate, decide upon, and file the  
5 indexed labor rate report in a timely manner;

6 b) the commission shall confer by a certificate under its seal,  
7 following a favorable inspection report, either an “A” or a “B”  
8 classification to any such auto repair shop which has duly applied  
9 for such classification;

10 c) the commission shall set a fair and reasonable application fee  
11 to be paid by auto repair shops that choose to file such application  
12 to be classified as an “A” shop or a “B” shop. Such application fee  
13 shall be reviewed, and changed if necessary, on an annual basis;

14 d) the commission shall require that all auto repair shops classi-  
15 fied as an “A” shop or a “B” shop must be subject to a new  
16 inspection to either maintain their classification or be re-classified  
17 every five years. Auto repair shops must submit a new application  
18 and pay the appropriate application fee upon the renewal period;

19 e) the commission shall appoint teams of auto repair shop  
20 inspectors, with each team consisting of one person from the auto  
21 insurance industry whose names are offered by the Auto Insurers  
22 Bureau (AIB), and one person from the auto repair industry whose  
23 names are offered by the Alliance of Automotive Service  
24 Providers (AASP);

25 f) the commission shall set the rate by which the individuals on  
26 inspection teams are compensated for each inspection filed. Such  
27 total amount for each inspection may not exceed 75% of the appli-  
28 cation fee in force at the time of the inspection, and each team  
29 member shall be compensated at an equal amount;

30 g) the commission shall decide all complaints within three  
31 meetings, following a period of twenty-one days after receipt any  
32 formal complaint;

33 h) the commission shall maintain all pertinent records of all  
34 labor rate reports filed, all applications received, and all classifi-  
35 cations conferred;

36 i) the commission shall make all minutes to all meetings, both  
37 open meetings and executive sessions, available to the public  
38 within a reasonable period of time.

1 SECTION 4. Such commission shall report, in the years it is  
2 required by this law to do so, its indexed labor rates to the Office  
3 of the Attorney General and the Office of the Insurance Commis-  
4 sioner, not less than six months prior to the date established by  
5 those offices to set auto insurance rates. In the event that the  
6 Office of the Attorney General and the Office of the Insurance  
7 Commissioner may no longer set auto insurance rates, the indexed  
8 labor rates report shall be submitted to the Office of the Insurance  
9 Commissioner, for distribution to all insurance companies writing

10 policies of auto insurance in the Commonwealth of Massachu-  
11 setts, no later than June 30th of the year preceding that year for  
12 which the periodic report is required by this law. Filing of this  
13 indexed labor rate report merely fixes the base auto repairer labor  
14 rate for those labor categories, and any other such labor categories  
15 submitted in the report, as set forth in Section 2 (a), above.

1 SECTION 5. Any auto repair shop licensed under Chapter  
2 100A of the Commonwealth of Massachusetts may, at any time,  
3 submit an application to the Automobile Labor Rate Commission  
4 for classification as an “A” shop or a “B” shop. An inspection of  
5 the premises of the applying shop shall be completed within 90  
6 days of receipt of the application and application fee payment in  
7 full. If auto repair shop does not comply with the requirements set  
8 forth by the commission to be classified as either an “A” shop or a  
9 “B” shop, the repair shop must be notified in writing within 30  
10 days of the inspection. The auto repair shop must wait for a period  
11 of six months to pass before filing another such application and  
12 paying the appropriate application fee.

1 SECTION 6. The Auto Repairer Labor Rate Commission shall  
2 have the authority to establish a set of regulations governing its  
3 actions, by a two-thirds majority vote of its duly appointed mem-  
4 bers, as they pertain to overseeing, on an ongoing basis, the labor  
5 rates paid by insurers to auto repairers. Further, the commission  
6 shall have the authority to alter its regulations as it deems neces-  
7 sary, by a two-thirds majority vote of its duly appointed members.

1 SECTION 7. The Auto Repairer Labor Rate Commission shall  
2 be funded in the following manner:—  
3 a) each repair shop must pay \$100.00 annually to be classified  
4 as a “C” shop. Such fee shall be imposed separately from applica-  
5 tions and fees paid under Chapter 100A of the Commonwealth of  
6 Massachusetts;  
7 b) funds from each repair shop making application for classifi-  
8 cation as an “A” shop or a “B” shop shall be accepted by the com-  
9 mission and deposited in its general fund;  
10 c) each auto insurer offering policies of insurance in the Com-  
11 monwealth of Massachusetts must pay a fee of \$1,000.00 annu-

12 ally, as good faith money to comply with all regulations and deci-  
13 sions of the commission.

14 d) Such funds shall be used to pay the salary of an Executive  
15 Secretary who will administer all duties deemed pertinent by the  
16 commission, pay for printing and mailing costs and any other  
17 communications instruments required by the commission, and all  
18 other costs associated with administering the operation of the  
19 commission.

20 e) All members of the commission shall serve on a voluntary,  
21 unpaid basis.

1 SECTION 8. Reformed Payments

2 In accordance with all of the above, this law mandates that all  
3 auto insurers offering policies of insurance in the Commonwealth  
4 of Massachusetts must pay for labor in each category established  
5 by the Auto Repairer Labor Rate Commission under the following  
6 terms:—

7 a) auto repair shops classified as “C” shops must be paid a fair  
8 and reasonable amount for all labor hours negotiated under 212  
9 C.M.R. of the Commonwealth of Massachusetts;

10 b) auto repair shops classified as “B” shops must be paid an  
11 amount not less than 90% of the indexed hourly labor rate in force  
12 at the time of the completion of the job, for all labor hours negoti-  
13 ated under 212 C.M.R. of the Commonwealth of Massachusetts;

14 c) auto repair shops classified as “A” shops must be paid an  
15 amount not less than 100% of the indexed hourly labor rate in  
16 force at the time of the completion of the job, for al labor hours  
17 negotiated under 212 C.M.R. of the Commonwealth of Massachu-  
18 setts.

19 d) insurance companies must pay the same labor rate to all auto  
20 repair shops under each classification, notwithstanding any other  
21 financial or other terms or arrangements.