

**State of California  
Office of Administrative Law**

**In re:**  
**Department of Insurance**

**Regulatory Action:**

**Title 10, California Code of Regulations**

**Adopt sections: 2695.81, 2695.82**

**Amend sections: 2698.91**

**Repeal sections:**

**NOTICE OF APPROVAL OF REGULATORY  
ACTION**

**Government Code Section 11349.3**

**OAL Matter Number: 2016-1014-07**

**OAL Matter Type: Regular (S)**

The Department of Insurance (Department) proposed this action to amend section 2698.91 of title 10 of the California Code of Regulations to clarify and make specific the reporting of auto body repair labor rate surveys to the Department pursuant to Insurance Code section 758(c). The proposed action also adopts sections 2695.81 and 2695.82 into title 10 of the California Code of Regulations to establish an optional Standardized Auto Body Labor Rate Survey (SLRS) that insurers may use to establish prevailing labor rates of auto body repair shops using specified methodologies for determining prevailing labor rates in geographic areas. Under section 2695.81(c), use of the SLRS by an insurer to settle auto body repair claims creates a rebuttable presumption that the settlement was done in a fair and equitable manner in compliance with Insurance Code section 790.03(h)(5).

OAL approves this regulatory action pursuant to section 11349.3 of the Government Code. This regulatory action becomes effective on 1/1/2017.

**Date:** November 30, 2016



Richard L. Smith  
Senior Attorney

**For:** Debra M. Cornez  
Director

**Original:** Dave Jones  
**Copy:** George Teekell

## NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-2013)

|                  |   |  |                  |
|------------------|---|--|------------------|
| OAL FILE NUMBERS | NOTICE FILE NUMBER<br><b>Z-2016-0223-06</b> | REGULATORY ACTION NUMBER<br><b>2016-1014-07S</b> | EMERGENCY NUMBER |
|------------------|---|--|------------------|

For use by Office of Administrative Law (OAL) only

**ENDORSED - FILED**in the office of the Secretary of State  
of the State of California**NOV 30 2016**

1:44 p.m.

**2016 OCT 14 P 5:03**  
OFFICE OF  
ADMINISTRATIVE LAW

NOTICE

REGULATIONS

AGENCY WITH RULEMAKING AUTHORITY  
Department of InsuranceAGENCY FILE NUMBER (If any)  
REG-2012-00002**A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)**

|  |  |                          |   |                                     |
|--|--|--------------------------|---|-------------------------------------|
| 1. SUBJECT OF NOTICE   |  | TITLE(S)                 | FIRST SECTION AFFECTED                      | 2. REQUESTED PUBLICATION DATE       |
| 3. NOTICE TYPE<br><input type="checkbox"/> Notice re Proposed Regulatory Action <input type="checkbox"/> Other |  | 4. AGENCY CONTACT PERSON | TELEPHONE NUMBER                            | FAX NUMBER (Optional)               |
| OAL USE ONLY   | ACTION ON PROPOSED NOTICE<br><input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn |                          | NOTICE REGISTER NUMBER<br><b>2016, 10-3</b> | PUBLICATION DATE<br><b>3/4/2016</b> |

**B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)**

|  |  |  |   |
|--|--|--|---|
| 1a. SUBJECT OF REGULATION(S)<br>Autobody Repair Labor Rate Surveys   |  | 1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S) |   |
| 2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related)  |  |  |   |
| SECTION(S) AFFECTED<br>(List all section number(s) individually. Attach additional sheet if needed.)   |  | ADOPT<br>2695.81, 2695.82<br>AMEND<br>2698.91<br>REPEAL  |   |
| TITLE(S)<br>10   |  |  |   |
| 3. TYPE OF FILING  |  |  |   |
| <input checked="" type="checkbox"/> Regular Rulemaking (Gov. Code §11346)<br><input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §11349.3, 11349.4)<br><input type="checkbox"/> Emergency (Gov. Code, §11346.1(b))<br><input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.<br><input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)<br><input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h))<br><input type="checkbox"/> File & Print<br><input type="checkbox"/> Other (Specify) _____<br><input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)<br><input type="checkbox"/> Print Only |  |  |   |
| 4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)<br>15-Day Notice of Modified Text and Additions to the Rulemaking File: 9/26/16 to 10/11/16   |  |  |   |
| 5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)<br><input checked="" type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a)) <input type="checkbox"/> Effective on filing with Secretary of State <input type="checkbox"/> §100 Changes Without Regulatory Effect <input type="checkbox"/> Effective other (Specify) _____   |  |  |   |
| 6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY<br><input type="checkbox"/> Department of Finance (Form STD. 399) (SAM §6660) <input type="checkbox"/> Fair Political Practices Commission <input type="checkbox"/> State Fire Marshal<br><input type="checkbox"/> Other (Specify) _____  |  |  |   |
| 7. CONTACT PERSON<br>George Teekell  |  | TELEPHONE NUMBER<br>(415) 538-4390                       | FAX NUMBER (Optional)<br>E-MAIL ADDRESS (Optional)<br>George.Teekell@Insurance.ca.gov |

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE

DATE

October 14, 2016

TYPED NAME AND TITLE OF SIGNATORY

Geoff Margolis, Deputy Commissioner &amp; Special Counsel

For use by Office of Administrative Law (OAL) only

**ENDORSED APPROVED****NOV 30 2016**

Office of Administrative Law

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
300 Capitol Mall, 17th Floor  
Sacramento, California 95814**

**FINAL TEXT OF REGULATION**

**Auto Body Repair Labor Rate Surveys**

**Date: November 30, 2016**

**CDI Regulation File: REG-2012-00002**

Title 10, Chapter 5, Subchapter 7.5, Article 1  
Fair Claims Settlement Practices Regulations

**Adopt Section 2695.81. The Standardized Auto Body Repair Labor Rate Survey.**

The Insurance Commissioner has promulgated Section 2695.81 of these regulations in order to (1) establish a standardized labor rate survey that the Commissioner recommends insurers use as a basis to settle or pay automobile repair insurance claims in a fair and equitable manner, if the insurer elects to use a survey; and (2) ensure and enforce the good faith, prompt, fair and equitable settlement of automobile insurance claims pursuant to Insurance Code section 790.03.

(a) Nothing in this section shall be construed to require the insurer to pay for repair costs associated with prior or unrelated damages to the claimant's vehicle, to the degree an insurer is not required to pay for these costs under the insurance policy or any applicable law.

(b) Nothing in this section shall be construed to prohibit an insurer from paying a labor rate lower than the prevailing auto body rate, if the auto body repair shop, chosen by the claimant to perform repairs, charges a labor rate lower than the prevailing auto body rate.

(c) A survey that complies with the standards and requirements set forth in subdivision (d) of this Section 2695.81 (hereinafter, a "Standardized Labor Rate Survey"), that complies with Section 2698.91, and that is used pursuant to subdivision (e) of this section, shall result in a rebuttable presumption by the Commissioner that the insurer has attempted in good faith to effectuate a fair and equitable:

(1) labor rate component of a claim settlement, or

(2) adjustment of the labor rate component of a written estimate provided by a claimant pursuant to subdivision (f)(3) of Section 2695.8.

(d) The Standardized Labor Rate Survey.

(1) Currentness.

(A) Time since submittal of survey to the Department.

1. No survey that has been filed with the Department for over one calendar year shall qualify as a Standardized Labor Rate Survey.
2. No survey that has previously qualified as a Standardized Labor Rate Survey shall continue to qualify as a Standardized Labor Rate Survey for more than one calendar year after the date it was submitted to the Department.

(B) Time since collection of data.

1. Only a survey that uses no labor rate information older than sixteen (16) months shall qualify as a Standardized Labor Rate Survey.
2. No survey that has previously qualified as a Standardized Labor Rate Survey shall continue to qualify as a Standardized Labor Rate Survey after the day the oldest labor rate information used in the survey becomes sixteen months old.
3. For purposes of this subdivision (d)(1)(B), labor rate information becomes sixteen months old on the four-hundred-eighty-seventh (487th) day after it was collected.

(C) Extending the useful life of the survey.

Provided the survey satisfies the standards and requirements set forth in subdivisions (d)(2) through (d)(9) of this section, a survey that fails to meet the currentness standards set forth in subdivisions (d)(1)(A) and (d)(1)(B) of this section shall, notwithstanding those subdivisions (d)(1)(A) and (d)(1)(B), qualify as a Standardized Labor Rate Survey as long as all three of the following conditions are satisfied and, with respect to the conditions set forth in subdivisions (d)(1)(C)1. and (d)(1)(C)2. below, continue to be satisfied:

1. No longer a period than two (2) years has elapsed since the date the survey was submitted to the Department. For purposes of this subdivision (d)(1)(C)1., two years has elapsed on the two-year anniversary date of the date the survey was submitted to the Department;
2. No labor rate information older than twenty-eight (28) months is used in the survey. For purposes of this subdivision (d)(1)(C)2., labor rate information becomes twenty-eight (28) months old on the eight-hundred-fifty-second (852nd) day after it was collected; and

3. The effects of inflation are taken into account, as follows:

a. The insurer adjusts each labor rate collected in the survey, and the prevailing rate for each Geographic Area surveyed (as that term is defined in subdivision (d)(8)(A) of this section), by an inflation factor that is derived by comparing the most recently stated annualized index value of the Monthly (All Items) Consumer Price Index for All Urban Consumers for California (hereinafter, the "most recent California CPI-U") at the time the oldest labor rate survey data used in the survey was collected, on the one hand, to the most recent California CPI-U at the time the labor rate is adjusted pursuant to this subdivision (d)(1)(C)3., on the other. The Monthly (All Items) Consumer Price Index for All Urban Consumers for California is available on the California Department of Finance website.

b. Labor rates and prevailing rates shall be increased or decreased commensurately with any increase or decrease in the California CPI-U. However, if at the time the labor rate is to be adjusted the most recent California CPI-U is the same as the most recent California CPI-U at the time the oldest labor rate survey data used in the survey was collected, no adjustment shall be made, in which case the resulting determination not to change the rates shall, for purposes of the immediately following sentence, be deemed to be the adjustment described in this subdivision (d)(1)(C)3.

c. The adjustment described in this subdivision (d)(1)(C)3. may be made only once per survey, and may be made no earlier than the day after an eleven-month period has elapsed since the date the survey was submitted to the Department. For purposes of the immediately preceding sentence, eleven months elapses on the 335th day after the day the survey was submitted.

d. If an insurer exercises the option described in this subdivision (d)(1)(C), the insurer shall submit to the Department the adjusted survey results and the adjusted prevailing rate for each Geographic Area surveyed. In the event of a determination not to change rates pursuant to subdivision (d)(1)(C)3.b. of this section, the insurer shall submit to the Department a notice of the deemed adjustment pursuant to that subdivision stating the date of such deemed adjustment. In any event, the adjusted survey results and the adjusted prevailing rate for each Geographic Area surveyed, or the notice specified in the immediately preceding sentence, shall be submitted to the Department no later than the eighth calendar day after the date of the adjustment.

(2) Sample size. In order to produce a Standardized Labor Rate Survey, an insurer must send a survey questionnaire to all auto body repair shops registered with, or licensed by, the Bureau of Automotive Repair as an auto body and/or paint shop. All shops that respond to the survey, that do not indicate on the survey that they decline to participate in it, and that meet the standards set forth in subdivision (d)(4) of this Section 2695.81, shall be used to determine prevailing auto body rates. If the insurer obtains information to the effect that a shop does not meet the standards set forth in subdivision (d)(3) or (d)(4) of this Section 2695.81, the insurer shall exclude the shop from the survey results. In this instance, the information indicating that the shop does not meet these standards must be submitted as part of the information submitted pursuant to subdivision (g)(4) of Section 2698.91.

(3) A Standardized Labor Rate Survey shall use only labor rates of auto body repair shops that, at the time the insurer sends the survey questionnaire, are registered with, or licensed by, the Bureau of Automotive Repair as an auto body and/or paint shop. However, in cases where the survey questionnaire asks the repair shop to respond as to whether it is duly registered or licensed as an auto body and/or paint shop and, if so, to provide its license number, this subdivision (d) shall not be construed to require an insurer to verify the registration or license status of surveyed shops with the Bureau of Automotive Repair.

(4) Only labor rates reported by auto body repair shops that meet each of the specific standards set forth in subdivision (d)(4)(A) below may be used in a Standardized Labor Rate Survey.

(A) Specific Standards. Each body shop whose labor rates are used must:

1. Meet all equipment requirements for auto body repair shops, as required by the Bureau of Automotive Repair and as described in California Code of Regulations, Title 16, Division 33, Chapter 1, Article 6, Section 3351.5, Equipment Requirements for Auto Body Repair Shops, and any amendments thereto;
2. Have proof of garage keeper's liability and workers' compensation insurance or equivalent;
3. Have electrical or hydraulic equipment capable of making simultaneous multiple body or structural pulls;
4. Have a spray booth that meets current federal, state, and local requirements;
5. Have the ability to complete and verify four-wheel alignment through computer printout either from an in-house alignment system with at least one technician that is certified or qualified or by utilizing a qualified sublet provider;
6. Have the ability to (1) remove and reinstall frame, suspension, engine, and drive train components, or (2) use a qualified sublet provider;

7. Have the ability to evacuate, reclaim, and recharge vehicles' air conditioning systems using EPA compliant in-house equipment and certified technicians or use a qualified sublet provider; and

8. Subscribe to a provider of structural specifications with periodic updates covering the vehicle structure for the make, model, and year of the vehicle(s) being repaired and wheel alignment specifications for the make, model, and year of the vehicle(s) being repaired.

(B) This subdivision (d)(4) shall not be construed to require the insurer to inspect surveyed shops in order to confirm that the specific standards are being met.

(5) For purposes of a Standardized Labor Rate Survey, "prevailing auto body rate" or "prevailing rate" shall be calculated as the labor rate at or below which a simple majority of surveyed shops charge in a specific Geographic Area, as defined in subdivision (d)(8)(A)4. of this section.

(A) An example of how prevailing rate is to be calculated is as follows:

Assume that in a specific Geographic Area the applicable surveyed labor rates charged by the six (6) Responding Qualified Auto Body Repair Shops (as defined in Subdivision (d)(8)(A)3. of this section) that are included in the geographic area are \$64, \$65, \$66, \$66, \$71, and \$73. The rate at or below which a simple majority of surveyed shops charge is \$66, since four of the six shops (the simple majority) charge a rate of \$66 or less. Therefore, the prevailing rate in this example is \$66.

(B) If the insurer exercises the option specified in subdivision (d)(1)(C) of this section, the prevailing rate shall be the prevailing rate as determined pursuant to subdivision (d)(1)(C) of this section.

(6) No Standardized Labor Rate Survey shall use any discounted rate negotiated or contracted for with members of the insurer's Direct Repair Program, or any other Direct Repair Program, as defined in Section 2698.90. However, nothing in this subdivision (d)(6) shall be construed to prohibit the use of the non-discounted posted labor rate of a Direct Repair Program shop in a Standardized Labor Rate Survey. If the Standardized Labor Rate Survey uses a surveyed rate from one of the insurer's Direct Repair Program shops, the insurer shall state that fact in its submittal to the Department pursuant to subdivision (g)(5) of Section 2698.91.

(7) Only direct responses provided by an auto repair shop on a survey questionnaire that complies with subdivision (d)(9) of this section shall be used in a Standardized Labor Rate Survey. Labor rates obtained from the following sources shall not be used in a Standardized Labor Rate Survey:

(A) Estimates written by the insurer to estimate repair claims,

(B) Third-party automobile collision repair estimating software used by the insurer to prepare estimates,

(C) Subrogation reimbursement, or

(D) Any source other than direct responses provided by an auto repair shop on a survey questionnaire.

(8) Geographic area. Any geographic area used in a Standardized Labor Rate Survey must meet the standards set forth in subdivisions (d)(8)(A) through (d)(8)(F), below, in which case it shall be deemed to enable the survey to consistently yield prevailing labor rates that ensure that the labor rate component of the claim settlement is fair and equitable when used in paying or adjusting an automobile insurance claim in that geographic area.

(A) Definitions. For purposes of this subdivision (d) and subdivision (e) of this section:

1. Street Address means the physical address of record of an auto body repair shop as recorded with the Bureau of Automotive Repair at the time the survey is conducted.

2. Qualified Auto Body Repair Shop means an auto body repair shop that is licensed by the Bureau of Automotive Repair as an auto body and/or paint shop and that meets the standards set forth in subdivision (d)(4)(A) of this Section 2695.81.

3. Responding Qualified Auto Body Repair Shop means a Qualified Auto Body Repair Shop that responds to, and does not decline to participate in, the survey. For purposes of the immediately preceding sentence, a shop "responds to" the survey if on the survey questionnaire it specifies a rate for one or more of the types of labor listed below, in which case the shop is a Responding Qualified Auto Body Repair Shop for purposes of determining the prevailing rate for that particular type of labor:

a. Auto body/sheet metal labor,

b. Structural labor,

c. Frame labor,

d. Mechanical labor,

e. Refinish labor,

f. Aluminum repair labor,

g. Carbon fiber labor, and



h. Fiberglass labor.

4. Geographic Area includes, for any given auto body repair shop, (1) all Responding Qualified Auto Body Repair Shops lying within the given shop's core area as specified in subdivisions (d)(8)(C) and/or (d)(8)(D) of this section, and (2) any Responding Qualified Auto Body Repair shops lying within its periphery as specified in subdivision (d)(8)(E) of this section. Auto body repair shops that are situated neither within said core area nor within said periphery are excluded from the Geographic Area for the given shop. Only Responding Qualified Auto Body Repair Shops may be included in a Geographic Area.

(B) Geocoding. Distances among shops shall be based upon the latitude and longitude coordinates of the Street Address of each shop.

For purposes of this subdivision (d)(8), the latitude and longitude coordinates used as the location of each shop shall be derived using a geocoding process that entails translating a table of Street Address entries, searching for the address in the reference data embedded in an address locator, and delivering the best location candidate. In order to comply with this requirement, the survey analysis must use TIGER (Topologically Integrated Geographic Encoding and Referencing) line files from the most recent U.S. Census, which contain street locations and points of intersections. To perform address matching, the survey analysis must use address GIS (Geographic Information System) software capable of reliably computing distances between shops with at least a degree of precision that will enable the reporting of distances among shops that are accurate to the one-thousandth of a mile, such as ArcGIS (developed by Environmental Systems Research Institute, Redlands). In a Standardized Labor Rate Survey, distances among shops shall be reported in miles using at least three significant digits to the right of the decimal place.

(C) Core area. The core area for an auto body repair shop shall comprise six (6) Responding Qualified Auto Body Repair shops. If the shop in question is a Responding Qualified Auto Body Repair Shop, the core area shall be the shop in question plus the five Responding Qualified Auto Body Repair Shops closest in straight-line distance to that shop. If the shop in question is not a Responding Qualified Auto Body Repair Shop, then the core area shall be the closest six Responding Qualified Auto Body Repair Shops in straight-line distance to the shop in question.

(D) Tie breaker. Any contrary provision of subdivision (d)(8)(C) of this section notwithstanding, in the event that the Responding Qualified Auto Body Repair Shop furthest from the shop in question in the core area specified in said subdivision (d)(8)(C) is the same number of miles, rounded to the thousandth of a mile, from the shop in question as another Responding

Qualified Auto Body Repair Shop that otherwise would not be in the core area, that other Responding Qualified Auto Body Repair Shop shall also be included within the core area.

(E) Periphery included. Any Responding Qualified Auto Body Repair Shop(s) lying within the periphery of the core area for a given auto body repair shop shall also be included in the given shop's Geographic Area. In order to determine whether a shop is situated in the periphery for purposes of the immediately preceding sentence:

1. Ascertain the core area radius: The core area radius is the distance in miles, using three significant digits to the right of the decimal place, from the shop in question to the Responding Qualified Auto Body Repair Shop (or, in the event Subdivision (d)(8)(D) of this section is applicable, the Responding Qualified Auto Body Repair Shops) in the core area that is (or are) furthest from the shop in question.

2. Calculate the periphery limit, by adding one mile (1.000 miles) to the core area radius ascertained pursuant to Subdivision (d)(8)(E)1., above. The sum resulting from the operation of the immediately preceding sentence shall be the periphery limit for purposes of Subdivision (d)(8)(E)3., below.

3. Compare to the periphery limit the respective distances from the shop in question to surrounding Responding Qualified Auto Body Repair Shops outside the core area, to determine which shops lie in the periphery: Responding Qualified Auto Body Repair Shops (lying outside the core area) whose distance (in miles, using three significant digits to the right of the decimal place) from the shop in question is less than or equal to the periphery limit specified in Subdivision (d)(8)(E)2., above, shall be included in the periphery. No auto body repair shop whose distance (in miles, using three significant digits to the right of the decimal place) from the shop in question is greater than the periphery limit specified in Subdivision (d)(8)(E)2., above, shall be included in the periphery.

(F) Example.

Determine which auto body repair shops are located in the Geographic Area of Shop S1 for purposes of determining the prevailing rate for structural labor.

Assume that, except for Shops 5 and 19, each of Shops S1 through 24 is a Qualified Auto Body Repair Shop, and that each responds to the survey, specifying a rate for structural labor. Assume further that Shop 5 is not a Qualified Auto Body Repair Shop, because it does not meet one of the standards set forth in subdivision (d)(4)(A) of this section, and that Shop 19

is not a Responding Qualified Auto Body Repair Shop for purposes of determining the prevailing rate for structural labor, because although Shop 19 responded to the survey, it did not specify a rate for structural labor. Finally, assume that the respective distances from Shop S1, in miles, rounded to three significant digits to the right of the decimal point, to each of Shops 2 through 24 are as indicated below (the distance from Shop S1 to Shop S1 is zero).

| Shop | Distance from Shop S1 (in Miles) | Responding Qualified Shop | Status of Shop                          |
|------|----------------------------------|---------------------------|---|
| S1   | 0.000                            | Yes                       | The shop in question (the subject shop) |
| 2    | 0.333                            | Yes                       | In core area                            |
| 3    | 0.670                            | Yes                       | In core area                            |
| 4    | 1.348                            | Yes                       | In core area                            |
| 5    | 1.589                            | No                        | Not in core area                        |
| 6    | 1.849                            | Yes                       | In core area                            |
| 7    | 2.007                            | Yes                       | In core area                            |
| 8    | 2.007                            | Yes                       | In core area                            |
| 9    | 2.010                            | Yes                       | In periphery                            |
| 10   | 2.156                            | Yes                       | In periphery                            |
| 11   | 2.189                            | Yes                       | In periphery                            |
| 12   | 2.216                            | Yes                       | In periphery                            |
| 13   | 2.288                            | Yes                       | In periphery                            |
| 14   | 2.301                            | Yes                       | In periphery                            |
| 15   | 2.303                            | Yes                       | In periphery                            |
| 16   | 2.448                            | Yes                       | In periphery                            |
| 17   | 2.514                            | Yes                       | In periphery                            |
| 18   | 2.684                            | Yes                       | In periphery                            |
| 19   | 2.701                            | No                        | Not in periphery                        |
| 20   | 2.754                            | Yes                       | In periphery                            |
| 21   | 2.885                            | Yes                       | In periphery                            |
| 22   | 3.007                            | Yes                       | In periphery                            |
| 23   | 3.008                            | Yes                       | Outside the Geographic Area             |
| 24   | 3.328                            | Yes                       | Outside the Geographic Area             |

1. Ascertain the core area radius: Pursuant to subdivision (d)(8)(C) of this section, Shop S1, and the five Responding Qualified Auto Body Repair Shops nearest to Shop S1 (Shops 2, 3, 4, 6, and 7), compose the core area. However, pursuant to subdivision (d)(8)(D), Shop 8 is also included in Shop S1's core area, since Shop 8 is the same number of miles, rounded to the thousandth of a mile, from the shop in question as shop 7. Thus, the following seven shops are part of Shop S1's core area: Shop S1, Shop 2, Shop 3, Shop 4, Shop 6, Shop 7 and Shop 8. Shop 5 is not included in the core area, since it is not a Qualified Shop and, thus, is not a Responding Qualified Shop as defined in subdivision (d)(8)(C)3. Pursuant to subdivision (d)(8)(E)1.,

the core area radius is equal to the distance, rounded to the thousandth of a mile, from Shop S1 to Shops 7 and 8, which are the shops in the core area that are furthest from Shop S1. Shops 7 and 8 are located 2.007 miles away from Shop S1. Accordingly, the core area radius in this example is 2.007 miles.

2. Calculate the periphery limit: Pursuant to subdivision (d)(8)(E)2., one whole mile (1.000 miles) is added to 2.007 miles, the core area radius, to calculate the periphery limit. Thus, the periphery limit in this example is 3.007 miles ( $2.007 + 1.000 = 3.007$ ).

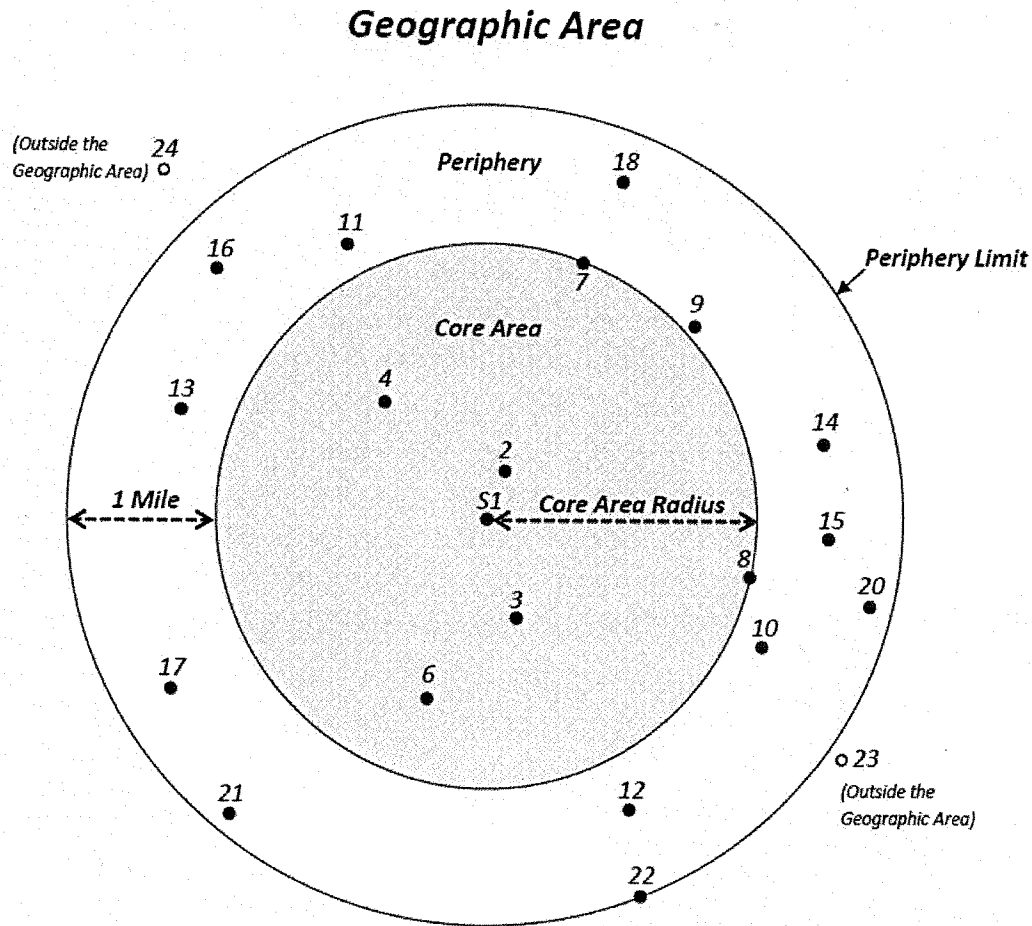
3. Compare to the periphery limit the respective distances from the shop in question to the surrounding Responding Qualified Auto Body Repair Shops outside the core area, to determine which shops lie in the periphery: After the shops composing the core area, Shop 9 is the next closest Responding Qualified Auto Body Repair Shop to Shop S1. The distance from Shop S1 to Shop 9 is 2.010 miles. Thus, pursuant to subdivision (d)(8)(E)3., Shop 9 is included in the periphery, because 2.010 miles (the distance from the shop in question to Shop 9) is less than or equal to the periphery limit of 3.007 miles ( $2.010 \leq 3.007$ ).

Pursuant to Subdivision (d)(8)(E)3., Shop 22 is included in the periphery, because 3.007 miles (the distance from the shop in question to Shop 22) is less than or equal to the periphery limit of 3.007 miles ( $3.007 \leq 3.007$ ). In addition to Shop 22, all the other Qualified Responding Auto Body Repair Shops outside the core area whose distance from Shop S1 is less than or equal to the periphery limit of 3.007 miles are also included in the periphery. However, even though the distance (2.701 miles) from the shop in question to Shop 19 is also less than or equal to the periphery limit of 3.007 miles, Shop 19 is not included in the Periphery, because it is not a Responding Qualified Auto Repair Shop.

After Shop 22, the next closest Responding Qualified Auto Body Repair Shop to Shop S1 is Shop 23. The distance from Shop S1 to Shop 23 is 3.008 miles. Thus, pursuant to subdivision (d)(8)(E)3., Shop 23 is not included in the periphery, because 3.008 miles (the distance from the shop in question to Shop 23) is greater than the periphery limit of 3.007 miles ( $3.008 > 3.007$ ). Similarly, Shop 24 and all other shops outside the core area whose distance from the shop in question is greater than the periphery limit are not included in the periphery.

4. As illustrated below, pursuant to subdivision (d)(8)(A)4., the auto body repair shops located in the Geographic Area of Shop S1 for purposes of determining the prevailing rate for structural labor include Shops S1, 2, 3, 4, 6, 7 and 8 because these shops are included in Shop S1's core area, and Shops 9, 10, 11, 12, 13, 14, 15, 16, 17, 18,

20, 21 and 22, because they are included in the periphery of Shop S1's core area; however, Shops 23 and 24, along with all other shops that are not included in the core area and whose distance from the shop in question is greater than the periphery limit, are excluded from the Geographic Area, because they are situated neither within Shop S1's core area nor within its periphery.



(9) A Standardized Labor Rate Survey shall utilize the questionnaire set forth in Section 2695.82. The insurer may customize the format of the questionnaire; however, the substance of the insurer's questionnaire must be in accordance with the form set forth in Section 2695.82. The questionnaire shall not contain any disclosures, statements, or questions in addition to those contained in Section 2695.82. The questionnaire used in connection with a Standardized Labor Rate Survey shall also comply with all of the following:

(A) The survey questionnaire shall be mailed to the auto body repair shops in accordance with Insurance Code Section 38, or in the case of electronic transmission of the survey, in accordance with Insurance Code Section 38.5.

(B) Auto body repair shops may be allowed to respond electronically, e.g., by email, or by entering information into a secure web site; however, an auto body repair shop must be allowed to respond by hard copy via U.S. mail or courier if the auto body repair shop does not consent to electronic receipt or submission. If the auto body repair shop responds to the survey electronically, the insurer's electronic survey system must allow the shop to print a copy of the completed survey which contains all the information it submitted.

(C) A date by which the questionnaire must be received that is at least thirty (30) calendar days after the date the survey questionnaire was mailed or electronically transmitted to the auto body repair shop must be specified on the questionnaire.

(e) Use of the Standardized Labor Rate Survey.

(1) An insurer may use a Standardized Labor Rate Survey as a basis to quantify the labor rate cost component of estimates of repair prepared by or for the insurer pursuant to subdivision (f) of Section 2695.8.

(A) If at the time the insurer prepares an estimate of repair the claimant has chosen a repair shop to repair the claimant's vehicle, the labor rate used in the estimate shall be the prevailing rate in the Geographic Area of that chosen repair shop.

(B) If at the time the insurer prepares an estimate of repair the claimant has not chosen a repair shop to repair the claimant's vehicle, the labor rate used in the estimate shall:

1. If the estimate is being prepared at an auto body repair shop that at the time the insurer sent the survey questionnaire was registered with or licensed by the Bureau of Automotive Repair as an auto body and/or paint shop, be the prevailing rate in the Geographic Area of the auto body repair shop where the estimate is being prepared; or

2. If the estimate is being prepared at a location other than an auto body repair shop that at the time the insurer sent the survey questionnaire was registered with or licensed by the Bureau of Automotive Repair as an auto body and/or paint shop, be the prevailing rate in the Geographic Area of the auto body repair shop that, among the auto body repair shops which at the time the insurer sent the survey questionnaire were so registered or licensed, is the shortest driving distance from the location where the estimate is being prepared.

(C) If at the time the insurer prepares an estimate of repair the claimant has not chosen a repair shop to repair the claimant's vehicle, the estimate shall indicate that, if the claimant subsequently chooses a repair shop, the insurer shall prepare a new estimate using the prevailing rate in the Geographic Area of the claimant's chosen shop. However, in the event that the applicable prevailing rate(s) in the Geographic Area of the repair shop that is subsequently chosen by the claimant is (or are) the

same as the prevailing rate(s) that was (or were) used in the initial estimate, the insurer need not prepare a new estimate.

(2) An insurer may use a Standardized Labor Rate Survey as a basis to reasonably adjust the labor rate in a written estimate provided by a claimant's chosen repair shop pursuant to subdivision (f)(3) of Section 2695.8 only if the insurer can demonstrate at least one of the following:

(A) The labor rate charged or quoted by the repair shop for a type of labor listed in subdivisions (d)(8)(A)3.a. through (d)(8)(A)3.h. on a particular claim is greater than the prevailing rate as determined by the Standardized Labor Rate Survey for that type of labor. In this instance, the insurer may adjust the labor rate in the written estimate provided by the claimant's chosen repair shop to an amount equal to the prevailing rate as determined by the survey for that type of labor;

(B) The labor rate charged or quoted by the repair shop for a type of labor listed in subdivisions (d)(8)(A)3.a. through (d)(8)(A)3.h. on a particular claim is greater than the repair shop's posted labor rate applicable to that type of labor. In this instance, the insurer may adjust the labor rate in the estimate to the lesser of the repair shop's posted labor rate or the prevailing auto body rate as determined by the survey; or

(C) The labor rate charged or quoted by the repair shop for a type of labor listed in subdivisions (d)(8)(A)3.a. through (d)(8)(A)3.h. on a particular claim is higher than the labor rate charged by that shop for that type of labor in connection with repairs completed by that repair shop during the 60 calendar days immediately preceding the day that labor rate is quoted or charged by that repair shop on the claim in question. In this instance, the insurer may adjust the labor rate in the estimate to the lower of: (1) the labor rate charged by that shop for repairs that were completed by that shop during the immediately preceding 60 calendar days, or (2) the prevailing auto body rate as determined by the survey. In order for this subdivision (e)(2)(C) to apply, the insurer must have on file at least three repair invoices issued by the repair shop in question that evidence the labor rate it charged for repairs it completed during the immediately preceding 60 calendar days. In the event that not all of the repair invoices the insurer relies upon as evidence that a lower rate was previously charged indicate that the same lower rate was charged, the insurer may only adjust the labor rate on the claim in question to the highest of the rates indicated among the invoices or other documents the insurer is relying on for the purpose of adjusting the labor rate pursuant to this subdivision. For purposes of this subdivision, only repair invoices evidencing labor rates charged in connection with non-Direct Repair Program or other non-discounted auto body repair work may be used.

(3) When adjusting a labor rate in a written estimate provided by a claimant's chosen repair shop pursuant to subdivision (e)(2) above, if the insurer has exercised the option set forth in subdivision (d)(1)(C) of this section, the insurer shall adjust the prevailing rate pursuant to subdivision (d)(1)(C) of this section.

(4) This subdivision (e) shall not preclude an insurer from adjusting upward the prevailing rate determined by the Standardized Labor Rate Survey in cases where the labor rate charged or quoted by the repair shop on a particular claim is greater than the prevailing rate determined by the Standardized Labor Rate Survey and the insurer negotiates a higher labor rate with the repair shop that is reasonable for the particular repair, Geographic Area, or other factors.

(5) This subdivision (e) shall not be construed to imply that the repair shop must accept the amount offered for payment by the insurer or that the amount charged by the repair shop is excessive or unreasonable, but only that the insurer has taken reasonable steps to quantify its contractual or legal obligation for payment of the claim pursuant to the applicable insurance policy or other laws.

(f) The data and survey information not specified in subdivision (d) of Section 2698.91 that is submitted to the Department in connection with a Standardized Labor Rate Survey shall not be produced or otherwise be disclosed by the Department, except where the Department is required to produce the data or information by a valid subpoena, court order, or other applicable law.

Note: Authority cited: Sections 758, 790.10, 12921 and 12926, Insurance Code. Reference: Sections 758 and 790.03, Insurance Code.



Adopt Section 2695.82. Questionnaire for the Standardized Labor Rate Survey.

### QUESTIONNAIRE FOR THE STANDARDIZED LABOR RATE SURVEY

To: (Auto Body Repair Facility)

From: (Insurance Company name, address,  
telephone number, email address)

**Instructions:** We are conducting a survey of auto body repair labor rates for all auto body repair shops in your area. Please ensure that this questionnaire is completed by an authorized representative of the auto body repair facility to which it is addressed, and returned to [Insurance Company] at [insert address] no later than [insert due date]. If the information is not complete, the survey may be rejected.

**FAILURE TO COMPLETE THIS QUESTIONNAIRE IN FULL MAY RESULT IN ITS EXCLUSION FROM THE AUTO BODY LABOR RATE SURVEY FILED WITH THE CALIFORNIA DEPARTMENT OF INSURANCE. HOWEVER, YOU ARE NOT REQUIRED TO COMPLETE THIS SURVEY. IF YOU CHOOSE NOT TO COMPLETE THIS SURVEY, OR IF YOUR SHOP IS NOT ELIGIBLE TO PARTICIPATE IN THIS SURVEY, PLEASE RETURN IT TO US FOR OUR RECORDS. IF YOU CHOOSE TO NOT COMPLETE THIS SURVEY, PLEASE CHECK THE FOLLOWING DECLINATION:**

**I DECLINE TO PARTICIPATE IN THIS SURVEY:** \_\_\_\_\_

**Question 1:** The survey may only use labor rates of auto body repair shops registered with, or licensed by, the California Bureau of Automotive Repair as an auto body and/or paint shop. Is your shop duly registered or licensed as an auto body and/or paint shop with or by the California Bureau of Automotive Repair?

YES \_\_\_\_\_ NO \_\_\_\_\_

If you answered Yes to question 1, please provide your license number with the California Bureau of Automotive Repair \_\_\_\_\_.

If you answered No to question 1, stop here, proceed to declaration to complete your survey and return the survey questionnaire to us.

**Question 2:** We may only use labor rates in a survey reported by auto body repair shops that meet certain specific standards. Please confirm below whether you meet all of the following specific standards:

In order for a shop labor rate to be used in a survey it must:

1. Meet all equipment requirements for auto body repair shops, as required by the Bureau of Automotive Repair and as described in California Code of Regulations, Title 16, Division 33, Chapter 1, Article 6, Section 3351.5, Equipment Requirements for Auto Body Repair Shops, and any amendments thereto;

2. Have proof of garage keeper's liability and workers' compensation insurance or equivalent;
3. Have electrical or hydraulic equipment capable of making simultaneous multiple body or structural pulls;
4. Have a spray booth that meets current federal, state and local requirements;
5. Have the ability to complete and verify four-wheel alignment through computer printout either from an in-house alignment system with at least one technician that is certified or qualified or by utilizing a qualified sublet provider;
6. Have the ability to (1) remove and reinstall frame, suspension, engine, and drive train components, or (2) use a qualified sublet provider;
7. Have the ability to evacuate, reclaim, and recharge vehicles air conditioning system using EPA compliant in-house equipment and certified technicians or use a qualified sublet provider; and
8. Subscribe to a provider of structural specifications with periodic updates covering the vehicle structure for the make, model, and year of the vehicle(s) being repaired and wheel alignment specifications for the make, model, and year of the vehicle(s) being repaired.

**I confirm that this auto body repair shop meets all of the above standards:**

YES \_\_\_\_\_ NO \_\_\_\_\_

If you answered **NO** to question 2, stop here, proceed to declaration to complete your survey and return this survey questionnaire to us.

**Question 3: Hourly Rate Charged** – Please indicate the hourly rate charged by your facility for non-Direct Repair Program or other non-discounted auto body repair work for each category of repair identified below.

(a) Auto Body/Sheet Metal Labor Rate: \_\_\_\_\_ per hour.

(b) Structural Labor Rate: \_\_\_\_\_ per hour.

(c) Frame Labor Rate: \_\_\_\_\_ per hour.

(d) Mechanical Labor Rate: \_\_\_\_\_ per hour.

(e) Refinish Labor Rate: \_\_\_\_\_ per hour.

(f) Aluminum Repair Labor Rate: \_\_\_\_\_ per hour.

(g) Carbon Fiber Labor Rate: \_\_\_\_\_ per hour.

(h) Fiberglass Labor Rate: \_\_\_\_\_ per hour.

**Question 4:** Does your repair shop have a contract or agreement with this insurer to perform repair work for a discounted rate or other considerations in exchange for referrals by the insurer?

YES \_\_\_\_\_ NO \_\_\_\_\_

If you answered YES to Question 4, you may not include discounted rates in your response to Question 3, above. Your response to Question 3 must only reflect the hourly rate charged by your facility for non-Direct Repair Program or other non-discounted auto body repair work for each category of repair identified.

**PLEASE MAKE A COPY OF THIS SIGNED AND COMPLETED QUESTIONNAIRE FOR YOUR RECORDS AND MAIL TO THE ADDRESS SHOWN ON THIS QUESTIONNAIRE**

**DECLARATION**

**By signing below, I declare that the information provided above is true and correct.**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Print Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_

**Email Address (optional):** \_\_\_\_\_

**Physical Address of Repair Shop:** \_\_\_\_\_

Note: Authority cited: Sections 758, 790.10, 12921 and 12926, Insurance Code. Reference: Sections 758 and 790.03, Insurance Code.

Title 10, Chapter 5, Subchapter 9, Article 7  
Direct Repair Programs and Labor Rate Surveys

**Amend Section 2698.91. Reporting Auto Body Repair Labor Rate Surveys.**

(a) For purposes of this Article, a ~~An~~ “auto body repair labor rate survey” or “survey” is any gathering of information by an insurer, or on an insurer’s behalf, from auto body repair shops regarding what auto body repair labor rate the repair shops charge, used to determine and set a specified prevailing auto body repair rate in a specific geographic area.

(b) For purposes of a survey conducted pursuant to California Insurance Code section 758(c), “~~P~~prevailing auto body rate” means the rate determined and set by an insurer as a result of conducting an auto body labor rate survey of auto body repair shops in a particular specific geographic area ~~and used by the insurer as a basis for determining the cost to settle automobile collision, physical damage, and liability claims for auto body repairs.~~

(c) For purposes of this Article, an “auto body repair shop” or “repair shop” means an automotive repair dealer, as defined in Section 9880.1 of the Business and Professions Code, registered with, or licensed by, the Bureau of Automotive Repair as an auto body and/or paint shop.

(d) Reporting of survey results.

(1) Public information. Any labor rate survey results reported to the Department of Insurance pursuant to Insurance Code section 758 shall include the following survey data, which will be made available to the public upon request:

(1A) The name and physical address of each auto body repair shop surveyed in responding to the labor rate survey;

(2B) The address of each auto body repair shop surveyed in the labor rate survey date the survey was completed;

(3C) The total number of shops surveyed in the labor rate survey;

(4D) The prevailing auto body rate established determined and set by the insurer for each geographic area surveyed or, in the case of a survey that is intended to comply with the standards and requirements set forth in subdivision (d) of Section 2695.81 (i.e., a “Standardized Labor Rate Survey”) and to be used pursuant to subdivision (e) of Section 2695.81, the prevailing auto body rate for each type of labor listed in subdivisions (d)(8)(A)3.a. through (d)(8)(A)3.h. of Section 2695.81 determined and set by the insurer for each Geographic Area (as defined in subdivision (d)(8)(A)4. of Section 2695.81) surveyed;

(5E) A description of the specific geographic area covered by each prevailing labor rate reported; or, in the case of a survey that is intended to comply with the standards and requirements set forth in subdivision (d) of Section 2695.81 (i.e., a “Standardized Labor Rate Survey”) and to be used pursuant to subdivision (e) of

Section 2695.81, a statement to this effect, together with a description of any geographic areas where a survey will not be used to quantify the labor rate component of estimates of repair prepared pursuant to Section 2695.8; and

(6F) A description of the formula or method the insurer used to calculate or determine the specific prevailing auto body rate reported for each specific geographic area.

(2) Removal of nonpublic information. Any confidential information not required by this section should may be removed from the labor rate survey results prior to submitting the survey to the Department of Insurance.

(d) Insurers shall send the results of their labor rate survey to the Market Conduct Division of the Department of Insurance.

(e) Insurers shall submit the results of their labor rate survey to the Custodian of Records of the Department of Insurance within thirty (30) calendar days of completing the survey.

(1) A survey is complete when the insurer has compiled all the results and completed a survey report.

(2) In cases where the survey data used by an insurer is changing on a regular basis, the survey shall be submitted no less frequently than annually.

(3) The Department may require that the survey data specified in subdivision (d) of this Section 2698.91 be submitted in a standard electronic or other format usable by the Department in order to publish survey data on the Department's public website.

(e) (f) The Department of Insurance will make the survey data specified in subdivision (d) of this section reports available to the public upon written request to the Custodian of Records pursuant to the California Public Records Act.

(g) The following non-public information shall be included separately from the public information in any survey submitted to the Department:

(1) the name and physical address of each shop sent a survey, but that did not respond to the survey;

(2) a copy of the survey questionnaire used to survey the auto body repair shops;

(3) the definition and description of each geographic area surveyed;

(4) in the case of a survey that is intended to comply with the standards and requirements set forth in subdivision (d) of Section 2695.81 (i.e., a "Standardized Labor Rate Survey") and to be used pursuant to subdivision (e) of Section 2695.81, the name of any shop excluded from the survey pursuant to subdivision (d)(2) of Section 2695.81, and any information the

insurer has obtained indicating that the shop does not meet the standards set forth in subdivisions (d)(3) and/or (d)(4) of Section 2695.81;

(5) The name, physical address of record, and license number as recorded with the Bureau of Automotive Repair, of each shop that responded to the survey and that is a member of the insurer's Direct Repair Program, as defined in Section 2698.90. In addition, in the case of a survey that is intended to comply with the standards and requirements set forth in subdivision (d) of Section 2695.81 (i.e., a "Standardized Labor Rate Survey") and to be used pursuant to subdivision (e) of Section 2695.81, the statement required by subdivision (d)(6) of Section 2695.81, for each shop in the insurer's Direct Repair Program whose rates are used in the survey; and

(6) The labor rates reported by each shop that responded to the survey.

(h) Upon request, the Department shall have access to all survey responses, other survey records, data, computer programs, or any other information used by the insurer or any other source to develop the survey and/or determine geographic area labor rate information. The fact that information, data, or records used or relied upon by a licensee are obtained through a third-party source shall not absolve the licensee of its responsibility to provide the Department with the requested information. The licensee shall ensure that any contracts it enters into with a third party to conduct these surveys does not conflict with this requirement. This information will be held confidential pursuant to the provisions of subdivision (f) of Section 2695.81. All survey records, questionnaires, and all other information regarding the survey shall be maintained by the insurer for a minimum of five years.

(i) Nothing in this section shall be construed to prohibit an insurer from negotiating and/or contracting with an auto body repair shop for a labor rate that is higher or lower than the prevailing auto body rate.

(j) Nothing in this section shall be construed to require an insurer to conduct an auto body repair labor rate survey.

(k) The fact that an insurer has submitted a labor rate survey pursuant to this section shall not be construed to indicate, and an insurer shall not represent, that the Department has approved the survey for use in settling and paying claims or that the Department has made a determination that the survey data is accurate and reliable.

Note: Authority cited: Sections 758, 12921 and 12926, Insurance Code. Reference: Section 758, Insurance Code; sections 6250-6276.48, Government Code.