

**DEPARTMENT OF INSURANCE**

CONSUMER SERVICES AND MARKET CONDUCT BRANCH  
CLAIMS SERVICES BUREAU  
300 SOUTH SPRING STREET  
LOS ANGELES, CA 90013  
www.insurance.ca.gov



May 14, 2019

Jennifer Yeung  
European Motor Works, Inc.  
3030 Pullman Street  
Costa Mesa, CA 92626

Our File Number: [REDACTED]  
Regarding: IDS PROPERTY CASUALTY INSURANCE COMPANY

Dear Ms. Yeung:

This letter is in follow up to your conversation with Officer Rivero on May 1, 2019. We understand you have continued concerns that IDS Property Casualty Insurance Company (IDS) is not correctly reporting the labor rates that European Motor Works submitted to IDS on May 29, 2018. In addition, it is my understanding that you feel that IDS should pay your posted labor rate of \$65/hour for sheet metal work.

We have reviewed the information that the company sent you in its letter and enclosures dated April 23, 2019. In the cover letter, IDS agrees that European's surveyed rate for sheet metal is \$65 per hour. That is also the amount that IDS reported to the Department when it submitted its survey results. Please note that while \$65 per hour is European's posted and "surveyed rate" for sheet metal, that rate is different from the "prevailing rate" as calculated using the Standardized Labor Rate Survey Regulations (California Code of Regulations, Section 2695.81). A full copy of those regulations are attached for your convenience.

The Standardized Labor Rate Survey Regulations require that the prevailing rate be based upon the surveyed rates that are submitted by your shop and nearby shops that completed and returned the Labor Rate Survey Questionnaire to IDS. In the letter (with enclosures) dated April 23, 2019, IDS identified the responding shops that were included in European's Core geographic area as defined in the Standardized Labor Rate Survey Regulations. They also identified the responding shops that were included in the Peripheral geographic region as defined by those same regulations.

In its April 23, 2019 response, IDS provided you with the surveyed rate that each of those shops entered on their Labor Rate Survey Questionnaire. In order for a survey to comply with the Standardized Labor Rate Survey Regulations, the prevailing rate is determined by the labor rate at or below which a simple majority of surveyed shops charge in a specific Geographic Area.

As noted in the IDS attachment to its April 23, 2019 letter, the rate at or below which a simple majority of the surveyed shops in the Geographic Area to your shops charge for sheet metal is \$52/hour. Therefore, the prevailing rate (as calculated by the Standardized Labor Rate Survey Regulations) for sheet metal for European Motor Works is \$52/hour.

The Department of Insurance has confirmed that the process followed by IDS complied with the requirements outlined in the Standardized Labor Rate Survey Regulations (CCR Section 2695.81) when it calculated and applied a prevailing rate of \$52/hour for sheet metal work.

The Department has carefully reviewed the documentation used by IDS in the Standard Labor Rate Survey and we did not find any evidence to suggest that IDS misrepresented your surveyed rate. However, as noted above, the surveyed rate of a shop is different than the prevailing rate of that shop as determined by the regulations. Our review also did not find that the prevailing rate used to pay claims for work done by European Motor resulted in an unfair claim settlement.

Also, as described in the regulations, an insurer's use of a Standard Labor Rate Survey does not mean the 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.

In addition, the Department has been contacted by John Huetter with *Repair Driven News*. Mr. Huetter suggests that you advised him that the Department refused to provide you with the calculation used by IDS. To be clear, the Department has never refused to provide you with the calculation used by IDS. In fact, IDS already provided you with a detailed breakdown of how it calculated its prevailing rates for your shop (as described above). Based upon your communications with the Department, there appears to be a misunderstanding as to the difference between a surveyed rate and a prevailing rate.

Ms. Yeung, we thank you for allowing us to clarify this matter. If you have any further questions about your case, please contact me. If you have questions about other insurance-related matters, a good source of information may be found on our internet website at [www.insurance.ca.gov](http://www.insurance.ca.gov); or you may call our toll-free Consumer Hotline at 1-800-927-HELP (4357).

Very Sincerely,

*Jeffrey Sroufe*

Supervising Insurance Compliance Officer

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Please refer to our file number when responding.