



# Commonwealth of Massachusetts

Report of the

# Special Commission

on

# Auto Body Labor Rates

December 30, 2008

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### **Introduction**

Section 108 of Chapter 182 of the Acts of 2008 created a special commission (“Commission”) to study auto body rates by reviewing existing practices in the setting of labor rates, and examining the costs and benefits of options including creation of a rate setting system, a tiered rating system for repair shops, an average national hourly payment rate and the use of a cost of labor multiplier developed from data supplied by the Department of Labor. The Commission’s report must also include the number of auto body shops in Massachusetts from 2000 until present, including the number of shops that closed during that time.

The Commission consists of the following 11 members: Chair Daniel C. Crane, Undersecretary of the Office of Consumer Affairs and Business Regulation; Senator Stephen Buoniconti, Co-Chair of the Joint Committee on Financial Services; Senator Robert Hedlund, Designee Senate Minority Leader; Representative Ronald Mariano, Co-Chair, Joint Committee on Financial Services; Representative F. Jay Barrows, Designee House Minority Leader; David Krupa of Safety Insurance Company; David Bartlett of Travelers Insurance Company; David Antocci of Commerce Insurance Company; Richard Starbard of Alliance of Automotive Service Providers/Rick’s Auto Collision; Thomas Ricci, Central Mass. Auto Rebuilders Association/Body & Paint Center; and John Santilli, Sr. of The Cadillac/Nissan/Dodge Center, Inc.

As mandated by St. 2008, c. 182, §108, the Commission held two public hearings, one in Worcester on October 9, 2008 and one in Boston on November 13, 2008. Both hearings were well attended by auto body repair shop and insurance company representatives. The Commission is charged with submitting a report of its study, including any legislative or regulatory recommendations with the clerks of the senate and house of representatives, to be forwarded to the joint committee on financial services not later than December 31, 2008.

### **History of Auto Body Rates**

Beginning in the late 1970s and continuing until 2008, the commissioner of insurance fixed and established motor vehicle insurance rates for the commonwealth. As part of the rate setting process, the commissioner considered a variety of factors, including accident rates, insurance company profits, losses, claim payments and expenses. In the proceeding to fix and establish the rates for 1986, the State Rating Bureau of the Division of Insurance (“SRB”) introduced a study by an outside consultant who determined that the system permitted, if not actively encouraged, gross overpayments

to automobile repair shops and included no incentives to lower the cost of repairs<sup>1</sup>. The consultant concluded these overpayments were caused in part by the companies' paying repair shops directly for repairs, and the lack of incentive for insureds to shop for repairs based on price, thereby limiting competition between shops. The commissioner determined that evidence was insufficient to quantify a reduction in premiums for that year but expected that the parties address the issue in the 1987 rate proceeding.

Prior to the 1987 proceeding to establish private passenger automobile insurance rates, the legislature enacted Ch. 622 of the Acts of 1986, entitled An Act Relative to Automobile Insurance Rates ("Act"). The Act amended the statute regarding the procedures for fixing and establishing rates by requiring that the commissioner determine whether insurance companies used adequate programs to control costs and expenses in order to reduce costs and lessen premiums. The commissioner's determination was to be based on information filed by the rating organization of the automobile insurers. If the industry made no such filing, or the filing was deficient or the industry's programs inadequate to control costs, the Act required the commissioner to limit the amount of any adjustment in premium charges based on changes in costs and expenses.

In the proceeding concerning 1987 rates, the SRB requested an updated study from the same consultant employed for the 1986 rate proceeding. The commissioner found that the 1987 study reinforced in all respects the prior year's report, and that the consultant noted that the Massachusetts labor rates were the highest in the country with the exception of Alaska and San Francisco. To the commissioner, it appeared the insurance companies had done nothing to make the labor rate aspect of the repair process more competitive. The commissioner found that the companies' passivity was unacceptable under the Act, and ordered a three percent reduction to physical damage and collision premiums.<sup>2</sup> In the decision on rates for 1988, the commissioner again found the companies failed to show adequate cost containment efforts regarding body shop payments and ordered the same adjustment as in the proceeding for 1987 rates.<sup>3</sup>

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<sup>1</sup> Decision on Motor Vehicle Insurance Rates for 1986, at 33.

<sup>2</sup> Decision on Motor Vehicle Insurance Rates for 1987, at 56.

<sup>3</sup> Decision on Motor Vehicle Insurance Rates for 1988, at 153.

In November, 1988<sup>4</sup>, the legislature passed a law allowing companies to file plans with the commissioner pursuant to which companies could pay insureds directly for the loss or damage to their vehicles prior to the companies' receiving a completed claim form stating that the repair had been completed. The amended law also permitted the commissioner to require that any such plan provide insureds with a list of five repair shops, convenient to the insured, that would complete the repair for the amount stated and to guarantee the quality of the repair. A company could not require, or steer, any insured to any particular repair shop. A court decision in 1987 also permitted a carrier to provide a list of quality repair shops to insureds on the request of the insured.

The Decision on Motor Vehicle Insurance Rates for 1989 discussed the impact of approved repair shop referral programs under both the court decision and the 1988 legislation. The decision notes that several companies were able to reduce the labor rate paid to auto body shops, and that the use of referral programs should assist in containing future costs. Based on information in the hearing record, the commissioner ordered a ten percent reduction to the pure premiums for property damage liability, collision and comprehensive coverages.

For several years thereafter, the cost containment proceedings focused almost exclusively on fraudulent claims payments and did not discuss auto body rate issues in detail. No further reductions were ordered in response to allegedly excessive labor rates.

In the proceeding to fix and establish the 2001 auto insurance rate, the Central Massachusetts Auto Rebuilders Association ("CMARA") attempted to intervene in the rate setting proceeding to consider whether the industry's rate filing adequately addressed whether auto body shop labor rates were reasonable, alleging that the industry did not consider whether the labor rates were unreasonably low. CMARA requested that the commissioner determine whether the industry was making an effort to ensure labor rates were reasonable, what a reasonable rate might be, or what a reasonable range of rate might be. The commissioner denied CMARA's request to intervene, determining that the issues CMARA sought to resolve were outside the scope of the insurance rate proceeding. CMARA was permitted to submit evidence and testimony regarding whether labor rates were reasonable. Since that time, the body shop industry made no other attempts to intervene in rate setting proceedings. Many of

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<sup>4</sup> St. 1988, c. 273, §51

the subsequent cost containment rate proceedings settled by stipulation of the parties and did not discuss auto body rates in significant detail.

Beginning with policy year 2008, the commissioner of insurance determined that competition was sufficient in the auto insurance market to preclude the setting of rates going forward. Instituting a managed competition system, the commissioner issued guidelines for companies to set their own rates. She gave no specific guidelines regarding auto body rates.

### **Public Hearings**

The Commission held two public hearings to receive comment from interested parties. The first hearing was held on October 9, 2008 at the Worcester Public Library. The second hearing was held on November 13, 2008 at the Division of Insurance in Boston.

#### **The Worcester Hearing**

Ten parties submitted oral and written statements, and three submitted only oral statements. Of the thirteen people submitting comments, twelve represented individual auto body repair shops or auto body repair shop trade groups, and one party represented an auto insurance industry trade group.

The representative from the insurance industry submitted that auto body labor rates in Massachusetts are comparatively low, but the time it takes for shops to complete repairs is longer than the nationwide average. He also pointed out that, under the fix and establish auto insurance rate setting process, the industry was penalized for not containing auto repair labor rates, which contributed to the stagnation of labor rates. Under the managed competition system now in place, he suggested that this new structure is a model for modernizing other aspects of the auto insurance market, including repairs to damaged vehicles. Any new state structure to prescribe labor rates as currently proposed in certain legislation would be harmful to managed competition and a step backwards and a deterrent to insurance companies entering the Massachusetts market. The industry representative believes that market forces under managed competition will resolve any issues concerning labor rates.

Auto body shop representative comments reflected common themes. All commented that labor rates have stagnated and have not kept pace with increased costs of doing business, such as employee wages, health insurance costs, machinery upgrades and property costs. Several representatives testified that the stagnation in wages is leading to a drastic reduction in the number of young technicians entering the field and leading to an aging, less productive workforce. One party submitted appraisals showing the labor rate authorized by an insurer in 1988 was \$30 per hour, and the rate

authorized in 2008 was just \$35 per hour. Rates for paint and materials more than doubled in those same 20 years. Another party submitted statistics showing that the majority of students graduating from technical schools in auto body programs leave the business within a few years of graduation.

Several representatives also testified to the benefit of tiering body shops by state-sanctioned standards for safe collision repair services. Higher tiered shops would be compensated at a higher level, and lower tiered shops at a lower level. The auto body shops believe this will lead to higher consumer satisfaction with repairs and would be less of a burden on insurance companies in that the companies would not have to become involved in appeasing customers whose vehicles were repaired in shops that were not well equipped or that lacked properly trained technicians for the required repairs.

Some members of the auto body shop representatives feared the suppressed labor rates could lead to shops being forced to repair vehicles in a different manner than the shop would consider safe for the consumer. Additionally, the low wages in the industry cause many of the best, most talented technicians to leave the business. This too could compromise consumer safety.

#### *The Boston Hearing*

Twenty-five people provided oral testimony. Most of those also submitted written testimony. Others submitted only written testimony. A total of twenty-five parties submitted written statements.

The themes expressed at the Boston hearing were similar to those expressed at the Worcester hearing. Most of those submitting statements were representatives of the auto body shop industry. The lack of any meaningful increase in the auto body repair labor rate paid by insurance companies over the past twenty years was repeated by almost every person submitting oral or written testimony on behalf of auto body shops. By all accounts, including those of the insurance industry, the labor rate paid to auto body shops in Massachusetts is below the national average rate. Whatever the process is for setting the current labor rate, noted several repair shops, it has led to an inadequate rate requiring an immediate increase.

Several people also noted the discrepancy between the labor rate paid for mechanical repairs versus that paid for body work. Most attributed that discrepancy to the fact that auto body repair work is generally paid by insurance companies after motor vehicle accidents while consumers pay for most mechanical work. Several other representatives of auto body shops noted that the reimbursement rates for police ordered towing of vehicles has increased significantly in the past few years, now set at approximately \$90 per tow, a rate that is set by the Department of Public Utilities. One speaker

mentioned that a lawn mower repairer receives \$89 per hour for his labor. Most of those who own shops reported that the low labor rate impacts their ability to upgrade their facilities and buy the new technology needed to repair today's more complicated vehicles, and some reported having lost employees over the past few years through attrition or lay-offs and not being able to replace them due to inadequate labor rates.

The auto body representatives also disputed that any actual negotiation takes place with insurance companies regarding rates. According to the auto body shops, the insurance company says what rate they will pay, and that is what the shop is forced to accept. While there is nothing legally prohibiting a repair shop from billing the customer in excess of the reimbursement rate set by the insurance companies, few auto body shops engage in this practice, preferring to maintain the goodwill of their customers. Several of those submitting statements noted that increasing the auto body labor rate to the national average would increase the average insurance premium by \$22.50. Auto body shops argue that such an increase is minimal and raising the rate to the national average should be considered.

Several speakers also pointed to the aging of the auto body repair workforce, and the inability to attract younger workers to the trade due to low wages. Those younger workers currently in the field are leaving to pursue more lucrative trades, and fewer students are enrolling or staying in the auto body repair courses offered at the high school level.

A number of auto body shop representatives spoke to the benefit of tiering auto body labor shops, so that better equipped and talented shops would be reimbursed at a higher rate than those shops. This, they argue, would encourage shops to invest in their businesses, obtain up to date equipment and hire the most talented technicians. A number of auto body representatives, when asked about the recent return of the Massachusetts automobile insurance industry recently returning to a more competitive system, stated that setting a new, mandatory labor rate immediately and then allowing competition to work in the auto body market would be acceptable.

Several representatives from the automobile insurance industry submitted statements. They pointed out that the labor rates became suppressed after the promulgation of the Cost Containment regulation by the Division of Insurance during the years the private passenger automobile insurance rates were fixed and established by the commissioner. All industry representatives also acknowledged the stagnation in the auto labor rates over the past several years, though several again pointed to the increased time taken to repair vehicles in Massachusetts makes the average cost to repair a vehicle in



the state just slightly less than the nationwide average to repair a vehicle. The issue of the labor rate cannot be separated from the repair time, according to the insurance industry. If the labor rate increases but the time to repair does not decrease, consumers will pay more without receiving increased services.

The insurers also cite the referral shop programs authorized by the legislature in 1988 as a reason for the lower labor rates. Under those programs, consumers may choose a repair shop off a list provided by their insurance company, and if they choose a preferred shop, the insurance company guarantees that the repair will be done for the price quoted as well as the quality of the repair work. In order to be on a referral list, a repair shop and the insurance company must agree on the labor rate to be paid to the shop. One insurance company stated that 75% of the vehicles it reinspected after repair were not repaired in accordance with the negotiated terms, requiring additional work. Both industry and auto body representatives agreed that this issue is worthy of further consideration.

Insurance industry representatives all oppose the return to any type of labor rate setting by the government, citing to the recent decision to return the automobile insurance industry to managed competition. Massachusetts was the last state in the nation to stop setting the auto insurance rates, and no other state sets auto labor rates. Establishing a new commission and procedure to set auto labor rates is a step backwards in the eyes of the insurance industry. Most insurance industry representatives want to allow the managed competition market for automobile insurance to work on auto body labor rates. Returning to a system of any type of rate setting might signify that managed competition is not working, and could have a detrimental impact on the fledgling competitive market.

Insurance representatives also noted that consumers are still able to find auto body shops to repair their vehicles for the prices approved by the insurance companies. In the free market, when consumers can no longer find shops to repair their vehicles for the amount of the insurance company's appraisal, the labor rate increases.

The insurance industry also noted that the bureaucracy inherent in setting up a process to "tier" auto body shops would be expensive, costly, time consuming, fraught with difficulty and the potential for litigation. A shop that disagrees with its placement on a certain tier could sue, resulting in high expenses and delays. The tiering classifications would need regular updating to keep pace with advances in technology, and the monitoring and enforcement requirements of such a tiering program would be expensive. The insurance industry questioned the tier on which appraisals would be made, noting that appraisals made on the highest tiered rate could cause insureds to have the repairs done at a

lower tiered shop and to pocket the difference in the reimbursement from the insurance company. Appraisals done on a lower tier would result in inadequate appraisals.

The insurance industry also notes that increasing the auto body labor rate dramatically would directly increase the cost to repair a vehicle, leading to more vehicles declared total losses as the cost to repair the vehicle would exceed the value of the vehicle. This in turn would result in fewer vehicles to repair, costing the auto body shops business. The past several years have seen a dramatic decrease in the number of motor vehicle accidents resulting in body damage, thereby reducing the amount of work available to shops. The number of auto body shops, however, has not dramatically decreased leading to less work and revenue for any individual shop.

None of those submitting statements on behalf of the auto insurance industry advocated for the setting of auto body labor rates. Rather, consensus is that the newly competitive auto insurance market be allowed to play out and have the free market set the rate.

### **Conclusions**

There is no dispute that the auto body labor rate has not kept pace with increases in the labor rates in similar industries. The question is what, if anything, needs to be done at this time to remedy the situation. Those in the insurance industry advise a wait and see posture, to allow the managed competition of the Massachusetts private passenger automobile insurance market to determine the appropriate auto body labor rate. Those in the auto body business, however, feel that an increase in the labor rate is so overdue as to necessitate an immediate increase. Below are separate comments submitted by those in the insurance industry and the auto body repair industry.

### **Insurance Industry Representatives Conclusions**

Data presented in the hearings showed that while body shop labor rates paid in Massachusetts are lower than those paid in other states, the number of labor hours in an average repair is the highest in the nation such that the average collision repair cost is about equal to that of the national average. There are a number of factors that should be considered before any serious thought is given to “regulate” the manner in which labor rates are “set” for purposes of payments to auto body shops for insurance related repair work. Massachusetts is just now emerging from years of a highly regulated auto insurance market. Within the past year “managed competition” has found its way into the Massachusetts auto insurance market. Within the past few months, old Cost Containment regulations that significantly curtailed market-driven changes in the labor rate have been repealed. In addition, in early September, changes to 212 CMR have enabled insurers and repairers to work more efficiently

and directly with each other than they have at any time in the past 30 years. The effect of these significant, fundamental changes has not as yet matured and undoubtedly more reforms will follow as a result of the deregulation of the auto insurance rates. This will happen, however, only if further distorting regulation can be avoided, such as a government-set body shop labor rate.

The fixed and established rate setting mechanism used to set the auto insurance rates in Massachusetts for the last thirty years led to other price and market distortions. This government insurance rate price-setting allowed, in part, the supply of body shops in Massachusetts to remain largely unchanged in proportion to a sharp decrease in physical damage claims in the past six years. This decline in demand and oversupply of shops has led to a relative stabilization in the labor rates. Fixing labor rates higher than a free market rate is a government mandated subsidy to inefficient body shops that leads to a continued imbalance between the supply of body shops and the demand for collision repair.

With a competitive automobile insurance system in its infancy, several components comprising the premium dollar, including the body shop labor rate, that have been so heavily regulated will need time to react to the new competitive landscape. The best method for allowing the system to develop into a healthy market is to provide time for it to recover and to achieve equilibrium within the context of competitively set auto insurance rates. To force the labor rate into a fixed and established rate setting mechanism is not advisable, as it comprises such a sizable component of the auto insurance premium that much of the premium dollar would once again be fixed by the state. The market should be given time to work to find equilibrium for the mutual benefit of shops, insurers and most importantly consumers.

An economist from Cornell University testified about significant economic concerns in connection with establishing a state-set labor rate. She pointed out that such rates are highly inefficient and lead to a mediocre work product. She also urged the Commission to refrain from the temptation to fix the rate in the short term and then release it to competitive forces, reflecting that once regulated, a market is very challenging to de-regulate. Testimony was also presented about how competitive labor rate markets behave in other parts of the country and with specific examples of large states in the northeast where insurance companies regularly survey shops and negotiate acceptable rates and repair times for quality work. The Massachusetts market is now positioned for this type of competitive behavior to begin.

Because of the price and market distortions ushered in by years of over-regulation of the auto insurance rate, the issue of the labor rate cannot be separated from that of repair hours. A few examples of this distortion will be mentioned here. Numerous insurers provided statistics establishing that the number of hours in an average repair in Massachusetts is by far the highest in the country. One insurer testified that, with the Cost Containment focus on labor rate, cost shifting by repairers is in part responsible for the increased number of repair hours in Massachusetts. Forensic reinspections completed by this insurer demonstrated a significant number of vehicles reinspected were not repaired in accordance with the negotiated appraisal and supplement. This insurer stated it had met with the leaders of the various Massachusetts auto body associations on the issue and had expressed that this is one of the variables present in today's Massachusetts repair shop environment that has kept the labor rate at its current level over the past few years.

While the absolute value of the labor rate has risen only modestly over time, the total cost of repairs in Massachusetts has kept pace with the national average cost of repair. Insurers regularly negotiate with shops over the cost of repair and with shops that employ those with specialized skills for certain types of repairs. Insurers also negotiate with shops over procedures that shops claim need to be done to put the car in pre-accident condition. Sometimes these repairs are performed and sometimes they are not. There is a wide variety of reasons the repairs may not have been completed, but the insurers and consumers have little to no recourse against the shop for failing to complete the negotiated procedures, as the reinspection form called for by the Direct Pay Plan regulations specifies only that "repairs" were made, not that they were performed in accordance with the company's appraisal of the damage observed.

The testimony adduced at the public hearings also covered two areas where true competition for business has existed for body shops in the current market. The first is in the area of high-end specialty vehicles. Currently there are some vehicles that require certified shops to purchase parts and complete repairs. These shops have made the investment in equipment and training and are, therefore able to negotiate a substantially higher labor rate as a result of their investments. The second is in the area of rental, municipal and other fleet repairs where body shops compete against one another for business. Documentation presented demonstrated that when shops compete for these repairs, they complete those repairs at labor rates significantly lower than current insurance labor rates. Body shops are performing these repairs for \$25 to \$28 per hour and providing parts price discounts up to 30%. Currently, parts price discounts are not part of the insurance repair negotiations.

Insurance companies are competing for consumers' business for the first time in decades by providing innovative products and discounts for services and by managing their business relationships independent of direct state intervention such as the Cost Containment Regulation. The relationship between an insurer and a body shop is a business relationship that requires mutual understanding in order to negotiate labor rates and times that recognize the business realities of both industries. Creating another highly regulated environment will only deepen the mistrust that the fixed and established auto insurance rate setting mechanism fostered at the moment when both parties now have the potential to benefit from the innovation and partnership potential that they now have for the first time in decades.

The opportunities that these and other changes will afford both industries need to be nurtured and developed. The new way of doing business must also be measured and consistent, not regulated or mandated. A prudent course of action would be to monitor the repairer/insurer environment for the development of positive changes over the next year. During this timeframe, a committee of insurers and body shop representatives should continue to meet to discuss/review some of the most critical elements that were brought forth by the testimony provided by the many interested parties with the goal of bringing further regulatory change to enable the system to work as smoothly and efficiently in the free market we are moving into.

### **Auto Body Repair Shops Representatives Conclusions**

Immediate relief is needed through legislation that sets minimum rates for qualifying repairers that is relative to Massachusetts. This legislation must also have a provision that puts in place a mechanism for future review and adjustments. There is also no dispute that the average number of labor hours in an average repair is by far the highest in the nation. The reason for higher labor hours however, is most likely attributed to more parts being repaired versus replaced. It is simply more cost-effective to repair parts when labor costs are far below that of the national average than it is to replace them. Labor hours to repair panels are much higher than hours needed to replace them. All appraisers in the Commonwealth are held to the strict guidelines included in 212 CMR. Any attempt to artificially inflate labor hours would constitute a clear violation of that regulation. Many of the insurance representatives testifying at the hearings were asked if their appraisers pay for procedures or for items that were not necessary, they all responded "no". All appraisals written by licensed auto damage appraisers in the Commonwealth must be sworn to under the penalties of perjury pursuant to

212 CMR 2.02 (5). Any changes to labor hours are only included in judgment times. These judgment times represent only a few lines in the content of an appraisal.

While the insurance industry makes a compelling argument against regulating hourly rates paid to the repair industry, the repair industry feels that “cost containment” is used as the primary scapegoat for keeping rates stagnant for the past twenty years. In fact, at a public hearing held before the Legislature’s Insurance Committee in 2004, regarding a bill filed on behalf of the Massachusetts Auto Body Association seeking regulation for rates paid to collision shops, an insurance industry lobbyist testified that “the Commonwealth should not be in the business of setting rates of body shops”. When pressed by a senate representative of the committee how rates should be set, he replied “the free market system”. When asked if the free market system currently sets the rate, he responded, “perhaps the system is a bit flawed”. He went on to state that the free market system should be allowed to work properly; he never mentioned “cost containment” in his testimony. The insurance committee took his advice and did not act. Four years after that request to wait for the free market to work, nothing has changed. The fact remains, the free market does not work and will not work when a third party responsible for payment infiltrates and attempts to control the relationships and agreements between the consumer and their chosen repairer. With notes on appraisals and correspondence to consumers that state: “This damage appraisal was written at a market labor rate. If your repairer charges more than this rate, you will be responsible for the additional cost”. This market labor rate was not set by those performing the labor.

The collision industry urges the legislature to pass legislation that includes the major provisions in the original Auto Body Labor Rate Bill, H1085. We believe that testimony offered during the recently concluded hearings proves, without a doubt, that waiting for the forces of a free market to develop for labor rates will not solve the problem that virtually all witnesses acknowledged. We feel the nature of the market for labor rates is controlled so tightly in all aspects by one party – from the initial appraisal to the final payment, and all actions in between – that no force, except for the force of law, can be a counterbalance to that control. In simple terms, the insurance industry is the only party that can change the situation and, because it holds the ultimate power as the payer, fair and meaningful labor rate reform will not take place without the force of law.

Therefore, we request that the legislature adopt a tiered rating system for registered collision shops as well as minimum allowable amounts for those rated shops for all categories of labor to be determined by using the national average and indexing it to the Massachusetts labor market according

to a multiplier that would be determined from reports from the Bureau of Labor Statistics of the US Department of Labor. Further, we recommend that all of the above actions be regulated, managed, and executed by an autonomous commission of the commonwealth that is fully funded by fees paid by the collision industry and the auto insurance industry, according to the provisions in the original legislation, and that labor rates for rated shops be reviewed and updated at least every three years according to the above formula.

### **Recommendations**

1. The Commission recommends that as soon as the data for auto body labor rates through June 30, 2009 becomes available, the General Court should review it to determine what effect, if any, the implementation of managed competition has had on the auto body labor rate paid by insurance companies to auto body shops located in Massachusetts. The representatives of the auto insurance and auto body industries agree that the CCC Information Service's "Crash Course" and Mitchell International's "Industry Trends" reports will be utilized as the primary national source for labor rate statistics. The Commission also recommends that other sources of information such as Collision Repair Industry Insight as well as appraisals generated by insurers to consumers and or repairers to track movement in labor rates paid be utilized. These reports are produced quarterly and annually. They detail the average labor rate paid nationally and by state. Also included in these reports is the average number of labor hours per repair both nationally and by state.
2. The Commission recommends that the General Court then consider whether or not alternate methods, including legislation, are necessary to ensure that the labor rate insurers pay to auto body shops for repair of damaged motor vehicles is fair and reasonable as a result of the transition to managed competition in Massachusetts motor vehicle insurance.
3. The Commission recommends that representatives of the auto body repair shop industry meet bi-monthly with representatives from the motor vehicle insurance industry to discuss and identify best practices and any other actions that will improve the accountability and quality of services that both industries provide to consumers whose motor vehicles are damaged.

No table of contents entries found.**Appendix A**

Number of Auto Body Repair Shops  
2000 through 2008

Number of shops registered by the Division of Standards by year:

<u>Year</u>	<u>Number of Shops</u>
2000	1887
2001	1828
2002	2033
2003	1965
2004	1917
2005	1897
2006	1873
2007	1809
2008	1827

Number of shops with expiring registrations by year:

<u>Year</u>	<u>Number of Shops expiring</u>
2003	80
2004	87
2005	104
2006	92
2007	160
2008 to date	79



**Appendix B****Biographies of Commission Members****CHAIR***Undersecretary Daniel C. Crane*

Undersecretary Crane was appointed by Governor Deval Patrick to serve as Undersecretary of the Office of Consumer Affairs & Business Regulation on January 29, 2007. Undersecretary Crane is an attorney and former Bar Counsel for Massachusetts. Since admission to the bar in 1975, he practiced law with the firm Finn & Crane and has actively served in various Massachusetts legal associations and legal boards.

**2 STATE SENATE MEMBERS***Senator Stephen Buoniconti*

Co-Chair, Joint Committee on Financial Services

Senator Buoniconti has served as the Hampden District representative in the Massachusetts State Senate since 2005. Prior to being elected to the State Senate, Senator Buoniconti served over 12 years in public office. Senator Buoniconti comes from a legal background.

*Senator Robert Hedlund*

Senate Minority Leader appointee

Senator Robert Hedlund has served as the Plymouth and Norfolk County representative in the Massachusetts State Senate since 1994\*. Prior to his career in the State Senate, Senator Hedlund worked as a small business owner. He became president of Hedlund Motor Sales, Inc., a truck and fire apparatus repair business founded by his grandfather.

\*Senator Hedlund also served as a Senator for Plymouth and Norfolk County from 1991-1992 and was not re-elected in 1993.

**2 HOUSE REPRESENTATIVE MEMBERS***Representative Ronald Mariano*

Co-Chair, Joint Committee on Financial Services

Representative Mariano is the Massachusetts State Representative for the 3<sup>rd</sup> Norfolk District. Representative Mariano comes from an academic background, previously serving as an educator and member of the Quincy School Committee since 1989.

*Representative Jay Barrows*

House Minority Leader appointee

Representative Barrows is the Massachusetts State Representative for the 1<sup>st</sup> Bristol District, elected November 2006. Jay has also served as the President of the Tri-Town Chamber of Commerce and the President/Owner of Barrows Insurance Agency.

### **3 MEMBERS FROM THE AUTO INSURANCE INDUSTRY**

Appointed by AIB –Contact: Dan Johnston, President

*David Krupa*, Safety Insurance

David has been the Vice President of Claims with Safety Insurance Company for 18 years. David is also a one-year member of the Massachusetts Auto Damage Appraisers Licensing Board and a 14-year Chartered property casualty underwriter for The American Institute for Chartered Property Casualty Underwriters.

*David S. Bartlett*, Travelers Insurance

David is the Second Vice President of Travelers of Massachusetts with 23 years of P&C insurance claim experience with Travelers and 20 years of experience in management of appraisal operations in Massachusetts. In 2004 David testified at the Joint Insurance Committee of Massachusetts Legislature on appraisal reform.

*David Antocci*, Commerce Insurance

David is the Vice President of Claims at Commerce Insurance with 32 years of experience in the insurance industry, 23 of which have been with Commerce. Over the years, David has worked in the many disciplines of claim handling including casualty, workman's comp., property, physical damage, subrogation and SIU. David has also been a licensed Mass. Auto Damage Appraiser since 1978.

### **2 MEMBERS FROM THE AUTO REPAIRER INDUSTRY**

Appointed by Alliance of Automotive Service Providers – Contact: Peter Abdelmaseh, Executive Director

*Rick Starbard*, President, Alliance of Automotive Service Providers/ Rick's Auto Collision, Revere, MA

Rick has been President of Rick's Auto Collision, Inc. for 25 years and has been a Collision Repair Instructor at the Lynn Vocational Technical High School for 12 years. Rick has also served on several task forces and committees and is a Licensed Auto Damage Appraiser with the Massachusetts Division of Insurance.

*Tom Ricci*, President, Central Mass Auto Rebuilders Association/ Body & Paint Center of Hudson, Hudson, MA

Tom is the owner of Body & Paint Center, President of Central Massachusetts Auto Rebuilders Association (CMARA). He has been in the auto body repairs industry for 32 years.

**1 MEMBER WHO IS A MOTOR VEHICLE DEALER PURSUANT TO  
M.G.L. c. 93B, § 1**

Appointed by the Massachusetts State Auto Dealers Association – Contact: Robert O’Koniewski, Director of Legislative and Government Affairs

*John J. Santilli, Sr*, President of The Cadillac/Nissan/Dodge Center, Inc.

John has been the President/Owner of John Santilli’s Center for Automobiles for 26 years.

John has also been a member of several automobile manufacturers’ affiliations for over 10 years.

**Appendix C**

**Links to Public Hearing Testimony**

Worcester Hearing, October 9, 2008

[http://www.mass.gov/Eoca/docs/autobodyrates\\_written\\_testimony20081009.pdf](http://www.mass.gov/Eoca/docs/autobodyrates_written_testimony20081009.pdf)

Boston Hearing, November 13, 2008

<http://www.mass.gov/Eoca/docs/autobodyrates/writtentestimonies20081113meeting.pdf>