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NY Association Calls for End to Insurer Price Suppression Tactics

The New York State Auto Collision Technicians Association, (NYSACTA) issued a statement in the wake of completion of an Independent Economic Study for the Auto Body Industry in the State of NY.

NYSACTA is challenging all insurance companies to increase the allowance paid to auto body repair shops in NY State. NYSACTA explained that they want insurers to conduct business in the spirit of the NY State Insurance Regulation 64 by, "negotiating all elements of a claim, including labor rates fairly and completely," instead of using the current "price suppression tactics," alleged by NYSACTA being used by some insurance companies.

NYSACTA Executive Director, Ed Kizenberger said, "we have met with the State Insurance Department and NY State Attorney General (Democratic front runner for NY State Governor) Elliott Spitzer's office regarding concerns that Insurers are price fixing labor rates at the lowest possible rate. We also feel other violations are being committed creating an unfair claims practice environment."

Kizenberger continued, "for instance by using Direct Repair Shops (DRP) as a back-up source they [insurers] may indeed be in collusion creating an unfair trade and claims practice by coercing other non-DRP shops to accept low rates." NYSACTA President, Mike Orso said, "Some insurers hang their hat on supposed surveys, where results are secret. The questions include, "will you accept the rates we pay?" That question is not in the spirit of a survey, it's a take it or leave it question."

The study's results and recent insurance industry statistics indicate the lowest auto claims frequency in history while most insurers are enjoying record high profits. NYSACTA

is requesting that insurers implement an immediate increase in labor allowance of \$20.00 per hour across the board to any body shops that post their hourly labor rate. The recent spike in fuel and expected increases in energy cost for heating the cold Northeast shops this winter require this action now. The requested increase would bring the average body shop labor rate allowance to \$64.00/hr, within \$20.00 of the study's base conclusion. That study concluded that auto body labor rates in NY should be in the \$80-\$95 per hour range for typical auto body labor depending on where the shop is located. "Not unreasonable," says Orso, "considering typical mechanical labor rates."

NYSACTA also requests that insurers prepare to add an additional allowance of \$10.00 per hour by January 1, 2007 and thereafter adjust for annual increases of 3-5 percent to keep in line with the CPI or state index. Orso reflected that, "insurance profits are up. Claims frequency is down. Since premiums rise on average 5-7 percent annually the cost of an increase in labor rate is offset. The cost savings effect of safer cars, stronger laws regarding DWI, Cell Phones, seat belt use, safety systems and higher deductibles has resulted in lower accident severity and fewer claims, with injuries. Simply stated, lower property and personal injury costs along with other considerations mean insurer profits are exponentially up. The shops are paying a hefty price as insurers get fat."

Kizenberger claims that, "while insurers continue to tighten the financial noose on most Direct Repair Shops in their programs across the country, extreme pressure is being put on shops to reduce rates, allow deeper discounts and increase cycle time on an already strained industry infrastructure." Mike Orso said, "Desperate times create desperate people. I get calls from shops that are scrambling. They are DRP'd out. Techs are evaporating, costs have risen dramatically and mysteriously shop rates remain low. It doesn't take much to see that tainted surveys, unreasonable demands and coercion suppress the rates. Shops are sadly scrambling to stay afloat." Orso went on to say, "ultimately the consumers is suffering with unsafe, shoddy repairs."

Mike Orso feels, "there is and irony to these suppression tactics being used against consumers and shops." Orso

stated, "that testimony quoted from the *Texas HB-1131 hearings exposed some ugly facts." In that testimony, according to Orso, Allstate admitted that in an internal survey that Allstate "found (among other things), that quality at Sterling was below PRO standards in 60 percent of its stores." Sterling Auto Body Centers are a wholly owned subsidiary of Allstate. PRO is Allstate's nickname for Priority Repair Option, Allstate's direct repair program. Other testimony was recorded that, "despite these findings Allstate continued to refer its customers to Sterling."

Orso said, "The only logical conclusion is that Allstate was not looking out for its claimants and only cared about Allstate's goal of funneling work to its Sterling shops. That puts real people, vulnerable consumers, at the center of our issue. Claimants are falsely led to believe Allstate cares." The Allstate testimony further indicated how brownfield vs. greenfield shops differed. New ground up shops (greenfield) vs. acquired "mom and pop stores" (brownfield) as nicknamed by Allstate.

Orso said, "In the 1960's I can remember my father arguing with Allstate appraisers as they suppressed rates then. Allstate would refuse to pay \$8.00 per hour as shops were held at \$6.00 per hour. That's one reason the 1963 Consent Decree was developed and ordered. Fast forward to today and the same scenarios are here only now Allstate owns the shops. Orso feels, "The reason for "brownfields" is that some shops can't afford to invest because of the profit squeeze from labor rate suppression. Insurers created this situation themselves and now use it against the industry. It's time to correct it. I call on all insurers to do the right thing before eventually it costs \$250 per hour to repair a car."

Orso said, "insurers have a right to go out and make deals and it's the shops right to give away anything they want to make a deal for a DRP. However, if tomorrow the shop down the street makes a deal to give away right front fenders. I should not have to. Recent NY State Appellate Court's have found that, "insurers owe for fair market value in repairs." Key word is fair. I think its time for fair."



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