

"Your Massachusetts Auto Body Association"



February 5, 2020

Insurance Commissioner Anderson,

On behalf of the members of Alliance of Automotive Service Providers of Massachusetts (AASP-MA) and the Massachusetts collision repair industry, I am writing you to express our outrage at the rates Massachusetts insurers are reimbursing their insureds for collision repairs. Please allow me to cite some facts and pose some questions that we need answers to.

The current reimbursement labor rates paid by insurers to their policyholders in Massachusetts are the lowest in the United States, despite the fact that Massachusetts has always been, and will continue to be, one of the most expensive places in the country to live and operate a business. **Please explain to us how this makes any economic sense?**

Over the past thirty years, the reimbursement labor rate paid to Massachusetts insureds has increased by approximately 25%, which is equivalent to \$0.33/year!!! During that same time period, the Consumer Price Index (CPI) has increased by almost 120%. If labor rates had just kept up with inflation, the reimbursement rate to the policyholders would be approximately \$66.00/Hr. **How do you explain this?**

Insurers are reimbursing their policyholders from as low as 36.00/hr. (Vermont Mutual) to a high of 42.00/hr. (USAA) with all others falling somewhere in between. I would be surprised if any of the executives of these companies can get their lawn cut for 40.00/hour. Please repeat the following statement aloud and hold the thought: "Insurers expect us to repair these high-tech machines, guarantee the work, and assume all the liability for \$40.00 per hour". **Does this statement help you to better understand where our "outrage" stems from?**

Unlike every other state in the country, Massachusetts insurers have never conducted a survey to determine what the free market labor rate truly is. Why not? As a follow up, please tell us how these absurdly low labor reimbursement rates are established and substantiated by insurers? We ask that you require the insurers to provide current written documentation. **We also request that you provide a written explanation of your specific involvement in determining and allowing the intentionally suppressed rates to be held out as the "prevailing market reimbursement rate" to policyholders.**

Insurers adhere to and promote an archaic system to intentionally suppress the reimbursement rate. This archaic method artificially determines a reimbursement rate based on a fraction of the collision repair industry. This archaic system is not only misleading to insureds, it also borders on racketeering, coercion and intimidation. The artificially determined and suppressed reimbursement rate is a contract rate which insurers have jammed down our throats. Unfortunately, a small segment of collision repairers succumbed because insurers have promised

to “steer” work to them. Please be advised that virtually every repairer I talk to who does participate in a referral program feels forced to participate for fear of losing their longtime customers. The 1963 consent decree was enacted to protect consumers and the collision repair industry from the predatory tactics of insurance companies and limit their ability to gain undue enrichment at the expense of the insured. **Is the division of insurance aware of ongoing violations of the language and intent of the 1963 consent decree, or just ignoring it? As the current insurance commissioner, we ask how you can allow these obvious and ongoing tactics to continue rather than protect the insureds/consumers of Massachusetts. The division you oversee does come under the Consumer Protection Agency, does it not?**

The costs of operating a collision repair business have risen exponentially. Dramatic changes in vehicle technology require extensive on-going training, specialized tools, equipment, and OEM certifications that will help ensure that vehicles are repaired correctly with consumer SAFETY the number one priority. **How do you foresee policyholders being able to cover these on-going costs without a fair reimbursement labor rate paid to them?**

The collision repair industry is competing for talent with other trades (electricians, plumbers, mechanics, etc.) that routinely collect labor rates that are in excess of ninety dollars per hour. The auto body collision repair labor pool is virtually non-existent. We continue to lose valuable technicians to our neighboring states; Connecticut, Rhode Island and New Hampshire, where Massachusetts based insurers pay as high as \$55 per hour. There can be no doubt that the overriding reason for this dilemma is thirty years of labor rate suppression leading to sub-standard compensation, thus making it nearly impossible to attract and retain skilled labor. **As the insurance commissioner, how do you foresee solving this dilemma without addressing the core of the problem, which is the intentionally suppressed rate of reimbursement to the insured?**

The inequity of the reimbursement labor rate to insureds in our state is REAL and can no longer be ignored. Insurers need to reimburse their policy holders a labor rate that allows the individual collision repair facility to produce a quality repair that protects the consumer and returns a vehicle that is both safe for the owner and the motoring public in general.

AASP-MA has commissioned National Auto Body Research to conduct an on-going labor rate survey. As of today, 344 licensed collision repair facilities in the state have taken the survey and the average posted labor rates from this survey reveal the following:

Body labor: 56.00/Hr.

Paint labor: 56.00/Hr.

Frame labor: 67.00/Hr.

Mechanical labor: 82.00/Hr.

Based on the number of licensed collision repairers in Massachusetts and the level of survey responses thus far, these figures are statistically valid within +/- 3%. Note: these rates are also comparable to our neighboring states. Are you aware of this independent survey? If you are aware of it, how can you ignore the results of an independent survey? **Do you condone what is obvious manipulation and the intentional suppression of the labor reimbursement rates here in Massachusetts?**

Each retail business has the right to establish their own rates based on their individual costs. AASP-MA and the collision repair industry are proponents of utilizing the results of an independent survey of the market to determine the reimbursement rate paid by insurers to the policyholders. Doing so would ultimately foster a free market, based on fair competition, and allow the consumer to choose who they will trust to repair their vehicle. We believe the “average” rates from this survey is a reasonable starting point relative to the current economic conditions here in Massachusetts. By every economic measure available, the average rates from this survey are more realistic than the suppressed rates that the Insurance industry has been manipulating for the past thirty years.

On behalf of all AASP-MA members and the Massachusetts collision repair industry, we request to meet with you immediately to discuss in depth the scope of this problem. We believe there are also potential legal issues regarding unfair and deceptive business practices, as well as, continued intentional violations of the 1963 Consent Decree. Given the magnitude of this issue, we would expect an immediate response and a timely scheduling of this meeting.

Respectfully,

A handwritten signature in black ink that reads "Lucky". The signature is stylized and cursive, with a long horizontal stroke extending to the right.

Evangelos “Lucky” Papageorg
Executive Director, AASP-MA
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