

Collision Industry Conference (CIC) Report

November, 2008

Insurers voice interest in movement toward plan to reduce supplements

More insurance companies appear to be gravitating toward the idea of reducing supplements by enabling more complete disassembly of a vehicle prior to completing an initial estimate, according to a Collision Industry Conference (CIC) committee.

“Insurers are embracing a better repair process,” David McCreight, chairman of CIC’s “Business Management Committee,” said at the CIC meeting in Las Vegas in early November.

Over the past two years, McCreight’s committee has worked to estimate the costs – both for shops and insurers – associated with creating and processing a supplement. After determining that number to be in excess of \$700, the committee documented what it termed a “complete repair plan,” which essentially involves a shop disassembling a damaged vehicle to determine virtually all of the parts and procedures needed, allowing for one estimate and one parts order, without the need in most cases for a supplement.

The committee outlined the process and its potential challenges and benefits at several previous CIC meetings. McCreight said some shops see insurer resistance to such a change – as evidenced by quick-turn-around requirements that some insurers have for initial estimates – as one such stumbling block.

In Las Vegas, however, McCreight reported on the committee’s progress to contact 20 top insurance companies to gauge the interest in embracing such a plan.

Though not as definitive as some of the other half dozen responses the committee received, State Farm’s statement indicated the insurer is open to change.

“It is in everyone’s best interest to continually improve the level of service for our shared customers,” George Avery, claims consultant for State Farm, wrote to the CIC committee, “State Farm welcomes the opportunity to work with the repair industry, exploring process and procedures that improve the estimating process.”

Other insurers were more specific in support of processes that reduce the need for supplements.

“Allstate is in support of any process that encourages a thorough and complete tear-down at the time of the estimate,” Bill Daly, assistant vice president of auto claims for Allstate Insurance wrote. “And it is our goal to reduce supplements and other inefficiencies whenever possible.”

Tim Constien, claims vice president for American Family Mutual Insurance Company, was similarly supportive of the idea, at least under certain circumstances.

“We believe it has some potential limited benefits with our highest-performing direct repair program shops,” Constien said. “If the process is not done correctly or efficiently, it will increase the time a customer is without a car.”

Progressive Insurance was perhaps the most enthused with the idea.

“The benefits of a shop adopting this type of a more efficient repair strategy are clear to me,” Chris Andreoli, corporate property damage process manager for Progressive, said. “I’m sure you’ll begin to see an increase in the number of shops that

adopt this methodology. (It) is very similar to the approach we employ in our network repair program. We seek to align with organizations that are striving to improve their business by finding more efficient ways to repair vehicles.”

McCreight said the responses the committee received led him to believe shops who see the benefit of such a system should move toward it.

“So I leave it to you, the collision repair industry,” he said. “The door is wide open. Will you step through? The next step is up to you.”

EPA to help shops with compliance

Also at CIC in Las Vegas, the Environmental Protection Agency (EPA) outlined a partnership the agency has developed with two industry groups to help collision repair shops understand and comply with the EPA’s new refinish regulations.

Holly Wilson, national coordinator for the EPA’s “Collision Repair Campaign,” said the Automotive Service Association (ASA) and the National Automobile Dealers Association (NADA) are helping regulators develop a video, webinars and other educational programs about the new requirements, which apply immediately to any new shop but must be met by existing shops by January of 2011.

Wilson said the partnership is designed to demonstrate that compliance will not only help shops reduce emission levels and better protect workers and neighbors, but also has the potential of saving shops money through reduced materials use, hazardous waste disposal and business insurance costs.

The regulation requires use of a spray booth or prep station with compliant filtering capabilities; high-volume, low-pressure (HVLP) spray guns; and an enclosed gun cleaner. (Gun cleaning also can be done with solvents that do not contain certain hazardous air pollutants, or by hand provided solvent is not sprayed through the gun.)

In terms of training, shops will be responsible for ensuring all painters have completed hands-on training in the proper application of surface coatings. The training must cover specific items such as spray gun setup, surface prep, spray booth and filter maintenance, transfer efficiency, and environmental compliance. Painters must be certified within 180 days of hire and recertified every five years.

Wilson said one goal of the partnership with ASA and NADA is to get the word out that compliance with the regulation will not necessarily be overly-expensive for most well-equipped and trained shops. Estimated training costs, she said for example, could be offset over five years by a 1 percent reduction – achievable with improved techniques – in the amount of coatings sprayed.

“I’m getting calls now from smaller shops saying a guy contacted them offering training for \$400 or \$500 or up,” Wilson said at CIC. “We want to nip that in the bud if we can. We’re not saying that (training) service providers shouldn’t make a profit. We just want to make sure the shop that pays for that indeed gets what it is that they need, and training that will help them comply.”

Wilson played a draft of a video the agency is creating to explain and promote compliance; it will be available soon at the EPA Collision Repair Campaign website (www.epa.gov/air/toxicair/community/collision.html).

I-CAR also recently added a 1-hour online training course about the EPA regulation and what it will mean for shops. It can be viewed for \$45 at any time through

I-CAR's online training library (www.i-caronlinetraining.com/course_f6877641f946/session_e5a388366f31/).

Also at CIC

In other news and discussion at CIC in Las Vegas:

-- Jordan Miller of Chrysler announced that the automaker has made its collision repair manuals, position statements, and publications on sectioning, weld bonding and other topics freely available at a new "Mopar Repair Connection" website (www.installers-mopar.com). (The required registration at the site is expected to have a one-time fee of \$25, Miller said, although as of early November, the fee was not being charged.) The site, along with similar collision or mechanical repair information subscription websites for more than 30 automakers, can be accessed through www.OEM1stop.com.

-- The Estimating Practices and Procedures Committee said it is seeking input for a "Estimating Resources Reference Guide," a collection of documents, websites and information sources to assist those writing estimates. Suggestions for the guide can be emailed to committee chairman Alan Murdy (amurdy@scenegenesis.com).

-- Stacy Bartnik of CARSTAR was recognized for her chairmanship of CIC over the past two years. Incoming CIC Chairman Russell Thrall noted that 2009 will mark CIC's 25th anniversary as an inter-industry gathering for discussion, networking and development of documents and other work products designed to address industry issues. The next CIC meeting will be held January 14-16 in Scottsdale, Arizona.