

## **State Farm explains changes to Select Service agreement at CIC**

In the same week in January the Collision Industry Conference (CIC) was held in Scottsdale, Ariz., State Farm distributed a new Select Service agreement to participating shops nationwide, and the company's George Avery spent several minutes at CIC to discuss the new agreement.

He described the changes as primarily "minor" or "editorial," and that unlike the transition from State Farm's "Service First" to "Select Service" program, the change in the agreement was not coinciding with a reduction in the number of shops participating in the program.

"Local management may have some market areas that they want to adjust (the number of shops) but that's not associated with this update," Avery said.

Wording in the agreement has been changed, he said, to give shops the option of conducting a more thorough tear-down of a vehicle before uploading an initial estimate (provided adequate photos are taken in advance). Shops doing this also may be asked to reattach some parts if the vehicle is a total loss, Avery said, getting prior approval for any charges related to this.

The revised agreement also requires participating shops to meet any local, state or federal licensing or certification requirements, and to maintain business practices that "are environmentally responsible based on federal, state and local regulatory requirements."

The indemnification section of the agreement had been "too one-sided," Avery said, and it has been changed to say that both the shop and State Farm will each "hold the other party fully harmless against any lost, damages, claims or expenses" sustained as a result of negligent or intentional acts or omissions of the other. (This "hold harmless" section of the agreement had previously been changed in California to the version now being rolled out nationwide, Avery said.)

Several changes that Avery did not discuss at CIC revolve around parts and pricing. The term "prevailing competitive price" no longer appears in the document, a change Avery later said the insurer made because it felt that was term that might not be clear to some repairers. Instead, the agreement only references "pricing identified through State Farm's survey process."

As in the previous agreement, State Farm says it may enter into agreements with manufacturers, distributors and suppliers of automotive parts. The new agreement states that "any part pricing agreements negotiated by State Farm are in addition to the price offered" by the shop and that "State Farm shall receive the benefit of both" the shop's offered pricing and "the price or discount negotiated through any part pricing agreements" with manufacturers or suppliers.

### **Discussion of issues**

In his first meeting as CIC chairman – and the first in a year when CIC will mark its 25th anniversary – *Collision Week* publisher Russ Thrall kicked off the meeting by first sharing the results of an online survey conducted in recent months asking respondents to evaluate the "overall value of CIC to the success of your business."

About two-thirds of the 163 respondents identified themselves as collision repairers, Thrall said. The second-largest industry segment represented among respondents was insurers at 7 percent. The remaining 27 percent were split among paint and parts manufacturers and distributors, automakers, information providers, and other industry vendors.

Thrall said overall 53 percent of respondents rated CIC's value to their business as good or very good, 21 percent said it was average, and 26 percent said it was poor or very poor.

Ratings were higher among the 15 percent of respondents who said they attend all CIC meetings, with two-thirds of these people giving CIC a "good" or "very good" rating. Still, nearly one-in-six of even these regular attendees rates CIC's value as "poor" or "very poor," a percentage Thrall said he'd like to see decrease over the next two years during his term as CIC Chairman.

The online survey also gave respondents an opportunity to submit possible issues for CIC to address over the coming year or two, and Thrall asked the approximately 200 people in attendance at the Scottsdale meeting also to share what they see as key issues that could be assigned to CIC's committees. The suggestions included:

- Ken Weiss of ComSearch said research and discussion the CIC Parts Committee has done over the past year showed that there are still two pricing mechanisms for used parts and that CIC might be able to help move the industry toward a standard. A committee survey last year found that about 20 percent of recyclers have moved to pricing parts as undamaged while 80 percent still quote an "actual part price" to which allowance for any damage must be added.

- Kelly McCarty of Fix Auto / Carty's Collision in Ontario, Calif., was one of several CIC participants to raise the issue of parts supply chain issues related to automaker economic troubles. She said 2- or 3-day delays for parts are becoming more common, and even with just temporary factory closings over the holidays, "we were waiting three weeks for a quarter panel. For us, that's a huge issue for our cycle time," she said.

- Ron Reichen of Precision Body & Paint in Beaverton, Ore., suggested several issues CIC could address, including paint caps, estimating systems not being used in their entirety, and lack of acknowledgement by insurers of paint materials invoices and price increases.

- Industry consultant Mike Condon suggested CIC research those repair facilities in which a lower-than-average percentage of vehicles are declared total losses in order to determine what enables them "to save total losses."

- Tony Passwater, executive director of the Indiana Auto Body Association, said he would like CIC to focus on the neutrality of the estimating system information providers. "We want to make sure they maintain that independence and not be affected by any party in the industry to make decisions," Passwater said.

- Rollie Benjamin, CEO of the Minnesota-based ABRA Auto Body & Glass chain, was one of several CIC participants to suggest that CIC identify ways that insurers "usurp the authority of the collision repairer" and interfere – by requiring use of a particular vendor, for example – with the repairer's business rather than just focusing on performance. "We have the responsibility to get results," Benjamin said. "We need the authority to get those results. We need to know what results the insurance company is looking for, and then be able to make our best judgments on which vendors will help us get those results."

#### CSI providers unite

Dan Charlebois of B & J Body Shop in Rancho Cordova, Calif., echoed Benjamin's viewpoint, saying if shops "are going to cook the dinner, they should be able to buy the groceries" where they want.

In an announcement related to that issue, four companies offering customer satisfaction indexing (CSI) services in the industry issued a joint statement at CIC in Scottsdale, saying collision repairers should not be required to use a specific CSI company.

In the statement, CSI Complete, Customer Research, CynCast and Performance Feedback said they have agreed to work together "to provide a comparative third-party CSI report" that a shop can use if requested for its CSI information. The companies said they "welcome other CSI providers to join in this effort."

"Having said this, we remain competitors in the market, looking to earn business based on features, functionality, service and value," the statement said. "In the event a

third-party requires the use of a single CSI provider (that is) one of the participating companies...there is further agreement to coordinate the survey effort to eliminate duplicate phone calls to the vehicle owners and ensure consistency in reporting for each others' CSI repair center customers."