

ABAC NEWS

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The Official Newsletter of the Auto Body Association of Connecticut



BACK TO BASICS

Tony Ferraiolo
A&R Body Specialty - ABAC President

If you were lucky enough to attend the last ABAC membership meeting, you would have left feeling pumped up about utilizing the data base "P" Pages.

Larry Montanez of P&L Consulting did a great job showing members how they are being cheated on repair operations by not utilizing those procedure pages. Insurers have cunningly set up their programs to be user assisted, meaning the user has to manually enter certain procedures that are not included in a repair task. If you don't do your homework, you cannot assume the insurer is automatically going to pay you for a procedure you actually did. This alone should motivate you and your shop estimators to go back to the basics on all estimates and review the "P" pages for included and not included items.

Your ABAC, in its Monday Motivator, is going to get back to the basics and remind you of some examples. I hope that this will further motivate you all to do more research. On the ABAC website, (www.abaconn.com), the three database provider's "P" pages will be available for you to download for free. It can't be any easier. Please utilize this service.

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Paint and Materials reimbursement is another area that you need to do your homework on. With the ever rising cost of paint and materials, you need to know what to charge. If you go by the formula that most insurance companies are presently using, you may find that you are not being fairly compensated for your actual material costs. The cost calculation of paint hours multiplied by some dollar amount is only an estimate. Experience shows us that this type of analysis is not generally accurate. Instead, you should consider utilizing a program that calculates your actual material costs based on proper data. There are a few products, for example, that calculate costs based on paint codes and colors. Your paint company should be able to provide you with documentation from the smart scale that you use to mix your paint, which can provide you with an actual cost of the product used.

Your posted labor rate is also something you should be mindful of. The term "Prevailing Labor Rate" is something that the insurance industry created and utilizes it against us. The data used to establish this rate is farmed and provided by insurance companies. It is skewed in favor of lower labor rates. Much of the data appears to come from DRP shops, which we know, agree to work at a certain reduced contract rate.

This means nothing to a shop like mine.

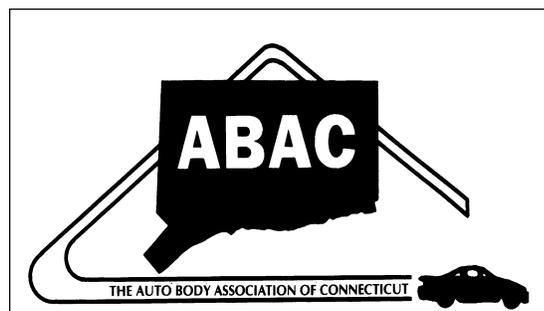
The data I use to determine my labor rate comes from professional Accountants and Economists. Know your costs for services rendered. Don't let someone other than a professional determine your cost of services. The Department of Motor Vehicles licenses dealers and repairers. The DMV requires that you post your labor charges. No one should tell you what to post.

These are just a few things I might suggest you consider over the summer. Get back to basics in your shop.

And have a great and safe summer!

Tony Ferraiolo

ABAC President



ABAC Continues Training & Education with Larry Montanez of P&L Consulting

On May 20th, the Auto Body Association of Connecticut (ABAC) held its Annual Membership meeting and Election of Officers at the Chowder Pot Restaurant in Hartford, CT. As everyone who has attended has come to know, the meeting was well-attended with a packed house of ABAC members, shop owners and managers gathered for the continuation with the March meeting's guest presenter, Larry Montanez of P&L Consulting, for more education.



After calling the meeting to order, ABAC President Tony Ferraiolo thanked everyone for their interest in attending this meeting and then recognized the evening's meeting sponsors:

Primary Sponsor

- **Bald Hill Motor Group – Dodge – Chrysler – Jeep – Kia**
 - *Matt Jarvis – Parts Director*
 - *Don Cushing – Wholesale Manager*
 - *Anthony Pickett – Wholesale Accounts Manager*
 - *Mike Picerno – Wholesale Delivery*



Bald Hill has been in the wholesale parts business since 1980 and a member and supporter of the Auto Body Association since 1997. Their parts department is staffed with 30 "parts only" employees, they have 15 dedicated delivery vehicles covering RI, MA and CT and as their tag line says, "We're As Close As Your Phone!"

Co-Sponsors

- *Kent Automotive*
- *Enterprise Car Rental*
- *Paul Francis & Co*

Tony then thanked the ABAC News Supporting Advertisers for their continued support of the ABAC through the newsletter and then also recognized the ABAC's Annual Corporate Sponsors.

Ferraiolo next gave us updates on the continuing projects, and then introduced ABAC Legal Counsel John Parese who gave us information on current proceedings.



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Before dinner was served, the ABAC held its Election of Officers. Nominated and elected to the 2014-15 slate was the same team that has served for the past term:

- **President – Tony Ferraiolo** – A&R Body Specialty, Wallingford, CT
- **Vice-President – Ed Lupinek** – Eddie’s Auto Body, East Haddam, CT
- **Secretary – Mark Wilkowski** – Stanley’s Auto Body, Waterbury, CT
- **Treasurer – Mike Wilkowski** – Stanley’s Auto Body, Waterbury, CT

President Ferraiolo then recognized **Heather Romaniello**, Executive Administrator for the ABAC for *“the amazing job that she has done behind the scenes for the ABAC.”*

Reintroducing the main speaker for the evening and continuing from the March 18th meeting was Larry Montanez, Education and Training Advisor for P&L Consultants.

As we have come to know, Larry is an excellent educator and trainer and a very entertaining person! If you attended this meeting you can understand.

Larry covered questions from the last class in March and then continued on. Montanez’s presentation covered the following topics:

- ***Continuing Discussion on Metallurgy***
- ***Estimate Writing (Damage Assessment)***
- ***Knowing the Procedural Pages***
- ***Following SOP’s***
- ***Trial Fitting Parts***
- ***How to Calculate Feather, Prime & Block***
- ***Non-Included SRS Precautions***
- ***Frame Set Up (Mitchell/Audatex/Motor)***
- ***Shop Materials***
- ***Wheel Install for Mobility***
- ***Labor Time Rules***
- ***Welding***
- ***Partial Refinish Full Clear***
- ***Refinishing Times***

.....and much more

The ABAC would like to thank Larry for extending his time to present all of this information to attending members at this meeting. Another very informative meeting brought to you by the ABAC. Members can and will be able to use this information in their daily business operations and will certainly be effective in their repairs.

The Auto Body Association of Connecticut would like to invite shops to contact any of the Association members on the back page of this newsletter and become a part of the ABAC as we move towards the future in the Auto Collision Industry. Be part of the solution!



Auto Damage Experts to Discuss Anti-Trust with Auto Body Association of Texas

Barrett Smith, AAM, president and founder of Auto Damage Experts Inc. (ADE), will be presenting to members and guests of the newly formed Auto Body Association of Texas (ABAT) at its first meeting on Wednesday, June 18, from 11:30 a.m. to 2 p.m. The meeting will be held at the Henderson Civic Center located at 1005 Highway 64, West Henderson, Texas, 75662.

"We are excited to have Barrett join us and provide information on several topics the board has requested, including what can and cannot be discussed among repairers without fear of breaching federal anti-trust laws," said Burl Richards, ABAT acting president. "The ongoing misunderstanding by repairers has created an unnecessary fear and has, for far too long, intimidated and silenced repairers across our state and the rest of the country."

"Barrett is known for his ongoing efforts to help improve the industry through his thought-provoking messages to help repairers to think 'outside the box,' and we're excited to have him join us in our first general membership meeting. The association's goal will be to educate, equip and empower its members. All Texas collision repairers are invited. There's a great deal of excitement about the new association, and we anticipate having 40 to 50 repairers represented at the meeting."

Source: www.bodyshopbusiness.com

BodyShopMedia.com Urges Body Shops to Use Power of Social Media

It wasn't long ago that an anonymous body shop owner created StopDRP.com to educate consumers on steering, appraisal clauses and diminished value. Now, another anonymous shop owner has created BodyShopMedia.com, urging collision repairers to use the power of social media (especially Twitter) to communicate with one another and unite over issues such as PartsTrader and not getting paid for procedures necessary to return vehicles to their previous condition.

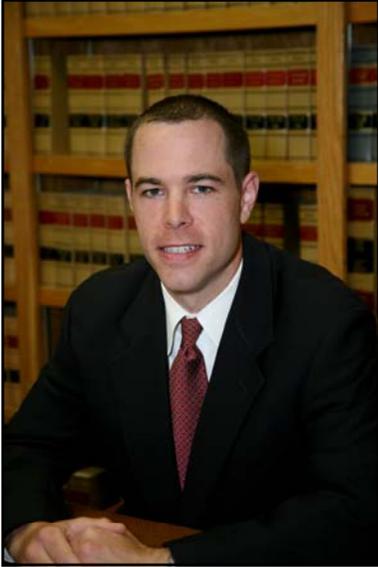
A statement on the homepage of the website states:

"We are a private firm looking out for the collision industry. We are connecting body shops across the U.S. to see what everybody else has to say. This blog is for all of us to share our opinions and thoughts. As cars get more technical in the industry, we can share advice and ideas with each other. We hope you make friends on here and also get some good ideas."

The site has a "Shop of the Month" contest where the winner is the shop with the best tweet. It also has a link to StopDRP.com and a video showing tips and tricks when using certain collision products. There is also a video of George Avery explaining why State Farm created PartsTrader.

Source: www.bodyshopbusiness.com

Class Action Lawsuit Targets Insurers, Names Information Providers as Conspirators



There is more exciting news on the legal front in the war against insurer abuses in the auto body industry. Recently, a new class action lawsuit was filed against a host of insurers on a nationwide scale alleging, among other things, violations under the Racketeer Influenced and Corrupt Organizations Act (“RICO”). The insurers named in the suit include GEICO, Progressive, Farmers, Liberty Mutual, Nationwide, Allstate, Esurance, Twenty-First Century, and State Farm. The allegations are set forth in a 165 page Complaint, which lays out in careful detail the various ways in which these insurers formed an unlawful “racketeering enterprise” designed to harm repairers. The suit names the information providers (CCC, Audatex, and Mitchell) as vital participants in the racketeering enterprise, without which the scheme and acts of racketeering could not be accomplished.

The suit was brought to: “remedy Defendant insurers’ long-running unlawful conduct to suppress compensation to repair facilities for automotive collision repairs covered by insurance.” The Complaint goes on to allege:

1. Defendant insurers State Farm, Allstate, GEICO, Progressive, Farmers, Liberty Mutual and Nationwide, together with their three conspirator insurers (defined below), are the ten largest private passenger auto insurers in the United States, collectively holding 70% of the market, and control all aspects of collision repairs, including establishing the industry standards for compensation paid to repair facilities.
2. To achieve this suppression of compensation, Defendant insurers and conspirator insurers have all established and enforced an artificial market value for collision repairs, known in the industry as the “prevailing rate”, which dictates the compensation paid to repair facilities for labor, the costs incurred for paint, parts and materials used in repairs, and the scope and extent of compensable repair procedures. These so-called prevailing rates, however, are lower than market rates for repairs would have been, and would be, in a market free of fraud, deception and artificial restraint. Rather, these are fixed rates set by insurers, and incorporated into their respective nationwide direct repair programs, consisting of repair facilities willing, or economically forced, to agree to accept these fixed rates in exchange for referrals of repair work – as, indeed, the Defendant insurers and conspirator insurers have the leverage to steer and withhold business to control and enforce these rates. As alleged in detail below, through fraud and deception, Defendant insurers have been able to impose these fixed rates upon Plaintiff and the members of the respective classes defined below, which do not participate in the Defendant insurers’ (or conspirator insurers’) respective direct repair programs. The imposition of these wrongfully and artificially suppressed rates has injured Plaintiff and the members of the classes by reducing the compensation that they received for repairs below the levels that would have existed but for the unlawful conduct of the Defendant insurers and their co-conspirators.

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The case goes on to allege that members of the Classes were paid compensation by Defendant Insurers for their repair work and services predicated on material misrepresentations and omissions concerning prevailing rates, market values and industry standards as described herein, and Plaintiff and the members of the Classes would not have accepted the suppressed compensation for repair work and services, i.e., being paid less for their repair work and services, but for Defendant Insurers' conduct.

The case was filed in Federal Court in Illinois and is undoubtedly one of the largest auto body lawsuits ever filed. We all know that Rome wasn't built in a day; and this case will likely be litigated for many years. But, the road to broader equity in this industry requires constant progress at the political and legal ends. The ABAC's two class action lawsuits set an important precedent. And the message in The Hartford case in particular cannot be understated: the little guy can fight back and can win! This lawsuit, together with others across the country, underscores the degree to which insurer misconduct has gotten out of control. Insurers have done an admirable job exploiting state departments of insurance. But they have not, and cannot, buy off our courts and our juries. I may be a bit too optimistic here, but it certainly feels like the tide may be changing in a big way for this industry. We'll keep you posted.

Have a great summer.

John Parese

Buckley & Wynne - Attorneys at Law

Rhode Islanders Pay Second-Highest Rate for Car Repairs

A report from Audatex, an independent company that provides information to insurance companies regarding repair shops and the federal government, states that in 2013, the average collision repair bill in Rhode Island totaled \$3,325 per car, 29 percent higher than the national average car repair bill of \$2,588. Yet, just across the border in Massachusetts, the average repair bill drops to \$2,297.

One of the largest factors contributing to the costly car repairs in Rhode Island is labor costs. According to Audatex, the average labor cost for a car repair jumped 24 percent in Rhode Island over the past ten years. Nationally, labor costs saw only an eight percent increase. In Massachusetts, the cost increased just three percent in the past decade.

According to data from the National Association of Insurance Commissioners, the average insurance premium in Rhode Island has been steady since the mid-1990s.

The Auto Body Association of Rhode Island (ABARI) supports four new pieces of legislation being considered by the Rhode Island General Assembly. The agency said the bills would regulate the car repair industry, though insurance companies oppose the legislation, which is currently being held for further study on Smith Hill.

Source: www.autobodynews.com (Written by staff)

Federal Lawsuit Filed Against 7 Insurers Alleging Conspiracy to Control the Cost of Collision Repairs

Repair facility alleges violation of Racketeer Influenced and Corrupt Organization Act, Fraud and Unjust Enrichment by the largest U.S. insurers. Seeks class action status.

A lawsuit brought by a Pennsylvania-based collision repair facility was filed April 30 in the U.S. District Court for the Northern District of Illinois, Eastern Division, naming State Farm, Allstate, GEICO, Progressive, Farmers, Liberty Mutual and Nationwide and defendant insurers alleging they illegally conspire to control the collision repair process and the cost of repairs. The suit, Crawford's Auto Center v. State Farm et al, also names USAA, Travelers and American Family as conspirator insurers, though not defendants.

The plaintiff seeks to have the suit granted class action status representing any repair facility that has done business with the defendant insurance companies since January 1, 2006.

According to the complaint, "Defendant Insurers and Conspirator Insurers, through various means but, in particular, their DRP relationships, have created an artificial market rate for repairs – the prevailing rate – that has been imposed upon repair facilities throughout the country (DRP and non-DRP), and has enabled Defendant Insurers and Conspirator Insurers to artificially suppress compensation to repair facilities for insured collision repairs."

In a sweeping 164 page complaint, that describes in detail how insurance company direct repair relationships work as well as the estimating process, the plaintiff alleges that each of the defendant insurers violates the Racketeer Influenced and Corrupt Organization Act (RICO) by operating a separate enterprise in conjunction with the information providers, Audatex (AudaExplore), CCC or Mitchell, that they use internally, or require or recommend to their DRP networks.

The complaint alleges that "Defendants Allstate, GEICO, Progressive, Farmers, Liberty Mutual and Nationwide, together with the respective Information Providers with which they have a standing relationship, have each formed separate association-in-fact enterprises within the meaning of 18 U.S.C. § 1961 (4). Thus, Allstate has formed an association-in-fact enterprise with CCC (the "Allstate Enterprise"), GEICO has formed an association-in-fact enterprise with CCC (the "GEICO Enterprise"), Farmers has formed an association-in-fact enterprise with CCC (the "Farmers Enterprise"), Progressive has formed an association-in-fact enterprise with Mitchell (the "Progressive Enterprise"), Liberty Mutual has formed an association-in-fact enterprise with Audatex and CCC (the "Liberty Mutual Enterprise"), and Nationwide has formed an association in- fact enterprise with CCC (the "Nationwide Enterprise")."

"In addition, defendant State Farm has formed an association-in-fact enterprise within the meaning of 18 U.S.C. § 1961(4), comprised of State Farm, its respective Select Service facilities around the country,

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Mitchell and Audatex (the "State Farm Enterprise").

The complaint states that, "Defendant Insurers conducted the respective enterprises through a pattern of racketeering activity by fraudulently establishing and misrepresenting the prevailing rate for collision repairs to vehicles covered by insurance, including: (1) hourly labor rates; (2) reimbursement for "paint and materials"; (3) the scope and extent of compensable repairs; and (4) parts prices."

The injury to plaintiffs is "under-compensation for collision repair work and services on vehicles covered by insurance, including the suppression of hourly labor rates, suppression of compensation for "paint and materials", suppression of compensation for parts, and suppression of compensation for the scope and extent of the repair procedures performed.

The complaint also alleges that "Defendant Insurers have made false and misleading representations of fact, and concealed and omitted facts regarding the prevailing rates for insured collision repair services and compensable repair procedures."

Dick Luedke, spokesman for State Farm, in a response to CollisionWeek said his company believes the suit has no merit, like in other suits filed by collision repairers in recent months. "This suit has no merit and in no way accurately describes the business relationship State Farm has with thousands of body shops across the country," stated Luedke.

Rick Tuuri, vice president of industry relations for AudaExplore, a Solera Company, stated, "AudaExplore is currently reviewing the lawsuit and is not named as a defendant. Therefore, it would not be appropriate to offer a comment at this time."

Requests for comment from CCC and Mitchell were not received by deadline.

Source: www.collisionweek.com



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Aluminum Repair Class Held in Wallingford

On May 3rd at A&R Body Specialty in Wallingford, the ABAC hosted an Aluminum repair class.

The class was facilitated by Larry Montanez of P&L consultants. The educational forum was attended by 30 ABAC members.

Montanez began the class with 2 hours of educational information. He explained the properties and characteristics of Aluminum, showing them how aluminum parts are created, and why aluminum repair is totally different than steel repair. He also informed everyone why it is so important to separate the aluminum repair from steel repair, and the hazards of not doing so.

After a short break we went into the "hands on" repair part of the class. Attendees were able to see the equipment that is needed to perform aluminum repair.

Instructors put dents in aluminum panels, and attendees were able to try and repair areas using aluminum repair techniques. The class found out quickly that aluminum repair is not that easy. Most parts will require replacement.

Mike Casey from Metropolitan Car-o-liner was on hand to display the tools and equipment needed for aluminum repair. He also had volunteers test out there newest aluminum welder. Lunch was served and everyone enjoyed the day of education and training.

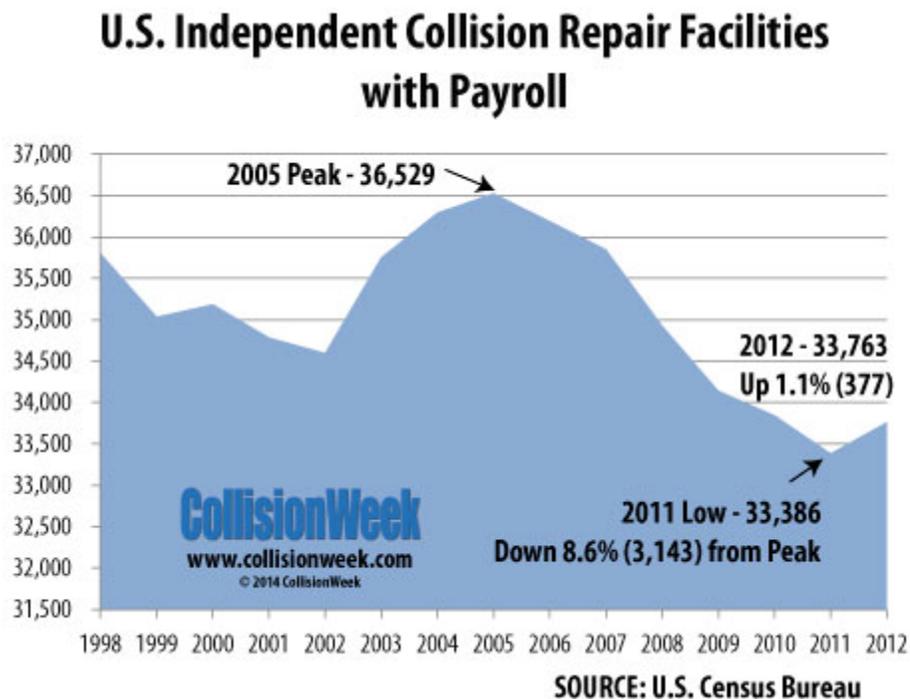


Independent Collision Repair Facility Population Increased in 2012

Latest data from U.S. Bureau of Labor Statistics confirms that the decline in the collision repair facility population reversed in 2012. Is it the return to growth temporary?

The latest available data from the U.S. Bureau of Labor Statistics (BLS) covering 2012 shows that the number of independent collision repair facilities with payroll increased by 377 establishments, or 1.13 percent over 2011. In 2011, there were 33,386 facilities.

The growth in independent repair facilities comes after six years of declines. From 2005 through 2011, the number of repair facilities declined by 3143, or 8.6 percent. The largest annual decline occurred in 2008, when the number of establishments declined 922, or 2.57 percent, compared to 2007.



As the chart above shows, the number of facilities with payroll peaked during the 1998-2012 period in 2005, when the government statistics reported 36,529 total establishments with payroll.

As [CollisionWeek's analysis](#) of research from the National Automobile Dealers Association (NADA) shows, there were 5996 dealerships operating on-site body shops. Add the NADA count to the independent collision repair facility count from the BLS would put the total population, with employees, at 39,759 in 2012.

In the seven years from 2005 to 2012 since the peak, the number of establishments has declined by 2,766 or

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7.57 percent. The total number has declined in nine out of 14 years (1998-2012) and increased in five years.

According to the report, the total number of employees on the payroll in March of 2012 was 209,868, an increase of 4419 or 2.15 percent from the 205,449 total employees reported in 2011. The number of employees had risen in 2011 versus 2010, even with a decline in the number of establishments.

The 2012 employment is down 14,289 employees nationwide from the peak employment of 224,157 reached in 2003, according to the BLS.

Will the return to growth in the number of independent collision repair facility operators continue? Or, is the growth experienced in 2012, just a small reversal of the overall downward trend? Early indications in the preliminary data from a different census conducted by the BLS shows continued growth in the number of establishments as of the third quarter of 2013.

CollisionWeek will analyze data on a state-by-state basis, as well as statistics on non-employers, in future editions.

Source: www.collisionweek.com

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