

Body shop goal: price control

Movement seeks end of insurance estimators, claim service centers

A growing number of auto body shops are joining a movement to gain control of auto repair pricing.

"Their goals are to increase labor rates, abolish parts discounts and increase allowances for paint and materials," said C.A. Ingham, State Farm assistant general counsel. "But the bottom line is that they want to eliminate claim service centers and insurance appraisers, leaving themselves free to set repair costs at the level of their choosing."

Gaining momentum from the merger of the Auto Body Association of America and Independent Garage Owners Association into the Automotive Service Council, the movement "is aggressive and highly visible in at least 13 states," Ingham said. "And those states account for about half of the nation's drivers."

The garage owners are attempting to achieve their goals through regulatory and legislative action at all levels- state and federal.

State Farm and other insurers are resisting because what will happen to insurance costs.

The first step. The thrust of the body shop movement, said Ingham, is to get legislation enacted in four stages. The first is to require the licensing of body shops, "to give their organization an appearance of legitimacy," he said.

The next three steps are to get laws prohibiting insurers from: (1) recommending a garage unless an owner ask, (2) recommending a garage even if the owner asks and requiring insurers to accept any estimate from a licensed garage, and (3) employing estimators (estimators would have to work under the control of a state board "which would be dominated by garages," Ingham said.)

"This legislation would eliminate a competitive market for auto body repairs," he said. "Insurers would be unable to effectively control claim costs. The result would be an immediate marked increase in the cost or repairs."

Policyholders would pay higher insurance rates, and "consumers in general would suffer because of the inflationary impact," Ingham said.

"Ironically, garage owners are selling their program as being in the consumer's best interest," he noted. They say insurers make arrangements to send repair work to garages in exchange for low labor rates, and that garages cut corners to compensate. The result is shoddy repairs.

Ingham called this a "thinly veiled disguise for their attempt to gain control of repair cost. State Farm makes no such arrangements, and any garage that would cut corners would probably do so regardless of the labor rate."

He pointed out that State Farm does write competitive estimates at the prevailing competitive prices in a community. A car owner can go to any garage he chooses but must make up the difference if the labor rate is higher. "This kind of cost control is essential because we're obligated to offer our policyholders quality repairs at the lowest possible price," he pointed out.

Efforts successful in '74. The garage owners' efforts, however, were successful in New York in 1974. A new law requires licensing of body shops and prohibits insurers from recommending a repair shop unless requested to do so. Legislation introduced in 1975 incorporates the last two stages of the body shop program.

In addition, Ingham noted, the New York Insurance Department in January effected a number of auto repair regulations. One requires insurers to restore a damaged car to its pre-accident condition if any shop they recommend fails to do so. Others set time limits for insurers to inspect a damaged car, give an estimate, and settle the claim.

"Our initial reaction is that we probably can live with these regulations," Said Ingham.

Another critical state is Washington, where garage owners are pressing the legislature to enact the entire auto repair package, said Robert Sommer, assistant counsel. "They're also trying to get the insurance commissioner to promulgate regulations similar to those ordered last year in North Carolina."

These regulations, currently blocked by a North Carolina court restraining order, would prohibit recommending a garage or requiring the use of drive-in service centers, Sommer said.

Garage owners have done a good job of selling their story to the public and press in Washington and Oregon," he added.

In Feb. 27, 1975, testimony opposing Washington H.B. 398 in Olympia, Sommer said that although advocates were attempting to label it as a "consumer's bill," it does nothing to protect the consumers from collusion and fraudulent practices of those who champion it - the body shops.

These practices, he said, "are detrimental and injurious to the insuring public."

Other states with intense activity, according to Ingham, are Alabama, Alaska, California, , Florida, Illinois, Indiana, Michigan, Ohio, and Pennsylvania.

"But the movement also is aimed at obtaining federal legislation," he said. A bill sponsored by Sen. Vance Hartke, D-Ind., requiring licensing of appraisers and repair shop owners, is expected to be reintroduced in Congress.

State Farm will continue to resist efforts to close drive-in service centers, Ingham declared. "Public acceptance of these facilities is universal."