



FLOOR ALERT

Vote "NO" ON AB 1200 - Hayashi (on reconsideration)

Please Read Attached Internal Documents Exposing Insurer Practice of Incentivizing/Requiring Aftermarket Part Usage by Contracted Repair Shops

AB 1200 would allow insurance companies to pressure policyholders to use the insurers' preferred repair shops even after a customer has made his or her decision about repairs. The bill guts legislation enacted in 2003 (SB 551 –Speier) that prohibits insurers from "steering" customers to these company-preferred repair shops, which are often incentivized to use inferior parts.

As the attached documents show:

- AIG's "Quality Control Analyst" sent an e-mail to its controlled shops telling them they "need to increase" the "percentage of used and aftermarket parts"
- Mercury Insurance pays 20% incentive mark ups (up to \$750) to repair shops that use inferior aftermarket and junkyard refurbished parts and the company doesn't fully reimburse original manufacturer parts (Mercury pays 5% less than cost for OEM parts)

The Senate protected California consumers when it rejected AB 1200 earlier this week and that vote should stand.

1. AB 1200 allows insurers to push their preferred auto repair shop even after a customer has chosen a repair shop.

Current law prohibits insurers from "pushing back" on a policyholder after he or she has selected their repair shop [§758.5(c)]. AB 1200 would allow insurers to badger customers that have already chosen an independent repair shop.

2. AB 1200 will permit the steering that the current law prohibits.

Proposed 758.5(b)(2) specifically permits the selective sharing of information by the insurer that the 2003 law was enacted to stop. There is no requirement that insurers provide all material information or inform consumers of their relationship with the "preferred" shop, such as incentives for using shoddier parts or the insurers' right to terminate contracts with repair shops for refusal to cut corners on repairs or any other reason.

3. AB 1200 will encourage reverse competition in which body shops market their cheap prices to insurance companies rather than their quality workmanship to customers.

If insurers are allowed to pressure customers away from independent shops, repair shops will only be able to get business by following insurance company demands for cheaper parts and lower cost repair work, not by delivering customers safe and quality repairs.

If any legislation is needed it is to prohibit the insurance company practices of paying incentive markups for inferior parts and penalizing the use of original manufacturer parts.

For more information, please contact Doug Heller (310) 392-0522 ext. 309

-----Original Message-----

From: [REDACTED]

Sent: [REDACTED]

To: [REDACTED]

Subject: Used and aftermarket parts

To All 21st - AIG DRP'S

We have received the numbers on used and aftermarket useage. I know most of you have been putting aftermarket parts on your repair estimates, and some used parts, but we have missed the mark. Please read your AIG guidelines for it will start to apply to 21st Century repairs. The percentage of used and aftermarket parts useage will need to increase. Please keep in mind that soft aftermarket parts like grilles, cowl covers, fender liners, and some bumper covers do not need to be Capa certified and should be used. Also used parts (if cost effective) should be used, this will now include some weld on parts like quarter panels, bedsides, unisides, and front sections on unibody vehicles from the apron towers forward. On a used or new part that is going to be installed with a section we will need to make sure the part or parts are installed at factory recommendation, or I-Car recommendation. I or someone else will be coming by in the next few weeks to go over this in more detail. I thank all of you for your hard work, and I know we can bring this percentage up.

Thank You

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CARS Program Facility Rate Agreement

Parts

New OEM: 5.0% Discount
LKQ: Invoice cost plus 20% or competitive industry pricing
Aftermarket: Invoice cost plus 20% or competitive industry pricing
Reconditioned: Invoice cost plus 20% or competitive industry pricing

Labor Rates

Sheet Metal: \$38.00 per labor hour
Paint: \$38.00 per labor hour
Mechanical: \$55.00 per labor hour
Frame: \$47.00 per labor hour
Dealer/Sublet: Per invoice with prior approval

Mark Up

Invoice cost plus 20% up to \$750.00 per vehicle and per claim for LKQ, Aftermarket and Reconditioned parts including but not limited to sublet service, parts and labor operations.

Sprayable Paint Materials

Sprayable Paint Materials: \$26.00 per paint labor hour

Approved Sprayable Paint Materials Thresholds

Two Stage: \$500.00 per vehicle
Three Stage: \$500.00 per vehicle

Mercury will approve sprayable paint materials billings up to the above indicated amounts based on the approved estimating application. In the event that an expense for additional sprayable paint materials is incurred for a vehicle repair in excess of the above amounts, contact to the facility's assigned CARS Reinspector or CARS Supervisor for review and consideration. The above indicated amounts are not "caps", however verifiable invoice documentation will be required for any additional sprayable paint material approvals in excess of the indicated amounts.

Procedures / Operations

LKQ Door Installation

Manual: 2.0 hours at sheet metal rate
Power: 3.0 hours at sheet metal rate

LKQ Part Trim Allowance

1.0 hours to 3.0 hours at sheet metal rate based on extent of preparation

LKQ Part Installation
 Times estimated as per the approved estimating application and assemblies guide

Clear Coat Labor
 Times estimated as per the approved estimating application and up to 2.5 hours at paint rate per vehicle

Color Match
 0.5 hour at sheet metal rate

Cover Car
 \$10.00 per vehicle

Color Sand and Polish
 0.3 to 0.5 hour at sheet metal rate per panel dependent on panel size and up to 3.0 hours at sheet metal rate per vehicle

Blend Refinish to Adjacent Panel
 50% of full estimating guide refinish time up to 1.0 hour at paint rate per panel

Spot Refinishing
 0.3 to 0.5 hour at paint rate per panel

Gravel / Stone Guard
 \$10.00 per panel and up to \$25.00 per vehicle

Undercoating
 \$10.00 per panel and up to \$25.00 per vehicle

Caulk / Seam Sealer
 \$15.00 per panel and up to \$35.00 per vehicle

Flex Additive
 \$8.00 per urethane/flexible panel

Paint Striping
 \$45.00 for first panel
 \$10.00 for each additional panel
 \$100.00 per vehicle

Tape Striping
 \$25.00 for first panel
 \$8.00 for each additional panel
 \$50.00 per vehicle

AC Evacuation and Recharge
 R-12 System: \$120.00 per vehicle
 R-134 System: \$85.00 per vehicle

Suspension Alignments
 Two Wheel Alignment: \$55.00 per vehicle
 Four Wheel Alignment: \$85.00 per vehicle

Frame Set Up and Measure
 2.0 hours at sheet metal rate per vehicle

Lock Recoding
 \$35.00 per lock

Sound Deadening

\$8.00 per panel plus 0.2 hour at sheet metal rate

Coolant

Conventional: \$12.00 per vehicle

Extended Life: Per competitive invoice

Wheel Mount and Balance

\$15.00 per standard wheel

Vehicle Detailing

Interior Only: Approved based on extent of loss related clean up

Complete vehicle: \$100.00 per vehicle

(Vehicle detailing is limited to loss related clean up and not approved for general repairs or losses)

Approved CARS Facility:

The above-referenced approved CARS Facility (the "Facility") agrees to prepare estimates based on the rates and operations listed above. Estimates prepared for the companies of Mercury Insurance Group ("Mercury") and its customers by the Facility shall constitute agreements to these rates and each estimate shall represent an agreed price for vehicle repairs. The Facility agrees that estimates prepared will be done so with the intent to restore the vehicles to pre-loss condition utilizing only professional and appropriate repair techniques. By doing so, the Facility agrees to warranty vehicles repaired for Mercury and its customers for the life of the vehicle while under the same ownership with the exception of part and product warranty, wear, tear or use not associated to the workmanship performed by the Facility.

The Facility understands that participation with the Mercury CARS Program is "at will" and either the Facility or Mercury may terminate the partnership or agreement without notice and without any restrictions. As a participating CARS Facility, the Facility agrees to the indicated rates and the version of the California Approved CARS Facility Guidelines and Reference.

I have read and agree to the above rates, procedures and statements.

