

ABAC NEWS

JAN-FEB 2010

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The Official Newsletter of the Auto Body Association of Connecticut



ABAC coming to a city near you...

As you read this article, the ABAC has started in full swing with their mission of 2010...to invite every collision repairer in the state, and explain how they can reap the benefits of the hard work and accomplishments this association has had in recent months.

We started in the Groton/New London area with the February 16th meeting at The Groton Inn and Suites.

The purpose of this series of meetings is to encourage every NON-Member to come and hear, first hand, the news that directly affects them today, and what they can expect in the future as a result of the recent historic Class Action court victory against the Hartford Insurance company. The victory to share is to the tune of a whopping \$15,000,000.00 that will be distributed to Connecticut collision repairers.

All attendees will learn about The ABAC's plans going forward with legal action against as many as five additional Insurers in the very near future, and how being an ABAC member will benefit them by increasing their bottom line. That's right, we're talking PROFIT for members.

When I took over as your President, I made a promise to this industry to invite ALL collision repairers to become a member, and the hard work and dedication of the board members and

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officers has given you all many reasons to join. I can count MILLIONS OF THEM.

We have plans to invite all NON-members to a series of upcoming meetings in every part of the state, to repeat this message for ALL to hear. First in the Danbury area, followed by Hartford, and others to be determined.

This series of meetings will be presented in part by the ABAC members that were there on the front lines through this five week trial in The Stamford Superior Court, who testified before a jury of our peers, and stood up to the giant with dignity and cause, and because of their passion of this industry, we came out with a win for all.

So the message is clear, ALL are invited and encouraged to attend. My goal is to have every collision repairer in this great state of ours to become a proud member of The ABAC. We are all in this together, we are professionals, and we need to be treated as such. We are true craftsmen and deserve to be treated and rewarded for the fine work we all do.

I personally invite you. The solution may be closer than you think. Aren't you worth it?

President's Note: In this newsletter you will find a Consumer Alert insert. Please post this in plain view for all of your customers to see!

Bob
Bob Skrip

GEICO Drops Use of Aftermarket Safety Parts

Effective immediately GEICO policy is OEM-only for bumper reinforcements and related safety parts.

When it comes to safety items such as bumper reinforcements, brackets and energy absorbers that can play an important role in the crash management characteristics of vehicles, GEICO insurance has taken the proactive step of no longer specifying aftermarket replacement parts for these components when repairing their customers' vehicles.

GEICO informed its staff of the companywide policy change this week citing the recent industry dialog surrounding the quality of aftermarket bumper reinforcements.

The company communication states: "As of today, and until further notice, companywide procedure will be to specify only new OEM or recycled OEM bumper reinforcements, absorbers and brackets. It is important that this message be clearly communicated to everyone on your staff."

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As an added measure, to avoid even inadvertent use of these parts on GEICO estimates, the company has modified its claims management software to raise an electronic flag informing the adjuster of the new policy. According to the GEICO notice, if an adjuster inappropriately selects an aftermarket replacement for a safety related part, the adjuster will see a prompt that states "Company Policy is OEM or Recycled."

The company communication offered the following explanation, "While we are not aware of any issues relative to reinforcements, absorbers or brackets that appear in the CCC database, we are suspending our current policy on aftermarket bumper reinforcements, absorbers and brackets effective immediately until we can gather additional information."

GEICO also noted that, "Our company continues to support the use of aftermarket parts as competitive, safe part choices in collision damage estimating and repair."

Mounting Industry Concern

The consumer safety implications of using untested aftermarket parts has taken center stage in industry dialog recently after shocking live demonstrations before industry leaders attending recent meetings of the Collision Industry Conference (CIC) focused a spotlight on the issue.

Leaders saw the stark differences between the collision performance of untested aftermarket parts and their OEM equivalents during live demonstrations given in November 2009 and January 2010 by recognized industry repair expert Toby Chess.

Chess gave presentations including video and live demonstrations that clearly illustrated the inferior construction techniques and materials in some aftermarket crash parts that could seriously compromise the crash management characteristics of a vehicle repaired with these parts.

The Auto Body Parts Association (ABPA), who represents more than 150 manufacturers, distributors and suppliers of aftermarket crash parts, was quick to respond. Earlier this week, the ABPA took the unprecedented step of recommending to its members that they discontinue the production and sale of aftermarket safety related parts unless they have sufficient test evidence indicating that the parts will perform equal to the original OEM part in a subsequent vehicle collision. Specifically, the ABPA suggested a review of five categories of parts including bumper reinforcements, bumper brackets, energy absorbers, radiator supports and steel bumpers.

MetLife Drops Aftermarket Structural Parts

Another top national insurer officially suspends the use of aftermarket structural parts until their safety can be established.

MetLife Auto & Home, one of the top 15 private passenger auto insurers in the US, confirmed on Tuesday that the company has suspended the use of aftermarket parts for the replacement of safety related components on all estimates prepared "by or for MetLife claims."

In an official communication on Feb. 5 from MetLife Auto & Home to collision repair facilities in the company's Guaranteed Repair Program, Doug Irish, National GRP Administrator, notified the shops of the policy change. "Effective today and until further notice MetLife is suspending the use of aftermarket steel bumpers, bumper reinforcements, energy absorbers, brackets and radiator support. Company policy will be the use of OEM or recycled OEM parts," the communication stated.

The five categories of parts suspended by MetLife are identical to those categories identified by the Auto Body Parts Association (ABPA) as structural parts in its January 25 statement where the ABPA recommended the discontinuation of the production and sale of these part types as well as immediate notification to the estimating systems to eliminate these parts from their parts databases.

The MetLife communication said that the insurer was working with CCC Information Systems to update all of its estimating rule sets to reflect the policy change.

MetLife said, "The concern being put forth is the possibility of compromising the integrity of the safety restraint system." And, "While we are not aware of any circumstances or problems with any of the noted parts, we have decided to revise our policy [until] additional analysis and study are completed."

The company noted that it may return to its aftermarket parts utilization guidelines if/when any safety concerns are settled.

Geico and Esurance both made similar policy changes in late January.

Source: www.collisionweek.com

SCRS Issues Repairer Guidance on Questionable Safety Parts

The Society of Collision Repair Specialists is advising repairers to proceed with "exceptional caution" in the near term when sourcing any replacement parts that are part of the vehicle's crash management system, specifically bumper reinforcement beams, bumper brackets, energy absorbers, steel bumpers and radiator core supports- collectively referred to as safety parts.

In a prepared statement the Society said, "SCRS recommends that collision repair professionals use exceptional caution when performing repairs to consumers vehicles, and to only use parts that will perform with the same ex-

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pectation of quality and safety, both upon installation, and for the life of the vehicle. SCRS also recommends that repair facilities understand the liability associated with utilization of inferior parts, and to avoid being unduly influenced to utilize any replacement part that has not undergone credible independent testing to ensure it meets quality and safety based standards.

The warning comes amid heightened industry awareness recently of the potential safety concerns surrounding certain aftermarket safety parts manufactured without testing and specified by some insurance carriers.

"This issue is concerning on so many levels," said SCRS Executive Director Aaron Schulenburg. "Obviously our members have to understand the liability implications they have when making critical repair decisions such as part selection. The problem with many of these parts, is that a visual inspection at the shop level often can't uncover significant differences, like material or alloy variances. We can't visually see the difference in weight, or that one part is .25mm thinner than another; especially when the two aren't side by side for comparison. It should also not be the responsibility of the shop to make a determination on which part is equivalent, or not. If it is not quality, if it is not safe, it shouldn't even make its way to the market; but they are. We have too many examples, even with current internal 'quality assurance programs' in place, that they are being manufactured, sold, and utilized, despite not meeting the most basic of requirements such as material composition."

The Society is not only urging repairers to use caution, but is also questioning the remedies available to consumers that may already have these parts installed on their vehicles.

"Most importantly, there has to be a way to address the individuals who already have parts that have now been deemed 'inferior' on their vehicle. It is not enough to accept that suppliers will deal with the issue on a case by case bases if, or when, there is a problem. If the process and infrastructure are not in place to support the ability to notify consumers when a problem has been identified, then we need to significantly fix that infrastructure before more parts are sold. If there is a parts problem generated from the OEM, there is an elaborate recall process in place. Every consumer is notified and their vehicle is corrected. These critical safety parts should not be treated with any less urgency. This is an issue that requires a proactive solution, rather than reactive; the motoring public deserves more."

In November 2009 and January 2010, recognized industry expert Toby Chess, who is also an SCRS National Director, performed presentations outlining comparative studies he had conducted between randomly selected OEM and Aftermarket Structural Replacement parts. SCRS said that in every example tested, there were significant differences in both the construction methods and materials used in the aftermarket part that can significantly impact the roles that these parts serve in the transfer of energy during a collision.

Chess said, "The OEMs put a lot of money into research and development to ensure that the end product operates, reacts and sustains damage in very specific ways. Any replacement part made available to the market should be required to have that same expectation of performance."

SCRS said these studies were performed after receipt of concerns from various member shops that there has been an increase in utilization of these aftermarket structural replacement parts in the claims settlement practices of certain insurance carriers.

SCRS has made the slide presentations prepared by Chess available on their Web site at www.scrs.com.

Source: www.collisionweek.com

The Auto Body Association of Connecticut would like to thank the following NEW Supporting Advertisers for their financial contributions to the ABAC News

We encourage all shops and business owners to continue to support those who support you!

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Wreck Check of Boston finds fraud and unsafe repairs on alarming number of repaired vehicles

Mansfield, MA Wreck Check Assessments of Boston has been performing post collision repair inspections on collision damaged vehicles for 5 years. During that time, we have inspected hundreds of repaired vehicles. During our detailed inspection of repaired vehicles, we found:

46% of the vehicles we inspected had safety defects.

42% of the repaired vehicles had fraud, in one form or another

70% of the vehicles had remaining flaws and defects that should have been addressed by the repair shop or insurance company.

There are a variety of reasons for the alarming numbers.

1. Insurance company cost containment is certainly a major factor. Insurance companies continue to specify “aftermarket generic crash parts” despite the report from the Massachusetts Division of Insurance that found no aftermarket part is equal to the manufactures part in terms of fit, finish, safety and availability. The policy of the Division of Insurance to allow the insurance companies to demand the use of inferior replacement body panels has resulted in the loss of hundreds of thousands of dollars in market value to consumers vehicles.
2. The labor rate paid to shops has remained almost flat for a number of years, despite substantial increases in every area of the body shop’s cost of doing business.
3. Advances in automotive technology are rapidly changing the way vehicles are being repaired. Repairing these highly advanced automobiles require ongoing training and expensive tools and equipment which many shops cannot afford.
4. Insurance company makes no distinction between a high quality repair shop and a budget repair shop, and are concerned only with loss severity.
5. The reluctance of the body shop to insist on proper repairs with fair reimbursement for fear of insurance retaliation. Shops that have stood up for the consumers rights for a proper repair have been the target of insurance company “steering” Steering is a tactic used by some insurers to influence consumers to bring, or not to bring a vehicle to a certain shop.

About Wreck Check of Boston

Wreck Check Assessments of Boston is a collision repair consulting firm that provides assistance and essential information to people who have had an accident. Wreck Check of Boston provides a clear and credible alternative information source to support the vehicle owner in the loss recovery process of collision damaged vehicles.

For additional information contact bcollins@wreckcheckboston.com



Keystone Halts Sale of Untested Aftermarket Bumper Parts

More companies and associations throughout the industry are taking action and issuing calls for change as the possible ramifications of unchecked aftermarket part quality begins to be realized across the industry.

Keystone Automotive, a subsidiary of LKQ Corporation, today announced that it will sell only aftermarket bumper reinforcement bars that qualify under the company's quality assurance programs or are approved through third party testing. Also, Keystone said it will expand its testing programs to cover additional reinforcement bars and other parts to further its commitment to provide aftermarket parts with collision performance equivalent to OEM parts. Keystone said in the statement, "The company is dedicated to the quality and safety of all the products it distributes.

The Certified Auto Parts Association (CAPA) announced on Monday that it would be expanding its part certification program to now cover bumper components. Until now, the company has never certified these kinds of parts leaving the industry with two choices, OEM or largely untested aftermarket parts. (see today's related story- [CAPA to Expand Certification Program to Aftermarket Bumpers](#))

Another Insurer Changes Policy

Late Friday afternoon, Esurance Insurance Services announced in a communication to its network shops that it would be changing its policy on aftermarket parts. The company, that sells auto insurance in 30 states, announced simply, "As it has always been our policy to only include OEM Bumper Reinforcements and Core Supports on estimates written for our customers, we are now expanding our policy to also include Bumper Absorbers and Bumper Brackets. Quality and safety remain paramount for our customers so we will to implement this policy effective immediately."

Associations Call for Action

The Collision Repair Association of California (CRA) over the weekend announced campaign to inform key California lawmakers and regulators about the inherent risks associated with the use of certain aftermarket safety parts.

California resident Toby Chess, will make a presentation to Department of Insurance representatives and invited California state and federal representatives demonstrating the inherent risks associated with the use of certain aftermarket safety parts. The presentation will be similar to the one Chess presented to the Collision Industry Conference in January.

CRA president Lee Amaradio said, "The CRA has been bringing the message of safety first to lawmakers for the past three years. They've listened, they've nodded, but with a few key exceptions, they've voted not to change the status quo. Now it is time for action. With Toby's help we are going to demonstrate why inferior aftermarket parts are dangerous."

The Alliance of Automotive Service Providers (AASP), while commending recent action by the Auto Body Parts Association (ABPA) and the Taiwan Auto Body Parts Association (TABPA) to advise their members to stop selling and manufacturing non-certified structural parts, is calling for the establishment of a formal recall mechanism to protect consumers. AASP said, "These actions are to be commended, but highlight the fact that under the present system, we must now wait to see if the related industry segments - the parts manufacturers, parts distributors, repairers and the insurers specifying these parts - voluntarily act responsibly in the interest of consumer safety.

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"The collision repair industry has been fully consumed by cost containment market forces over the past several years. While this may be a necessary evil, we must all ensure that these pressures do not come at the expense of the end-product goal - a proper repair that returns the vehicle to pre-accident condition, not just in terms of appearance, but much more importantly, in terms of safety," AASP said.

Wreck Check Wants Recall

Wreck Check of Boston said it is alerting the public to the safety issues of aftermarket crash parts and is calling on the administration of Governor Deval Patrick, including the Attorney General, the Division of Insurance, and the Auto Damage Appraisers Licensing Board (ADALB) to take corrective action immediately.

Wreck Check, a post repair inspection firm, cited the findings of an ADALB hearing held ten years ago on the safety of aftermarket crash parts. The hearings recommended that in the absence of a recall system for aftermarket parts, records should be maintained by the distributors recording the purchaser's name and address, and that a toll-free 800 number be established so that purchaser's can call and verify if a recall of a particular part has been implemented.

Wreck Check of Boston is now suggesting the Governor take immediate action to protect consumers and among the suggestions: issue an immediate recall on all vehicles repaired with aftermarket parts, hold insurers accountable for re-repair, demand refunds to consumers who paid an additional premium for the use of OEM parts or who paid any out of pocket expense for OEM parts.

Source: www.collisionweek.com

ABAC NEWS ADVERTISER SUPPORT INCREASES DESPITE POOR ECONOMY

With the present state of our economy, many businesses are finding it difficult to survive, especially in the automotive industry. Business owners are being extremely cautious as to how they spend their money by investing in areas that they hope to get a favorable return. With new car sales struggling at best with many O.E.M. manufacturers, dealership owners have looked to their parts departments for extra revenue to help them persevere through this tough economical time.

The ABAC News Supporting Advertiser Directory in this news letter has not lost any support. To the contrary, over fifteen new businesses have become supporting advertisers in the last six months. "Not too bad of an increase in a bad economy!"

The ABAC NEWS is not stopping here. President Bob Skrip, along with his officers and directors continue to give their suppliers an opportunity to join the supporting advertiser's directory. ABAC member shop owners should all realize that the continued expansion of the supporting advertiser directory in this news letter is beneficial to all parties involved.

ABAC shop owners should take a real hard look at the individual businesses that they are purchasing from and see if that business is a supporting advertiser. They should give that business an opportunity to join the ad directory. If the business joins, then all is well. If the business decides not to become a supporting advertiser, then the ABAC member shop owner may consider purchasing products from another business who is a supporting advertiser in the ABAC News.

The message to all businesses should be clear and sincere. "SUPPORT THOSE WHO SUPPORT YOU!"

Any business expressing interest in becoming a supporting advertiser in the ABAC News should contact Dave Fogarty (860-227-0653) or email abacnews@cox.net

Let's continue to grow to create success!

Shop Owner Feeds Appraiser Insurance Medicine

Recently, an ABAC member shop owner had an initial problem with an insurance appraiser in reaching an agreed price on a customer's vehicle he was repairing. Although the parts, labor, paint and materials content was agreed upon, the appraiser had a problem with the shop's increased labor rate for 2010, which was up 10% from the previous year. He complained that he felt that the labor rate that the shop charged for 2009 was already higher than many of the shops charged out there in the market place. A higher rate in 2010 was something that the appraiser could not comprehend.

Now, it was time for this savvy shop owner to explain, and explain he did. He stated to the appraiser that initially he had no intention of raising his business labor rate for 2010. However his office manager had made him aware of the cost increases in premium renewal of both the shop's garage keepers and liability policy and health care benefit policy for 2010. The rates had jumped substantially. The shop owner said to the appraiser that he considered the insurance industry to be quite intelligent in determining business cost increases in order to remain profitable. He also stated that he had met recently with his accountant to determine his true cost of doing business for 2010. That was the primary reason for him raising the business labor rates.

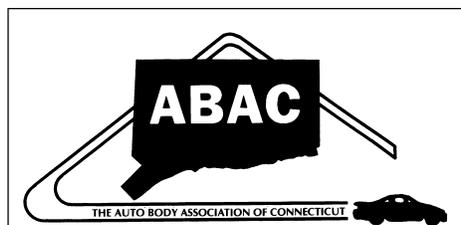
Whew! The appraiser was at a loss for response. The argument that the shop owner had made was accurate and not to be debated. The shop owner also stated to the appraiser that if he refused to make a labor rate adjustment, then he would have no alternative but to contact his customer and explain that her insurance representative was refusing to pay a portion of the repair bill and forcing her to pay a cost that he should have covered. Of course, as we all know and should understand that people purchase auto insurance policies so that when they have an accident, they do not have to pay for repairs with the exception of their deductible responsibility.

The appraiser, still at a loss for words said that he had to go to his car and would be back shortly. The shop owner then observed the appraiser talking to someone who turned out to be his supervisor on his cell phone in the parking lot. A short time later the appraiser re entered the shop owner's office. He handed the shop owner a new appraisal which listed a labor rate adjustment which covered the original balance deficiency. A final agreement was reached and all was well.

This shop owner used the intelligent practices of an insurance industry, fed the appraiser with a good dose of insurer medicine which one would surmise, made the appraiser feel much better before he wrote the check for the correct amount of money!

A message from ABAC President Bob Skrip: "Confer with your accountant annually. Determine your true cost of doing business. Post your individual business labor rate. Do your business at that rate."

Submitted by Dave Fogarty



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The goal of the ABAC News is to provide a forum for the free expression of ideas. The opinions and ideas appearing in this publication are not necessarily representations of the ABAC and should not be construed as legal advice.



Does your shop lease or rent vehicles?

If so, here are a few things you should know.

License Required to Rent

First, by Connecticut law, you need to be licensed to lease or rent vehicles. Second, any vehicle that is leased or rented for more than 30 days in a year needs to be registered. Renting an unregistered vehicle carries several penalties, none the least of which is suspension or revocation of your license to engage in leasing or renting. The DMV Commissioner may likewise suspend one's license for failing to pay municipal property taxes on leased or rented vehicles. In addition, the statutory penalty for failing to register a motor vehicle under these circumstances is a \$1,000 fine per vehicle. (See General Statutes § 14-15a).

If you're going to rent out vehicles during repairs – make sure you're licensed to do so. Instructions for obtaining licensure can be found on the DMV's website.

Get Proof of Insurance When Loaning Vehicles with Dealer Plates

When renting vehicles with dealer plates, be sure to secure proof of insurance. You are required by law to secure "proof" that your customer "has liability and property damage insurance which will cover any damage to any person or property." When and if your customer causes a loss, your customer's insurance "shall be the prime coverage". In other words, if you do what you're supposed to and get proof of insurance, your customer's insurance is primary. If, on the other hand, you fail to secure proof of insurance, you will be jointly liable for any damages. This is an unpleasant predicament – particularly as legal exposure could have been avoided by simply securing proof of insurance. In short: Make sure to get "proof" of insurance, which I would suggest should include a copy of your customer's insurance card and driver's license.

Also, by way of mandatory record keeping, for each dealer plate, make sure you keep records showing (1) the date each plate is loaned; (2) the VIN of the vehicle on which the plate is used; (3) the date returned; and (4) the name, address and operator's license number of the person operating any vehicle with such loaned number plate. These records need to be retained for six months from the date the plate or vehicle was loaned.

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