



Press Release

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SCRS Effectively Advocates for Collision Repair Interests at Conference of Property-Casualty Insurance Legislators

Prosser, WA, August 17, 2009 — The Society of Collision Repair Specialists (SCRS) effectively represented the interests of its members and the collision repair industry at a special meeting held by the National Conference of Insurance Legislators (NCOIL) Property-Casualty Insurance Committee. The meeting took place on July 11, 2009 at the Philadelphia Marriott Downtown.

One of the functions of NCOIL is to vote to approve model bills that legislators can use to help craft laws. Before the organization votes, it holds hearings at which these proposed bills can be discussed. Consumers, regulators, federal officials, the insurance industry and others are invited to share their viewpoints. The July 11th meeting was of special interest to the collision repair industry as one piece of prospective legislation being discussed addressed airbag fraud, and another, aftermarket parts usage and insurance industry steering practices.

Prior to the meeting SCRS analyzed the wording of both bills and grew concerned that, if adopted, they might adversely impact the collision repair industry and the consumers the industry serves. SCRS Executive Director Aaron Schulenburg was in attendance to voice those concerns and present the industry's perspective.

“Taking a broad view, both bills muddied the legislative waters by tasking an entity that regulates the insurance industry with creating policy for businesses outside its scope of authority,” Schulenburg explains. “Any number of problematic scenarios could result, most notably the dilution of enforcement over the core focus of both NCOIL and the state level Departments of Insurance. Who enforces the law? Who ultimately plays the role of steward for the consumer? In our opinion, crossing industry lines—trying to include non-related industries under a single regulatory umbrella—blurs the letter of the law and diffuses its effectiveness.”

This fundamental ambiguity manifested itself differently for each model. The airbag bill, written to curb airbag crime such as theft during a vehicle reconstruction, included language that threatened to codify, and thus legitimize, the use of salvaged airbags during a vehicle repair.

“Anybody who has worked in our industry knows there are plenty of outstanding questions regarding the repair safety and suitability of salvaged air bags,” says Schulenburg. “During the hearing it became

clear that several committee members weren't fully aware of this, although others seemed very understanding of the collision repair industry's concerns and reiterated many of the points raised by repairer testimony, drawing their own analogies in the process. After discussion, committee members began to see how the bill's effects could run counter to its intent of protecting the consumer. They agreed to explore the issue further at the upcoming NCOIL meeting in November, as well as through interim discussions with SCRS and other interested parties."

The second bill knit together several subjects, most notably the use of aftermarket parts on collision-damaged vehicles and the practice of steering the insured's vehicle to a specific collision repair facility.

SCRS had a number of issues with the aftermarket parts portion of the bill. For example, it allowed for insurers to authorize the use of parts or labor to be performed on a repair, when this is the customer's right. Another section suggested the repair facility make available a copy of every invoice for included parts, when it is clearly inappropriate to disclose internal business documents containing sensitive and often proprietary information such as account numbers and business-to-business discounts. A third example is language that forbids the use of aftermarket parts in certain situations—such as a date of loss within 12 months of new car purchase—when insurance policies do not require use of parts; they address the insurer's limits of liability.

"I think, again, a lack of intimate industry knowledge is at the heart of these issues," states Schulenburg. "It may be clear to us, for example, that an insurer can't warrant a part of equivalency even though it can accept liability for failure, but the concept wasn't evident for some. The language appeared carefully crafted to emote an air of consumer protection, but at the end of the day SCRS believes that the vast majority of the language in its current form will do little to protect the policyholder or provide enforceable legislation for the authoritative bodies."

In the case of unlawful steering, while SCRS applauded NCOIL's effort to take a defined, documented stand against the practice, it found the proposed methodology to be flawed, mainly because punitive measures against offenders would not be taken until a "pattern of violations" emerged.

"We explained that this way of addressing the problem was too passive," Schulenburg notes. "A lot of damage can be done to the health of a collision business while repeated steering violations are allowed to be carried out to establish a pattern of behavior. We suggested a more aggressive approach to protect both shops and consumers."

As with the air bag bill, the committee agreed to continue discussion on the collision parts/steering bill. The committee's thoughtful response to the points raised by collision industry representation, which also included members from the Automotive Service Association (ASA) and Coalition for Collision Repair Excellence (CCRE), made the experience a positive one.

In addition to the testimony provided directly to the committee at the NCOIL meeting, SCRS has been invited to provide additional input into considerations of the model legislation through both interim conference call discussions and submission of specific language for proposed revisions.

"Voting was tabled until the NCOIL annual meeting this coming November, allowing the committee time to examine the issues further," Schulenburg says. "That's an encouraging development for our industry given the bills could have been approved in Philadelphia. Being requested to participate in additional discussions to help assert model language that addresses our concerns indicates the impact

we had. We look forward to communicating further with the NCOIL committee in finding language that maintains its focus on the insurance industry without unnecessarily drawing in other non-related industries, and in finding language that will effectively serve the consumer through clear, concise and enforceable solutions.”

Those who are interested in reading the complete SCRS analysis of both bills, can access them from the SCRS website, or simply click the following links:

Crash Parts: <http://scrs.com/pdf-news/SCRS%20Analysis%20of%20NCOIL%202009%20Crash%20Parts%20Model.pdf>

Airbags: <http://scrs.com/pdf-news/SCRS%20Analysis%20of%20NCOIL%202009%20Auto%20Airbag%20Fraud%20Model.pdf>

About SCRS: Through its direct members and 34 affiliate associations, SCRS is comprised of 6,000 collision repair businesses and 58,500 specialized professionals who work with consumers and insurance companies to repair collision-damaged vehicles. Additional information about SCRS including other news releases is available at the SCRS web site: www.scrs.com. You can e-mail SCRS at the following address: info@scrs.com.

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