



Press Release

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FOR IMMEDIATE RELEASE

For Further Information

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SCRS Releases Documents Outlining New DRP Agreement Guidelines

Prosser, Washington, June 20, 2011 — Recently, some of the industry trade publications have already reported on the concern voiced from repair facilities across the country over intrusive elements of Farmers Insurance new COD agreement. The Society of Collision Repair Specialists (SCRS) reviewed the content, and believe that it is in the best interest of the industry to make the agreement available for public review.

Insurance carriers have continued to increase pressure over repair shops to obtain the quickest/cheapest repair, while interjecting themselves further into the oversight and management of repair businesses. The industry is often disadvantaged by restriction of communication from participants of these programs, and it is important for the industry to rely on factual review of documents, rather than anecdotal musings. If we wish for business conditions to improve, it is important that our industry finds the voice to express our concerns openly and honestly without fear of being transparent.

To that purpose, SCRS has highlighted some areas of interest below. All recipients of this communication are notified that the materials presented are not to be construed as direction or suggestion, and is intended simply to better inform individuals acting within their own judgment, making sound business decisions, without agreement to take concerted action.

Please note that in these excerpts, “Exchange” refers to Farmers Insurance, and “Vendor” refers to the DRP repair facility:

5.2 DISPUTED AMOUNTS. If Exchange in good faith disputes any portion of a Vender invoice (“Disputed Amount”), Exchange will timely pay Vendor for the undisputed amounts of that invoice. Unless otherwise specified by federal or state laws, statutes, codes, rules, or regulations, within thirty (30) days of receipt of an invoice from Vendor on which a Disputed Amount appears, Exchange will (i) notify Vendor in writing of the specific items in dispute; and (ii) describe in detail Exchange’s reason for disputing each such item. Within thirty (30) days of Vendor’s receipt of such notice, the Parties agree to negotiate in good faith to reach settlement on any items that are the subject of such dispute. Vendor will not terminate this agreement on the basis of an alleged breach involving Exchanges failure to pay a Disputed Amount unless the Disputed Amount exceeds fifteen percent (15%) of the total amount payable under

this Agreement or the sum of twenty five thousand dollars (\$25,000.00), whichever amount is greater.

(SCRS Note: DRP facilities would seemingly have agreed that the carrier can dispute their charges 30 days after they are invoiced, and the repair facility can't terminate their agreement based on a breach of contract if they fail to pay unless it is a \$25k short-pay.)

11.4 Vendor shall ensure that its General Liability, Workers' Compensation, Garage Liability, Coverage for Garage Operations, and Physical Damage insurance policies allow Vendor to waive its rights of recovery prior to a loss and that the carriers furnishing such insurance policies shall be required to waive all rights of subrogation against Exchange, its officers, agents, employees, and other vendors and subcontractors. To the extent permitted by law, Vendor shall look solely to its insurers and not to Exchange's insurers for loss or damage arising from work performed for Exchange.

(SCRS Note: How many business carriers will allow their clients to waive their rights in this manner through this agreement? Will a collision repair business still have coverage if they sign this? How many of the shops have taken the time to forward this provision to their carriers to ask if they approve of their unilateral waiver of rights to subrogate against the carrier in question? What if a staff re-inspector injures themselves on the shop property due to their own negligence? It appears plain and simple; the liability falls on the shop for their repair approach and choices.)

12. MOST FAVORED CUSTOMER. During the term of this Agreement, if Vendor enters into a written contractual relationship with an insurance company or organization pursuant to which (a) Vendor provides services substantially similar to those provided to Exchange, and (b) Vendor provides pricing or other commercial terms that are more favorable than the pricing or commercial terms being provided to Exchange for work performed by Vendor, then Vendor shall offer to Exchange in writing, within thirty (30) days of Vendor entering into such agreement, the same or better pricing and/or commercial terms to Exchange. On a quarterly basis, Vendor shall provide a written certification executed by an officer of Vendor of Vendor's compliance with this Most Favored Customer provision.

(SCRS Note: "Most Favored" pricing language is currently being challenged in the healthcare industry. Is it interesting that the repair industry is constantly asked to be "competitive" and those same parties now want the industry to guarantee pricing given to another party, which by virtue is not competition.)

16. SUBCONTRACTING

16.1 (ii) Sublet repairs reflecting a retail price within the local market should be written without a mark-up. Sublet items reflecting a wholesale price may be considered for a mark-up not to exceed 25% of the sublet charge. All invoice mark-ups combined may not exceed \$200 for the entire repair.

17. INSPECTION OF BOOKS AND RECORDS. Vendor agrees to maintain and preserve its books and records in accordance with generally accepted accounting procedures ("GAAP") for a period of three (3) years or for a longer period if required by applicable law or regulation. Any time prior to the termination of this Agreement and for a period of two (2) years thereafter, Exchange shall have the right to inspect and audit such portions of the Vendor's books and records as is necessary for purposes of verifying amounts payable to Vendor or its authorized subcontractors and to verify compliance with the terms and conditions of this Agreement. Vendor

agrees to make such books and records available for inspection by Exchange, its designee, or any insurance regulatory authority immediately upon request.

(SCRS Note: Are business owners, willing to open internal accounting books to a party outside of the business? There are concerns voiced regularly throughout the industry regarding data that is shared through electronic mechanisms. Now this program appears to require businesses to open up all their books, P&L statements and proprietary business information to another party.)

27. BACKGROUND CHECKS.

27.2 In no event will Vendor in the performance of this Agreement use the services of an individual who has been convicted of a felony, including but not limited to any convictions involving dishonesty, a breach of trust or moral turpitude.

(SCRS Note: Language in this section is similar to requirements in other programs, requiring complete background checks, and no shop can employ individuals who have ever been convicted of a felony; in some states that may mean a DUI. How many of businesses hire good, decent employees - from detailers, technicians to office staff - who may have made mistakes in the past, but have earned their employers trust and respect for the work they do today? Is it necessary to allow another party to interject who is employed in a privately run business? Is the requirement reciprocal to the representatives who will interface with repair facilities in the field?)

There is lots of information in this agreement. SCRS' decision to release a link to this document is in no way to be construed as legal or ethical advice or opinion; however, it is our hope that the industry finds the information useful in making educated business decisions, and discusses the material responsibly.

The complete agreement can be found by [clicking here](#).

About SCRS: Through its direct members and 38 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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