



Press Release

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FOR IMMEDIATE RELEASE

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SCRS Questions American Family Insurance's Business Practices

Prosser, WA, October 19, 2006 — The Society of Collision Repair Specialists (SCRS) report the recent vendor change in information provider for the American Family Insurance Customer Repair Program (CRP) has caused a ground swell of questions, accusations and opposition in the collision repair industry. It was only a few years ago that American Family required CRP repair facilities to purchase Mitchell's estimating software to participate in their program. Repairers signed contracts with Mitchell due to the requirements put forth by American Family Insurance. Unfortunately, the recent change in requirements to now purchase estimating software from Audatex a Solera company has left many of those repairers in search of answers and growing resentment. According to SCRS Executive Director Dan Risley, "When insurers mandate specific vendors for services, they not only restrain the repair facilities ability to select their preferred vendor(s) but inhibit the efficiency of their operation. The added cost of installing, maintaining and supporting a redundant estimating system to collision repairers can have an impact on both the cost of repairs and the price of insurance. American Family's decision to tie participation in its' Customer Repair Program with the purchase of Audatex Estimating fails to leverage the technology that facilitates efficient electronic communication regardless of the estimating system". Risley continues, "The SCRS has contacted American Family and Audatex to share our members concerns. While we have received clarification on the program requirements, the fact remains that American Family's decision, as currently structured, will raise the cost associated with repairing our customer's vehicles insured by American Family. We will continue to communicate with American Family so they clearly understand the economic costs associated with their decision and the impact on the repair facilities in the Customer Repair Program."

As a first step to address some of these concerns, such as long term contracts, prior contract commitments, computer requirements and higher than expected monthly subscription fees, SCRS contacted Audatex and American Family senior management. The following is a summary of those conversations.

Audatex:

Q: Why are repairers required to sign a 5 year contract?

Q: Can a repairer cancel their contract with Audatex in the event American Family prematurely terminates their agreement with Audatex?

Note: SCRS has been working with Audatex to address these issues. Audatex was requiring a 5 year contract so that the repairers on the Customer Repair Program would have a contract that expires concurrently with the

American Family Insurance contract in December of 2011. Upon listening to the industry's concerns, we are pleased to report they have made a change.

A: Since having rolled out the Audatex-AMFAM CRP Shop Program, we have received numerous requests for a shorter contract term. Audatex is pleased to announce a 1-year contract term in response to these requests. The key differences between the two contracts i.e. 5 year versus 1-year are as follows: shops that make a 5-year commitment receive a discount of roughly 10% relative to 1-year contracts. Additionally, shops that make the 5-year commitment receive FREE hardware that comes pre-installed with the Audatex software solution.

Q: Why is the monthly cost of the software higher than ShopLink?

A: Repairers will not be receiving ShopLink. They will receive Audatex Estimating which is a different program. The repairer will also receive additional software as part of the American Family program requirements at no additional cost (i.e. Imaging, Workflow, Aftermarket parts locator, Estimate Check, Frame and 1 year subscription to Real Steel). In addition, the repairer will be able to do transactions with 1 trading partner (American Family). As more trading partners (insurers) approve the use of the program, there is an additional monthly fee for each trading partner. Shops that elect to sign the 1-year contract will be given the option to purchase hardware at the Audatex negotiated Dell rate. If a shop elects to purchase hardware through Audatex, they must sign a 1-page contract attachment. The price of the hardware includes the hardware, pre-installed Audatex software and shipping. Shops can purchase hardware directly from a hardware vendor e.g. Dell Computers; however, they will not receive the Audatex negotiated rate or the pre-installed software. Lastly, the monthly subscription fee includes a free Dell computer. Audatex wants to ensure repairers have the correct hardware to maximize the softwares' efficiency and so they can provide the appropriate level of support. Audatex Estimating has different hardware requirements than ShopLink. For example, the new enhanced graphics requires a DVD drive.

Q: If a repairer has ShopLink, are they required to pay the set up/implementation fee?

A: Yes, because the repairer will not be using ShopLink for the American Family program. They will be using Audatex Estimating and training is necessary.

Q: Since all insurers have not approved Audatex Estimating, is it possible that a repairer could have both ShopLink and Audatex Estimating?

A: Yes

Q: Will those repairers have to pay two monthly estimating subscription fees?

A: No, Audatex will not charge two monthly fees. There will be one subscription fee.

American Family Insurance:

SCRS contacted Henry Ellis, Specialty Claim Manager for American Family Insurance, to voice the many concerns our members and the industry have expressed. These concerns include, but are not limited to the cost that is being pushed onto repairers that participate in their program. In some instances, repairers have years remaining on their Mitchell contracts. Was there any consideration as to the cost repairers would be saddled with? Mr. Ellis stated that repairers do not have to sign a contract with Audatex as participating on their Customer Repair Program is a voluntary decision. Any contractual agreement between the repair facility and Audatex does not involve American Family Insurance. He further stated that the contract repairers signed with Mitchell was also their own decision. In short, American Family Insurance made a business decision to change information providers and those that would like to remain on their program need to change to Audatex Estimating.

SCRS is in strong opposition to any insurer forcing or mandating repairers to perform business in a certain manner including requiring specific vendor(s).

SCRS, as a founding member of the Collision Industry Electronic Commerce Association (CIECA), strongly supports their vision to have an eCommerce enabled collision industry that allows all industry segments to communicate electronically, independent of platform or software used. Due to their strong involvement on these types of issues, SCRS contacted CIECA. SCRS wanted to clarify if there were technical issues surrounding the need for a repairer to have a specific estimating system. Fred Iantorno, CIECA Executive Director stated, “In today’s environment, ‘mandating’ a specific estimatics vendor is a business issue, not a technical issue. In fact, whenever an insurer ‘switches’ from one estimatics vendor to another, they prove that their systems can “talk” to either one. CIECA has and will continue to encourage an open architecture within the Collision Repair Industry. CIECA has developed and continues to develop data standards that allow communication between different vendors' systems.”

SCRS is willing to work with American Family Insurance in resolving the many outstanding issues that have clearly placed repairers at a disadvantage. Risley further stated, “SCRS understands American Family Insurance's need to make a decision that is best for their business. Although, in our opinion, they have shown no regard for the negative impact it would have upon the repair facilities participating in their program.”

Over the years, the word partner has been used ostensibly to describe the relationship between insurers and repairers. Under no uncertain terms should the word partner be used in the context of describing relationships where one of the parties can arbitrarily change vendors and require the other party to absorb the additional cost.

SCRS will be sending a formal letter to American Family Insurance to further express the industry’s concerns and request clarity on their contractual relationship with Audatex. SCRS’ concerns with the American Family Insurance/Audatex contractual relationship extend beyond the estimating system.

SCRS intends on sharing their response at the Collision Industry Conference (CIC) at NACE in Las Vegas provided a response has been provided. Lastly, the SCRS Board of Directors hopes that other insurers and information providers consider the negative impact these types of requirements have on the entire industry before implementing them. Risley concluded, “The time has come to stop these types of business practices that are clearly anti-consumer, raise the cost of insurance and create friction. The industry needs to work together to better serve the consumer with safe and quality repairs at fair prices. Mandating specific estimating vendors does nothing to further these goals.”

To further demonstrate industry solidarity on this issue, the Automotive Service Association (ASA) and Alliance of Automotive Service Providers (AASP) support the language in this release and join with us in opposition to the actions taken by American Family Insurance.

Through its direct members and 33 affiliate associations, SCRS is comprised of 5,000 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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