



CRB Newsletter

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Cadiz

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Board Office Staff

Executive Director

Michael R. Greene

Investigator

Daniel Gibson

Assistant Attorney General

Theodore L. Klecker, Esq.

Administrative Assistant

Kimberly D. Sherfield

37 W Broad St. #880

Columbus Oh 43215

(614) 995-0714

A WORD FROM THE CHAIRMAN

A Word From the Chairman

First I hope everyone had a very Merry Christmas and I would like to wish everyone a Happy New Year! With 2008 upon us, the Board has elected new officers and welcomed new Board members. At the December 12th meeting, we bid farewell to Chairman Ralph Emus of Conneaut. Ralph has been the mechanical shop board member since June 2001. He served as Board Chairman for 2006 and 2007. Ralph has made a huge contribution to the Collision Board, and he will be greatly missed.

We welcome to the Board Jennifer Haley from Mercedes-Benz of Cincinnati Collision Center, and Ronald Nagy from Nagy's Collision Center of Wooster. Both have an enormous amount of experience and knowledge in the industry and will be great assets to our Board. Paul Duncan of Duncan's Collision & Restoration in Boardman was elected to serve as the Board's 2008 Vice-Chairman at the December meeting. And I was elected as the 2008 Board Chairman. Paul and I look forward to the challenges of holding chairs on the Board and we predict 2008 will be a productive year for us all. We are both here to serve the collision industry of Ohio and welcome your input.

Richard P. Finney
Board Chairman

MISSION STATEMENT

Effectively and efficiently enforce Ohio laws by implementing Turnaround Ohio initiatives to enhance consumer protection and promote industry growth and compliance.

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New U.S. Chemical & Plastics Web Site Features Extensive Technical Data

MASSILLON, Ohio — U.S. Chemical & Plastics has launched a new Web site featuring easy access to product specifications and technical data. USChem.com now provides users with extensive information on all of U.S. Chemical's major product lines, including USC body repair and Cargroom DIY body repair products, Morton truck bed liners, SPRAYMAX aerosols, Sunmight abrasives and Omi-Cron binders and toners.

"Our new site provides professionals with the tools they need to do their jobs on a daily basis," said. "USChem.com includes downloadable product photos, material safety data (MSDS) sheets, technical data sheets, literature and catalogs that help our customers make educated decisions about purchasing and using our products," says U.S. Chemical's Marketing Manager Laura Timberlake.

Designed using state-of-the-art software, information is updated in real time, providing customers with up-to-the-minute details on every product. Each product page lists features and benefits, suggested uses, product codes and links to specific catalog and technical data. Other details on the site include press releases, industry advertisements, and an overview of products and services provided to the export and private labeling markets.

Courtesy of Automotive Body Repair News Courtesy of Automotive Body Repair News

ASA Provides Collision Division, Legislative Updates

BEDFORD, Texas – The Automotive Service Association (ASA) provided some significant collision industry updates at a press conference Nov. 2 at the International Autobody Congress and Exposition (NACE). ASA leaders also discussed current initiatives.

Presenters included Ron Pyle, ASA's president and chief staff executive; Robert L. "Bob" Redding Jr., ASA's legislative representative; Denise Caspersen, Collision Division manager; and Collision Division Operations Committee members Ron Nagy, Nagy's Collision Center, Wooster, Ohio; Mike Schoonover, Schoonover Bodyworks Inc., St. Paul, Minn.; and Dan Stander, Jerry Stander's Collision Works, Littleton, Colo.

Redding began the press conference by providing an overview of the Environmental Protection Agency's proposed refinishing regulation, which ASA views as a positive step for its membership – independent repair professionals. "The proposed regulation is right for us," said Redding, explaining that it contains three key elements: equipment requirements, training requirements and a strong enforcement piece. "We spent a lot of time with our Collision Division Operations Committee and the ASA Government Affairs Committee (GAC) regarding this regulation," Redding added. ASA has had its focus on this issue for some time. The association hosted EPA's Kim Teal two years ago at NACE, taking her and an associate on a tour of ASA collision repair member-facilities to allow them to see firsthand the importance of appropriate regulation of the industry.

The proposed auto refinishing regulation would include national emission standards for area sources engaged in paint stripping and various surface coating operations. Specifically included in the regulation are stricter requirements regarding toxic standards for smaller emitting sources in three industry sectors: paint stripping operations that use methylene chloride (MeCl)-containing paint stripping

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formulation, surface coating that involves paints containing metal HAP compounds, and auto body refinishing.

Nagy, an ASA board member and chairman of the Government Affairs Committee, shared an overview of the shop registration system in his state of Ohio and said he was pleased with the EPA's proposed refinishing regulation. He described it as a good fit in conjunction with what is currently in place in his state. Nagy also explained the primary reason he supported the proposed regulation. "We're not trying to put anyone out of business. This is strictly to raise the bar for collision repairers and the consumer," said Nagy.

Caspersen outlined two primary goals for the Collision Division Operations Committee during 2007: the creation of collision repair tools for ASA members, and increased involvement in various industry initiatives. ASA's Collision Division has stayed active this year with its work with the National Alliance of Paintless Dent Repair Technicians (NAPDRT), the CIC Database Task Force, and the Database Enhancement Gateway (DEG) project, among others.

Stander, chairman of ASA's refinish subcommittee, provided an update on ASA's collection of refinish communication tools. "The three original fliers – Blend vs. New, LKQ vs. New, and Repaired vs. New – were each designed to be a simple tool to show the process of how things work. A collision repair facility may use these documents to better communicate with their partners, insurance adjusters, and even their own staff," he said. "We just want to explain what we really have to do." ASA recently published a worksheet to accompany the Repaired vs. New panel information tool. Using the new tool, ASA member-shops can now enter their own times on the worksheet to help educate their insurance partners on the issue of basecoat reduction and zone refinish.

ASA says these information pieces have been well received by ASA members as well as nonmembers, with hundreds of downloads occurring since the launch of the initial communication tools last year.

Schoonover, chairman of ASA's insurance subcommittee, also explained some of the issues being addressed by ASA. "In our industry, a lot of issues unfortunately are insurer/repairer-related. And we're working toward losing the adversarial relationships that can occur," said Schoonover. One tool created by the Collision Division Operations Committee for members of the association is ASA's new Supplement Request Form. "We found that some shops are having a problem collecting for supplements during the repair process. This can affect cycle time and customer satisfaction," said Schoonover. "Proper use of this supplement form puts the responsibility back to the insurer."

Schoonover also mentioned the committee's examination of rating systems, explaining there's a huge gap between those not qualified to do top-notch repairs vs. those who do. He stressed that this initiative was not a licensing issue at this time, simply a look into rating systems.

Pyle closed out the press conference and discussed ASA's plans to co-locate the association's two trade shows – NACE and CARS (Congress of Automotive Repair and Service) – in 2008. He explained that the two events are not merging, as each will maintain their identities under the umbrella, "Automotive Service and Repair Week" (ASRW), which will be held at the Mandalay Bay in Las Vegas Nov. 5-8, 2008.

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Pyle also addressed the EPA's proposed auto refinishing regulation and the importance of ASA's advocacy role in the industry. During the comment period for the proposed refinishing regulation, ASA made available its TakingTheHill.com Web site to allow repairers to send letters in support of the proposal. The feedback received by the EPA "demonstrates the strength of our organization," said Pyle. The site is open to everyone, which is obviously a good thing, he added. Pyle also commended Darrell Ambersen, AAM, director of ASA's Collision Division Operations Committee, for his diplomatic leadership skills.

Courtesy of Automotive Body Repair News

INVESTIGATOR'S REPORT

The following is a 2007 year-to-date recap of activities:

Complaints Investigated (involving 159 shops)	95
Notices of Violation Issued	193
New Shop Applications Issued	103
Renewal Reminders Issued	58
Prosecution Proceedings Initiated	367
Shops Located "Out of Business"	107
Total Shop Visits	857

Enforcement Ramifications Anticipated After Airing of Alleged Steering, Corruption Problems in Major *LA Times* Story

California collision industry advocates believe they may have hit a home run with a hard-hitting news story published in the *Los Angeles Times*. The piece, which ran Oct. 17, airs forceful allegations of steering, bribery and corruption connected with certain direct repair programs.

The story by *LA Times* staff writer Ralph Vartabedian reported contentions from the auto body industry that "shops are being forced to perform substandard repairs and that some insurers are strong-arming shop owners with 'pay to play' demands."

The article prominently quoted Allen Wood, executive director of the Collision Repair Association of California (CRA). "Some of the dirty little secrets are beginning to come out," Wood said in the story. "There is a huge amount of money at issue here. This type of business practice creates a very unfair climate for shop owners."

Evidence so far shows that at least some insurance company officials are demanding kick-backs to direct work, Wood maintained.

The story is expected to have significant ramifications for the collision repair industry because of the newspaper's national stature; it is the fourth-largest American daily with nearly one million readers. (*USA Today* ranks No. 1 in circulation, followed by the *Wall Street Journal* and the *New York Times*.)

"It's been creating quite a buzz for us in California," Wood tells ABRN as he discusses the article's potential impact. "We're doing whatever we can to move the story forward."

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A key goal is encouraging the state's Department of Insurance to pursue the matter. “We're hoping that they'll open an official investigation into this,” he says.

“I'm hoping it hits a home run; I'm keeping my fingers crossed,” concurs L. Douglas Brown, a lawyer representing CRA member Autocraft of Torrance, who also was quoted in the piece. “The Department of Insurance has been slow to respond to this issue,” he says to ABRN. Additionally, he notes, “There are law enforcement agencies that are looking at various issues.”

Vartabedian opened the story by reporting that the Automobile Club of Southern California recently fired a unit manager in its collision repair section and has embarked upon an internal investigation. The employee allegedly “took gratuities” from a since-dismissed Autocraft manager in exchange for policyholder referrals from the Auto Club, the story said.

The owner of Autocraft is semi-retired, Brown says, and the terminated Autocraft manager was an independent contractor who had been engaged to run the facility. The shop views itself as a victim, and complaints have been filed with the Department of Insurance and Torrance police.

The Auto Club vigorously defended its program, denied wrongdoing and said it is cooperating with authorities.

“This is a wide-ranging issue that affects not only AAA but many insurance companies,” Brown told Vartabedian in the story. “This is the tip of the iceberg.”

Vartabedian made the point that, “Indeed, interviews with independent body shop owners indicate a widespread belief that they are being shaken down by aggressive insurers and their employees. These directed repair programs have succeeded in directing the majority of policyholders with damage claims to pre-selected garages,” he wrote.

“If it is true that body shops are paying kickbacks to get such business, then the general public is ultimately footing the bill in the form of higher premiums for those improper payments,” Vartabedian continued.

He also noted how some body shop owners he interviewed “said they could not speak for the record because they feared repercussions from the insurance industry.”

CRA member Todd Bishop, owner of Dibbles Auto Body in Santa Rosa, did go public with the *Times*, maintaining that he is fighting back by bringing lawsuits in small claims court over alleged under-payments. And he is scheduled to go to trial next year with a case he filed in federal court against GEICO, in which he alleges that the insurance giant has engaged in illegal steering.

(GEICO executives have consistently declined to respond to telephoned and written requests for comment regarding steering issues in California. The company says in press releases that its customer service garners excellent reviews from policyholders.)

“We all thought direct repair programs were a good idea at first,” Bishop said to Vartabedian. “We thought we could save insurers money by performing better repairs more quickly. But this greed factor entered in, and insurers are driving up their profits. They have adopted this policy that if a car is more than a year old, it is free game to cut every single corner,” Bishop was quoted as saying.

Wood, who spent more than 30 years as an enforcement manager with the California Bureau of Auto Repair before joining the CRA, said to Vartabedian that “in many cases, insurers refuse to pay prevailing labor rates and set caps on the maximum amounts for certain services, such as painting over collision damage. In some cases, paint is subject to a \$300 limit, far below the actual cost of the materials needed for repairs.”

Addressing collision shop owners in other states, Wood advises ABRN readers to make their voices known by contacting the news media and public officials with their concerns. Avoid the griping that may take place behind closed doors at association meetings and stick to the facts as you know them, he suggests.

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“Instead of sitting back and thinking about this for several months, we respond. You’re dealing with big business. It’s a David and Goliath issue and sometimes the little guy wins,”

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“This is a huge issue to the repair industry, but because of the seriousness of the issue you have to be careful,” Wood explains.

“If you want to get these articles in the paper you have to come forward and talk about them. The industry needs to step up,” he urges.

Due to the widespread the exposure generated by the *Times*, “I expect other people to come forward because of this. Golly knows where this will lead,” he observes.

“A lot of people may have had problems (with fewer insurance referrals coming into their bays), but they didn’t know why,” Wood says. As official investigations bring heat from enforcement personnel, those involved in questionable activities, including body shop owners, “may squeal like a pig – and who knows where this will lead. If these allegations are found to be true they’re likely to face a serious penalty.”

The CRA has been actively pushing for resolution of the alleged steering problems in California, lobbying the Department of Insurance and state legislators to take action, Wood points out.

“Instead of sitting back and thinking about this for several months, we respond. You’re dealing with big business. It’s a David and Goliath issue and sometimes the little guy wins,” he says. “That’s one of the advantages that the industry has by working together.”

It is not publicly known how Vartabedian was steered toward covering the steering allegations. “I was talking to one guy at the *LA Times*, and lo and behold Ralph was already working on a story,” Wood recounts. “The reporter who wrote this article is very attuned to the industry – I didn’t have to sell him. I have worked with him before, so it was a natural response for him” to pursue the story. “It appears that the individuals involved have some good information.”

Follow-up stories are likely, Wood says. “I’ve got a feeling that there will be more to it,” although he has not discussed the matter with Vartabedian: “Most reporters are not forthcoming with what they plan to do in the future.”

Wood goes on to comment that within the organization, the CRA moniker also stands for “Courage, Responsibility and Action.”

If you want coverage of your state’s particular problems, meet and greet media members and government officials. Promptly return reporters’ telephone calls while avoiding exaggerations and name-calling. “You have to have the respect of the people you’re working with,” he says. “We have to be on-point and responsive; it helps with presenting the issues.”

According to Wood, “These are consumer issues – they affect the consumers and how they get their cars fixed.”

Brown, the lawyer for Autocraft, contends that “this is a fairly wide problem and a cancer on the industry that needs to be addressed. We believe there is evidence of violations.”

Courtesy of Automotive Body Repair News

LEGISLATIVE UPDATE

Shop owners must get involved with pending legislation if they intend on making a positive impact on our industry. Contact your local lawmakers. Each year there are numerous issues that arise. Issues that have an effect on the small businessperson. Nearly everyday, a shop phones our office and wants to know what they can do to improve problems plaguing the shop owners. If you contact your legislators, and have your regular patrons do the same, you can make a difference. Let them know where you stand on the issues, and let them know you are tracking the legislation through the process.

Director Greene

Nothing new to report.

Director's Comments

Merry Christmas and Happy New Year to everyone!

I am proud to report that 2007 was a positive, productive year for our agency. We hired Dan Gibson as our Investigator, and Kim Sherfield as our Administrative Assistant. Both are doing an outstanding job! We have two new Board members. Jennifer Haley and Ron Nagy. I'm looking forward to working with them and using their knowledge to enhance our operation.

In 2007, our Assistant Attorney General, Ted Klecker, filed injunctions in Lorain, Hamilton, Butler and Clermont counties. Many of these shops have settled their cases and became compliant with Ohio laws. Other shops have closed, and some of the cases remain pending.

Registrations increased in 2007. Many auto glass companies and mobile repair units have got on board. Many expired registrations were brought up to date and back fees collected. And thanks to Investigator Gibson, many old cases have been closed out.

Personally, I believe our rapport with Ohio shops has improved and their trust in what we are trying to accomplish continues to grow. I anticipate that 2008 will be more of the same.

Should you have any questions, please feel free to contact my office.

Michael R. Greene

Michael R. Greene
Executive Director

Newsletter prepared by
The Ohio Board of Motor Vehicle Collision Repair
37 West Broad Street
Suite 880
Columbus, Ohio 43215
Phone: (614) 995-0714
Facsimile: (614) 995-0717
Website: <http://collisionboard.ohio.gov/>