

# HOUSE . . . . . 1047

## The Commonwealth of Massachusetts

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PETITION OF:

Robert J. Nyman  
Barbara A. L'Italien

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In the Year Two Thousand and Seven.  
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AN ACT RELATIVE TO LABOR RATES FOR MOTOR VEHICLE REPAIRS.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

Section 113B of Chapter 175 of the General Laws, as appearing in the 2002 Official Edition, is hereby amended by inserting after the first sentence the following: In conjunction with the aforementioned classification of risks and premiums, the commissioner shall also annually, on or before December fifteenth, after due hearing and investigation, fix and establish a fair and reasonable minimum hourly labor rate for work performed by motor vehicle repair shops registered pursuant to chapter one hundred A. Said labor rate shall not apply to specialty work including mechanical work or other categories of work deemed not appropriate by the commissioner. Payments made by companies for motor vehicle damage repair work shall not be based on less than the minimum hourly labor rate established by the commissioner under this section.

## The Commonwealth of Massachusetts

# HOUSE . . . . . No. 1085

By Mr. Spellane of Worcester, petition of Robert P. Spellane relative to labor rates paid by insurance companies to auto repairers in the Commonwealth. Financial Services.

In the Year Two Thousand and Seven.

AN ACT REFORMING LABOR RATES PAID BY INSURANCE COMPANIES TO  
AUTO REPAIRERS IN THE COMMONWEALTH.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

SECTION 1. Automobile Repairer Labor Rate Commission. There shall be a special commission that establishes and oversees, on a periodic basis, recurring at an interval of not more than three years:—

a) a procedure which fairly establishes, by survey or accurately published information, an average national auto repairer hourly compensation rate for all categories of labor performed by auto repairers, including, but not limited to, body labor, paint labor, unibody/frame labor, and mechanical labor.

b) a procedure which fairly establishes a number to be used as a cost of labor multiplier for the Commonwealth of Massachusetts, based on information provided by the Bureau of Labor Statistics of the United States Department of Labor, that indexes the labor costs across all industries for this Commonwealth relative to all other states in the United States.

c) a procedure which fairly establishes a set of definitions which clearly delineates qualifications that distinguish auto repairers from one another, using an “A” shop, “B” shop, and “C” shop classification system. Classification as a “C” shop shall be determined as shops which meet the minimum standards for registration under Chapter 100A of the Commonwealth of Massachusetts.

“A” shop classification and “B” shop classification shall be earned by auto repair shops choosing to be classified under the regulations set forth by this commission; d) a procedure which fairly verifies, by inspection, that auto repairers that choose to have their shops classified under the system referred to in subsection (c) above, possess, and are in operable condition at the time of inspection, the equipment and tools required for classification, as well as the certifications and/or credentials of managers and/or employees, required for classification; e) a procedure for auto repairers to apply for the special classifications referred to in subsection (c) above; f) a procedure by which auto repairers possessing either an “A” shop or a “B” shop classification may file formal complaints should labor rates paid by any specific insurer for any specific auto repair job does not comply with the minimum labor rates for the classification earned by that shop; g) a procedure by which any auto insurer may file a formal complaint against a specific auto repair shop should it be alleged that such auto repair shop no longer complies with the requirements of the classification under which it is paid.

SECTION 2. Such commission shall consist of nine members, including one member of the Senate from the Joint Committee on Financial Services, one member of the House of Representatives from the Joint Committee on Financial Services, three members from the auto insurance industry appointed by the Automobile Insurers Bureau (AIB), three members from the auto repairer industry appointed by the state affiliate of the Alliance of Automotive Service Providers (AASP), and one member designated by the Office of Consumer Affairs and Business Regulation, who shall act as the chair of the commission.

SECTION 3. Such commission shall meet, in public, not less than eight times per year. The commission shall conduct, at minimum, the following business:—

a) the commission shall deliberate, decide upon, and file the indexed labor rate report in a timely manner;

b) the commission shall confer by a certificate under its seal, following a favorable inspection report, either an “A” or a “B” classification to any such auto repair shop which has duly applied for such classification;

c) the commission shall set a fair and reasonable application fee to be paid by auto repair shops that choose to file such application to be classified as an “A” shop or a “B” shop. Such application fee shall be reviewed, and changed if necessary, on an annual basis;

d) the commission shall require that all auto repair shops classified as an “A” shop or a “B” shop must be subject to a new inspection to either maintain their classification or be re-classified every five years. Auto repair shops must submit a new application and pay the appropriate application fee upon the renewal period;

- e) the commission shall appoint teams of auto repair shop inspectors, with each team consisting of one person from the auto insurance industry whose names are offered by the Auto Insurers Bureau (AIB), and one person from the auto repair industry whose names are offered by the Alliance of Automotive Service Providers (AASP);
- f) the commission shall set the rate by which the individuals on inspection teams are compensated for each inspection filed. Such total amount for each inspection may not exceed 75% of the application fee in force at the time of the inspection, and each team member shall be compensated at an equal amount;
- g) the commission shall decide all complaints within three meetings, following a period of twenty-one days after receipt any formal complaint;
- h) the commission shall maintain all pertinent records of all labor rate reports filed, all applications received, and all classifications conferred;
- i) the commission shall make all minutes to all meetings, both open meetings and executive sessions, available to the public within a reasonable period of time.

SECTION 4. Such commission shall report, in the years it is required by this law to do so, its indexed labor rates to the Office of the Attorney General and the Office of the Insurance Commissioner, not less than six months prior to the date established by those offices to set auto insurance rates. In the event that the Office of the Attorney General and the Office of the Insurance Commissioner may no longer set auto insurance rates, the indexed labor rates report shall be submitted to the Office of the Insurance Commissioner, for distribution to all insurance companies writing policies of auto insurance in the Commonwealth of Massachusetts, no later than June 30th of the year preceding that year for which the periodic report is required by this law. Filing of this indexed labor rate report merely fixes the base auto repairer labor rate for those labor categories, and any other such labor categories submitted in the report, as set forth in Section 2 (a), above.

SECTION 5. Any auto repair shop licensed under Chapter 100A of the Commonwealth of Massachusetts may, at any time, submit an application to the Automobile Labor Rate Commission for classification as an "A" shop or a "B" shop. An inspection of the premises of the applying shop shall be completed within 90 days of receipt of the application and application fee payment in full. If auto repair shop does not comply with the requirements set forth by the commission to be classified as either an "A" shop or a "B" shop, the repair shop must be notified in writing within 30 days of the inspection. The auto repair shop must wait for a period of six months to pass before filing another such application and paying the appropriate application fee.

SECTION 6. The Auto Repairer Labor Rate Commission shall have the authority to establish a set of regulations governing its actions, by a two-thirds majority vote of its duly appointed members, as they pertain to overseeing, on an ongoing basis, the labor rates paid by insurers to auto repairers. Further, the commission shall have the authority to alter its regulations as it deems necessary, by a two-thirds majority vote of its duly appointed members.

SECTION 7. The Auto Repairer Labor Rate Commission shall be funded in the following manner:—

- a) each repair shop must pay \$100.00 annually to be classified as a "C" shop. Such fee shall be imposed separately from applications and fees paid under Chapter 100A of the Commonwealth of Massachusetts;
- b) funds from each repair shop making application for classification as an "A" shop or a "B" shop shall be accepted by the commission and deposited in its general fund;
- c) each auto insurer offering policies of insurance in the Commonwealth of Massachusetts must pay a fee of \$1,000.00 annually, as good faith money to comply with all regulations and decisions of the commission.

d) Such funds shall be used to pay the salary of an Executive Secretary who will administer all duties deemed pertinent by the commission, pay for printing and mailing costs and any other communications instruments required by the commission, and all other costs associated with administering the operation of the commission.

e) All members of the commission shall serve on a voluntary, unpaid basis.

#### SECTION 8. Reformed Payments

In accordance with all of the above, this law mandates that all auto insurers offering policies of insurance in the Commonwealth of Massachusetts must pay for labor in each category established by the Auto Repairer Labor Rate Commission under the following terms:—

a) auto repair shops classified as “C” shops must be paid a fair and reasonable amount for all labor hours negotiated under 212 C.M.R. of the Commonwealth of Massachusetts;

b) auto repair shops classified as “B” shops must be paid an amount not less than 90% of the indexed hourly labor rate in force at the time of the completion of the job, for all labor hours negotiated under 212 C.M.R. of the Commonwealth of Massachusetts;

c) auto repair shops classified as “A” shops must be paid an amount not less than 100% of the indexed hourly labor rate in force at the time of the completion of the job, for all labor hours negotiated under 212 C.M.R. of the Commonwealth of Massachusetts.

d) insurance companies must pay the same labor rate to all auto repair shops under each classification, notwithstanding any other financial or other terms or arrangements.