



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

Circular Letter No. 16 (1997)
November 3, 1997

**To: ALL INSURERS LICENSED TO WRITE MOTOR VEHICLE
PHYSICAL DAMAGE INSURANCE IN NEW YORK STATE**

RE: PAINT AND MATERIAL COSTS REIMBURSEMENT

A joint industry committee has been addressing issues of concern between auto body repairers and insurers for the past several years. Both the Insurance Department and the Department of Motor Vehicles have participated on this committee and efforts have been made to reconcile differences between the two industries.

One of the issues of concern to motor vehicle repairers has been the perception that the methods utilized by insurers to determine allowances for paint and material costs were out of date and, in certain instances, did not even reflect the cost of the paint and material. Insurers in New York State had generally estimated the cost for paint and materials by paying an hourly rate multiplied by the number of hours required to paint the area. However, repairers noted that the actual costs of paint and materials have increased over time as the colors have become more varied and difficult to reproduce. In addition, the time it takes to apply the paint varies based upon the color used and the number of stages of paint, clear coats and other refinishing materials required to complete the repair properly.

As a result of those concerns, studies were conducted, under the auspices of a subcommittee, to ascertain the costs of painting motor vehicles as part of the repair process. The studies demonstrated that paint costs could be more precisely measured using a manual that recognized variations in paint cost. The subcommittee concluded that the use of a published guide would be an improvement over the methods that were being used to determine this allowance. Insurer representatives on the committee generally indicated a willingness to utilize a separate paint manual. However, both insurers and auto body repair shops were unclear if they could use two manuals to determine repair costs.

Upon a recommendation of the committee, the Department of Motor Vehicles amended the Commissioner's regulations to provide that "A manual may be used if it is objective and has wide acceptance in the industry. One manual may be used for mechanical repairs, one for body repairs and a different one for paint and refinishing materials." [15NYCRR 82.8(e)]. The amendment clarified that more than one manual could be used. It was promulgated without any objection.

Since the costs of paint products vary widely, methods traditionally used by insurers to provide allowances for paint and material costs may, in some instances, be inadequate or excessive. Inadequate allowances might result in repair estimates that do not provide an allowance that is sufficient to restore the

vehicle to its condition immediately prior to the loss as required by Insurance Department Regulation 64, [11NYCRR 216(b)(1)] and could subject insurers to administrative penalties for engaging in unfair claims settlement practices.

Insurers are expected to provide repair allowances that are sufficient to restore damaged vehicles to their pre-accident condition. The Department will be monitoring insurer claim practices to ascertain that allowances for the various aspects of the repair process are sufficient. As complaints are made, either directly to insurers or through our Consumer Services Bureau, and as reviews take place during Insurance Department market conduct examinations, we expect insurers to justify their allowances.

This Circular Letter should be acknowledged in writing no later than December 15, 1997, to Mr. Richard Nebb, Associate Examiner, Property and Casualty Insurance Bureau, 25 Beaver Street, New York, NY 10004.

Very truly yours,

Mark Presser
Deputy Bureau Chief
Property and Casualty Insurance Bureau