

COMMONWEALTH OF MASSACHUSETTS

REPORT OF THE AUTO BODY LABOR RATE ADVISORY BOARD

DECEMBER 22, 2025

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AUTO BODY LABOR RATE ADVISORY BOARD

The Advisory Board comprises the following 14 members:

Michael D. Powers, Co-Chair

Legal Counsel to the Commissioner of
Insurance
Massachusetts Division of Insurance

Mark A. Merante

Deputy Commissioner and General
Counsel
Massachusetts Division of Standards

Brian Bernard

Owner, Total Care Accident Repair Service
of Raynham
Raynham, selected by auto repair industry
Massachusetts
Alliance of Automotive Service Providers

Christopher S. Stark

Executive Director, Massachusetts
Insurance Federation
Auto insurance industry selected by the
Automobile Insurers Bureau

Samantha Tracey

Director, Claim Shared Services
Arbella Insurance Group
Auto insurance industry selected by the
Automobile Insurers Bureau

JocCole "JC" Burton

Chief Executive Officer, Maven
Construction, Inc.
Business Community

John Kwoka

Neal F. Finnegan Distinguished Professor of
Economics
Northeastern University
Economist

Stacey Gotham, Co-Chair

Actuary
Insurance and Financial Services Division
Office of the Attorney General

Rick Starbard

Owner, Rick's Auto Collisions, Inc.
Revere, selected by auto repair industry
Massachusetts
Alliance of Automotive Service Providers

Matthew Ciaschini

Owner, Full Tilt Auto Body and Collision
West Hatfield, selected by auto repair
industry Massachusetts
Alliance of Automotive Service Providers

Peter Smith

Manager, Material Damage Auto Claims
MAPFRE Insurance
Auto insurance industry selected by the
Automobile Insurers Bureau

Paul Burke

Vice President, Bay Coast Insurance
Company
Swansea, Massachusetts
Massachusetts Association of Insurance
Agents

Sean Kane

Safety Research & Strategies, Inc.
Seekonk, Massachusetts
Consumer Advocate

David Brown

Service Director, Bill Diluca Chevrolet-
Cadillac Inc.
Andover, Massachusetts
State Automobile Dealers Association

HISTORY OF AUTO BODY RATES

2008 SPECIAL COMMISSION ON AUTO BODY LABOR RATES

The first Special Commission on Auto Body Labor Rates in Massachusetts ("2008 Special Commission") was created by Section 108 of Chapter 182 of the Acts of 2008.¹ The 2008 Special Commission was charged with studying existing practices in setting rates and investigating the benefits and costs associated with developing a rate setting system:

SECTION 108. There shall be a special commission to study autobody rates. The commission shall study existing practices in setting rates, and investigate the benefits and costs associated with developing a rate setting system, including but not limited to, establishing a tiered rating system for auto body shops, an average national hourly compensation rate, and use of a cost of labor multiplier for the commonwealth utilizing data provided by the Bureau of Statistics for the U.S. Department of Labor. The commission shall also report on the number of auto body shops in the commonwealth from 2000 until present, including the number of shops that have closed during that time period.

The commission shall hold at least 2 public hearings and file a report of the results of its study including any legislative or regulatory recommendations with the clerks of the senate and house of representatives who shall forward the same to the joint committee on financial services and the senate and house committees on ways and means not later than December 31, 2008.²

After holding two public meetings in October and November of 2008, the Special Commission published its final report in December 2008.³ In its conclusions, the 2008 Special Commission Report stated the following, before setting forth separate comments submitted by those in the insurance industry and those in the auto body industry:

¹ 2008 Mass. Acts Chapter 182, <https://malegislature.gov/Laws/SessionLaws/Acts/2008/Chapter182>

² <https://malegislature.gov/Laws/SessionLaws/Acts/2008/Chapter182>

³ Report of the Special Commission on Auto Body Labor Rates, December 30, 2008 ("2008 Special Commission Report"). A copy of that report is attached hereto as Appendix I.

There is no dispute that the auto body labor rate has not kept pace with increases in the labor rates in similar industries. The question is what, if anything, needs to be done at this time to remedy the situation. Those in the insurance industry advise a wait and see posture, to allow the managed competition of the Massachusetts private passenger automobile insurance market to determine the appropriate auto body labor rate. Those in the auto body business, however, feel that an increase in the labor rate is so overdue as to necessitate an immediate increase.⁴

The 2008 Special Commission Report also made three recommendations,⁵ summarized in the following table.

2008 SPECIAL COMMISSION: THREE RECOMMENDATIONS		
DATA REVIEW	REVIEW NEED FOR LEGISLATION	REGULAR MEETINGS ON AUTO BODY LABOR RATES
The 2008 Special Commission recommended that the General Court review future data on auto body labor rates (through June 30, 2009) to determine what effect, if any, that managed competition in the motor vehicle insurance market had on the labor rates paid by insurance companies to auto body shops in Massachusetts.	Next, the 2008 Special Commission recommended that the General Court consider whether legislation or other methods were necessary to ensure that the transition to managed competition in Massachusetts auto motor vehicle insurance resulted in insurers paying a fair and reasonable labor rate to auto body shops in Massachusetts.	The 2008 Special Commission's final recommendation was for representatives from the auto body repair industry and the motor vehicle insurance industry to meet bi-monthly to discuss best practices and other actions to improve accountability and quality of services that both industries provide to consumers.

2022 SPECIAL COMMISSION ON AUTO BODY LABOR RATES

In 2021, the Massachusetts General Court passed Chapter 24 of the Acts of 2021. Section 130 of that chapter established the Special Commission on Auto Body Labor Rates ("2022 Special Commission"), to be co-chaired by the chairs of the joint committee on financial services.⁶ The 2022 Special Commission was charged with studying auto body labor rates. The study was to include, but not be limited to:

⁴ 2008 Special Commission Report, p. 8.

⁵ 2008 Special Commission Report, p. 13.

⁶ 2021 Mass. Acts Chapter 24, Section 130(a), <https://malegislature.gov/Laws/SessionLaws/Acts/2021/Chapter24>

(i) an analysis of auto body labor rates in the commonwealth, including a comparison of labor rates in surrounding states; (ii) an analysis of the impact of managed competition in the automobile insurance market on labor rates; (iii) an assessment of whether current labor rates are reasonable and, if no, an evaluation of potential methods for calculating a reasonable labor rate; (iv) the number of auto body shops in the commonwealth each year from 2008 to the present, including the number of shops that have closed during that time period; and (v) an analysis of the impact of the labor rates on the auto body labor workforce.⁷

After holding four public hearings between December 2021 and April 2022, this Special Commission published its report on April 12, 2022, setting forth six “possible options and solutions,”⁸ which are summarized in the following table.

2022 SPECIAL COMMISSION: POSSIBLE OPTIONS AND SOLUTIONS		
STATUS QUO	PENDING LEGISLATION – SURROUNDING STATE AVERAGE	PENDING LEGISLATION – INFLATION ADJUSTED RATE
Maintain the then-existing system whereby “[t]he insurance industry negotiates a labor rate with contracted auto body shops, and that rate is most often paid to auto body repair shops in the Commonwealth.” The average labor rate paid through insurance companies was approximately \$40. The 2022 Special Commission Report stated, “This is not a viable recommendation and will not provide a long-term solution to the issue of auto body labor rates.” ⁹	At the time of report publication, there were four pieces of proposed legislation that would have set a government-mandated rate that insurance companies would be required to pay auto body repair shops based on the average labor rate of surrounding states. The bills all would have required the minimum hourly labor rate on repairs to be the average hourly rate from Connecticut, Maine, New Hampshire, Rhode Island, and Vermont. ¹⁰	At the time of report publication, the Committee on Financial Services had two bills before it that would have used the rate set in 1988 and adjusted it for inflation. The resulting rate would have been approximately \$78 per hour, according to the Massachusetts Alliance of Automotive Service Providers. ¹¹

⁷ 2021 Mass. Acts of 2021 Chapter 24, Section 130(b), <https://malegislature.gov/Laws/SessionLaws/Acts/2021/Chapter24>

⁸ 2022 Special Commission report, p. 11: <https://www.mass.gov/doc/auto-body-commission-2022/download>

⁹ 2022 Special Commission report, p. 11: <https://www.mass.gov/doc/auto-body-commission-2022/download>

¹⁰ 2022 Special Commission report, p. 11: <https://www.mass.gov/doc/auto-body-commission-2022/download>

¹¹ 2022 Special Commission report, p. 11-12: <https://www.mass.gov/doc/auto-body-commission-2022/download>

2022 SPECIAL COMMISSION: POSSIBLE OPTIONS AND SOLUTIONS (CONT.)

Alliance of Automotive Service Providers Massachusetts Recommendation	Massachusetts State Automobile Dealers Association Recommendation	Legislative Recommendation-Establishment of a Labor Rate Advisory Board
<p>Recommendations included an immediate increase of \$33 in the minimum reimbursement rate to the claimant with yearly adjustments based on the CPI for the northeast region; two alternative recommendations based on passage of the inflation-adjustment legislation (from option #3, above) with a tiered rollout of additional increases over three years.</p>	<p>Recommended establishing a minimum hourly labor rate to be paid by insurers based on the repair shop's average customer-paid hourly labor rate. This rate would be calculated from a sample of the shop's recent customer-paid collision repair orders.¹²</p>	<p>Recommended the establishment of a Labor Rate Advisory Board with members from the insurance industry, auto repair industry, government, vocational schools, dealers, consumer advocates, and an economist. The board would conduct an annual survey of auto body repair shops, collect relevant industry data to be reviewed and analyzed by the advisory board annually and used to provide a basis and recommendation for which the board could discuss a fair and equitable labor rate. The advisory board would also be required to annually file a report of its findings, conclusions, and any recommendations with the Clerks of the State Senate, House, the Joint Committee on Financial Services, the Senate and House Committees on Ways and Means, and the Division of Insurance.¹³</p>

Following all of the above, the present Auto Body Labor Rate Advisory Board (“Advisory Board”) was established by Section 292 of Chapter 238 of the Acts of 2024, which provided the following:

SECTION 292. There is hereby established an auto body labor rate advisory board to address any issues related to auto body labor rates. The advisory board shall consist of: 1 person appointed by the commissioner of insurance, who shall serve as

¹² 2022 Special Commission report, p. 13-14: <https://www.mass.gov/doc/auto-body-commission-2022/download>

¹³ 2022 Special Commission report, p. 14-15: <https://www.mass.gov/doc/auto-body-commission-2022/download>

co-chair; 1 person appointed by the attorney general, who shall serve as co-chair; 1 person appointed by the director of standards; 3 persons selected from the auto insurance industry by the Automobile Insurers Bureau of Massachusetts; 3 persons selected from the auto repair industry from different geographic regions of the commonwealth by the Alliance of Automotive Service Providers of Massachusetts, Inc.; 1 person selected by the Massachusetts State Automobile Dealers Association, Inc; 1 person selected by the Massachusetts Association of Insurance Agents, Inc.; and 3 persons to be appointed by the co-chairs, 1 of whom shall be from a consumer advocacy group, 1 of whom shall be from a group representing the business community and 1 of whom shall be an economist with expertise on the insurance industry.

The advisory board shall be responsible for creating, implementing and overseeing a survey given to relevant auto body shops. The advisory board shall collect industry data including, but not limited to: (i) labor rates in neighboring states; (ii) auto body shop costs; (iii) total labor costs; (iv) inflation data; (v) work force data; (vi) vocational-technical school trends; (vii) insurance premiums; and (viii) any additional information as requested by the advisory board. The results of the survey and the data collected shall be reviewed and analyzed by the advisory board.

Not later than December 31, 2025, the advisory board shall make recommendations to the division of insurance for a fair and equitable labor rate and file a report of its findings, conclusions and recommendations with the clerks of the senate and house of representatives, the joint committee on financial services, the senate and house committees on ways and means and the division of insurance.¹⁴

¹⁴ 2024 Mass. Acts Chapter 238, Section 292: <https://malegislature.gov/Laws/SessionLaws/Acts/2024/Chapter238>

ADVISORY BOARD PROCESS

The Advisory Board held ten public meetings. Two were held in-person/virtually, one at the State House and the other at the Tri-County Regional Vocational Technical High School in Franklin, Massachusetts. The other eight were held virtually.

Two surveys were created and approved by the Advisory Board. One survey was sent to all auto body repair shops registered with the Division of Standards, and the other was sent to all auto insurers that have 1% or more market share by policies written in Massachusetts.¹⁵ The surveys requested responses to questions about the hourly labor rates for six categories of collision repairs: body labor rate, refinishing labor rate, aluminum labor rate, mechanical labor rate, structural labor rate, and frame labor rate.

The Advisory Board also collected data on labor rates charged by auto body repair shops in neighboring states. Specifically, it obtained data reported by *LaborRateHero* on the labor rates charged by a sample of auto body repair shops in Connecticut, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. Labor rates that insurers pay to auto body shops in Rhode Island were obtained from the Rhode Island Division of Insurance. The Advisory Board also received the results of an analysis that the Automobile Insurers Bureau of Massachusetts ("AIB") conducted to estimate the impact that various minimum labor rates for auto body repair shops would have on consumers' insurance premiums.

On May 5, 2025, the Advisory Board held a public meeting and began discussions about the proposed elements of the survey to auto body repair shops and the methods to obtain the information.

On May 29, 2025, the Advisory Board held a public meeting, and discussions about the elements and methods of the survey continued among the members.

On June 3, 2025, the Advisory Board held another public meeting and voted to approve the questions for the survey and to have the Massachusetts Division of Standards send the survey to all 1,497 auto body repair shops registered with them. Auto body repair shops were given 30 days to respond to the survey, and thereafter, the data was collected and analyzed by the Advisory Board. A spreadsheet was created summarizing the responses provided by auto body repair shops.¹⁶

¹⁵ All automobile insurers with at least 1% market share by policies written in Massachusetts constitute 95% of the market in Massachusetts.

¹⁶ A copy of the table summarizing responses to the survey of auto body repair shops is attached hereto as Appendix D.

On June 12, 2025, a public/virtual hearing was held at the State House in room 1B to take testimony from interested parties. A total of fifteen individuals testified. Most of the people who testified were owners or employees of auto body shops who stated that current rates for auto body repairs are too low. By contrast, a representative from the American Property Casualty Insurance Association (“APCIA”) testified that the insurance industry opposes government price fixing, arguing that a fixed rate would negatively affect Massachusetts consumers by increasing premiums.

On July 29, 2025, the Advisory Board held a public meeting to discuss the survey responses from auto body repair shops. As noted above, the survey of auto body repair shops was sent to the 1,497 auto body repair shops that were registered with the Massachusetts Division of Standards. The Advisory Board received survey responses from 527 auto body repair shops, 37 of which were duplicates and several others of which had significant input errors. After removing the responses that were duplicates or that had significant input errors, there were a total of 476 auto body shop responses. Consequently, the response rate for auto body shops was 32%, which may or may not be representative of the total 1,497 active shops statewide.¹⁷ At the July 29 meeting, the Advisory Board also discussed the elements of the proposed survey of auto insurance carriers with a market share in the Commonwealth of written premiums of 1% or more, and the same subcommittee that had designed the questions for the Advisory Board’s survey of auto body shops agreed to design questions for the survey. That subcommittee comprised four members of the Advisory Board: two representing insurers and two representing auto body shops.

At the September 15, 2025, public meeting, the Advisory Board adopted that subcommittee’s recommended questions for the insurer survey. The Advisory Board further agreed that the Massachusetts Insurance Federation would distribute the survey to the auto insurance carriers. The results of the insurer survey were reported at the Advisory Board meeting held on November 24, 2025. A spreadsheet was created summarizing and analyzing the survey responses.¹⁸

A public meeting was held on October 29, 2025, at the Tri Valley Tri-County Regional Vocational Technical High School to fulfill the legislature’s mandate to obtain information about trends of vocational high schools for students attending auto body technician courses. Interested parties were allowed to testify in person and virtually. Auto body repair shop owners and/or employees stated that labor rates are problematically stagnant and that the auto body industry is struggling to recruit auto body technicians because of low rates. None of the people who spoke at the public meeting identified themselves as an administrator of a vocational school. At the conclusion of the meeting, the co-chairs

¹⁷ Statistical testing of non-response bias was not performed.

¹⁸ The table summarizing and analyzing the survey responses from insurers is attached hereto as Appendix E.

requested that any interested party engaged in the auto body repair industry or auto insurance industry submit written recommendations before the Advisory Board's next meeting, scheduled for November 24, 2025. The Advisory Board received thirteen submissions, all from the auto body repair shop industry.¹⁹

On November 24, 2025, the Advisory Board met to review collected data, discuss written recommendations submitted by individual Advisory Board members, and acknowledge members of the public who had submitted written recommendations to the Advisory Board. The Executive Director of the Massachusetts Insurance Federation confirmed that no state in the United States has established a minimum auto body labor rate.

At the conclusion of the discussion, which showed that there was no agreement on a recommendation amongst Board members, it was decided that the Advisory Board would not adopt a Board recommendation but would attach to this report any recommendation submitted by any individual Advisory Board member who wished to provide one.

A final vote on this report was taken by all Advisory Board members at the December 22, 2025, meeting (a quorum having been determined to be present), and the vote results were in favor of adopting this report. The vote was tabulated as follows: In favor: 7, Opposed: 6, Absent: 1.

¹⁹ Each of those recommendations are available at <https://www.mass.gov/info-details/auto-body-labor-rate-advisory-board#recommendations-from-non-board-members--general-public>

LIST OF PUBLIC MEETINGS

APRIL 17, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at: <https://www.youtube.com/watch?v=l7oWPmv1MXQ>

MAY 5, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at: <https://youtu.be/DOPTWxJMwig?feature=shared>.

MAY 29, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at: <https://youtu.be/HZavRjUPy1Q?feature=shared>.

JUNE 3, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at: <https://youtu.be/p74w4YsvEUY?feature=shared>

JUNE 12, 2025, IN-PERSON PUBLIC MEETING

Recording can be found at: <https://youtu.be/GjM7PavBeqs?feature=shared>.

JULY 29, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at: <https://www.youtube.com/watch?v=iM-ze9oVZXk>

SEPTEMBER 15, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at:

https://www.youtube.com/watch?v=_HgjVKn_cFk&feature=youtu.be

OCTOBER 29, 2025, IN PERSON AND VIRTUAL PUBLIC MEETING

Recording can be found at: <https://youtu.be/AaZVOoGS8T8>

NOVEMBER 24, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at:

<https://www.youtube.com/watch?v=VKHiFk99PTA&feature=youtu.be>

DECEMBER 22, 2025, VIRTUAL PUBLIC MEETING

Recording can be found at: <https://youtu.be/qq-lV7OOeWI>

FINDINGS BY THE AUTO BODY LABOR RATE ADVISORY BOARD

Survey responses of insurers in Massachusetts

Insurer surveys were sent to all auto insurers having 1% or more market share by policies written in Massachusetts.²⁰ There are 17 such insurers, and the Advisory Board received survey responses from 16 of them.²¹

The insurer survey asked for a given insurer's prevailing labor rate for each of five categories of collision repairs: body repairs, refinishing repairs, mechanical repairs, structural repairs, and frame repairs.²² The labor rate for any given category of repairs varies by insurer. For body repairs, the survey indicated that the labor rate paid by the 16 insurers ranged from \$43 to \$55. For mechanical repairs, the survey indicated that the labor rate paid by the 16 insurers ranged from \$45 to \$80.

The state-wide weighted average of labor rates that the survey indicated were paid by insurers was calculated for each category of repairs, using data from the survey responses of the 16 insurers. A weighted average labor rate reflects each insurer's market share. For example, when the weighted average labor rate is calculated, the labor rate of an insurer that has 19.0% of the market share is given more weight than the labor rate of an insurer that has only 1.6% of the market share. For body repairs, based on computations from the survey results, the weighted average of labor rates paid by insurers who write at least 1% of the auto policies in Massachusetts is \$49.

A table summarizing the survey responses from each insurer which returned a survey response is attached as Appendix E. The table also lists the weighted average labor rate for each category of repairs, as calculated based on survey information. For the readers' convenience, some information from Appendix E is set forth in the table below:

²⁰ Surveys were sent to the 17 insurers who write 1% or more of the auto policies in Massachusetts, because together they write 95% of the auto policies in Massachusetts.

²¹ The one insurer who did not submit a survey response has 1.1% of the market share of auto policies written in Massachusetts.

²² See the Insurer Survey at Appendix C.

Prevailing Labor Rates Paid by Insurers in Massachusetts Based on data from survey results					
Category of collision repair	Body	Refinishing	Mechanical	Structural	Frame
Range of prevailing labor rates paid by the 16 insurers who responded to the survey	\$43 - \$55	\$43 - \$55	\$45 - \$80	\$43 - \$55	\$45 - \$58
Weighted Average of prevailing labor rates paid by the 16 insurers	\$49	\$49	\$55	\$46	\$50

Massachusetts auto body repair shops' survey responses

Auto body repair shop surveys were sent to the 1,497 auto body shops that are registered with the Massachusetts Division of Standards. Of those, 527 submitted survey responses. But some responses were duplicates and some contained input errors. After excluding the survey responses that were duplicates or that had significant input errors, there were a total of 476 survey responses. Stated differently, the Advisory Board obtained usable labor rate data from 32% of the auto body repair shops in Massachusetts

The 476 survey responses from auto body repair shops are summarized in Appendix D. The survey of auto body repair shops requested labor rates that each auto body shop charges for six categories of collision repairs. The labor rates for each of those six categories of repairs varies by auto body shop. Because there is no available data on each repair shop's market share of collision repairs, a weighted average of auto body shops' labor rates was not calculated. Instead, for each category of collision repairs, the auto body labor rates provided in response to the survey by auto body shops were used to calculate the following measures: the average, the median, and the mean excluding outliers. Each of those measures is used to measure the central tendency of a set of numbers.

The table below sets forth, based on the survey data, the minimum and maximum labor rates that auto body shops in Massachusetts charge for each category of collision repairs, as well as the average, the median, and the mean excluding outliers. This information is summarized below:²³

Category of collision repair	Labor Rates Charged by Massachusetts Auto Body Repair Shops					
	Body	Refinishing	Aluminum	Mechanical	Structural	Frame
Minimum labor rates	\$35	\$30	\$40	\$40	\$40	\$40
Maximum labor rates	\$200	\$200	\$350	\$250	\$225	\$250
Average (mean)	\$68	\$67	\$98	\$108	\$84	\$85
Median	\$65	\$65	\$90	\$105	\$80	\$80
Average (mean) excluding outliers	\$65	\$64	\$94	\$104	\$81	\$82

Thus, for body repairs, the statewide average (mean), median, and average (mean) excluding outliers of labor rates charged by auto body shops, based on the survey data, are \$68, \$65, and \$65. For mechanical repairs, the statewide average (mean), median, and average (mean) excluding outliers of labor rates charged by auto body shops, based on the survey data, for mechanical repairs are \$108, \$105, and \$104, respectively.

Notably, the numbers in this table are based on the survey responses submitted by 476 auto body shops, which is 32% of the shops that were sent surveys. If all 1,497 auto body shops in Massachusetts had responded to the survey, it is possible that the numbers in the table would be different. In other words, it is possible that the numbers in the table are not an accurate representation of the labor rates charged by all 1,497 auto body shops registered with the Massachusetts Division of Standards.

²³ See also Appendix D.

²⁴ Survey responses that were duplicates or that contained significant input errors were excluded from the data. The data in this table is based on the 476 survey responses that were not duplicates and that did not contain significant input errors.

Data collected from neighboring states

The Advisory Board obtained data on labor rates charged by a sample of auto body repair shops in neighboring states, as reported by *LaborRateHero*.

As for labor rates paid by insurers in other states, the Advisory Board obtained the prevailing labor rates that insurers in Rhode Island reported to their state regulator as the amounts paid for body repairs. The labor rates that insurers in Rhode Island reported that they were paying for body repairs are listed, by insurer, in Appendix F. Based on those reported rates, a weighted average of those labor rates was computed and is set forth in Appendix F.²⁵ For body repairs the weighted average of these labor rates in Rhode Island is \$54. That is higher than the \$49 weighted average labor rate that the Advisory Board's survey result indicates insurers in Massachusetts pay for body repairs.

The Advisory Board was able to obtain data on labor rates paid by insurers in Rhode Island because Rhode Island's Insurance Division requires insurers to report prevailing labor rates that insurers use to determine the cost to settle automobile property claims. No other state in New England requires insurers to report such data and neither does New York. Accordingly, the Advisory Board could not readily obtain data on the prevailing labor rates paid by auto insurers in other states besides Rhode Island.

Data on the estimated impact that higher auto body labor rates paid by insurers in Massachusetts would have on consumers' automobile insurance premiums.

Without data from automobile insurance carriers - e.g. data on claims, losses, the amount of losses that are attributable to auto body repairs, etc. – the Advisory Board itself could not estimate the impact that increased auto body repair labor rates would have on consumers' insurance premiums. Insurer representatives on the Advisory Board, however, asked the AIB to estimate the impact that an increase in auto repair labor rates would have on consumers' auto insurance premiums. That estimate is set forth in Appendix G. According to the AIB's estimate, a \$10 increase in the labor rate would result in an approximately 3% increase in consumers' premiums for auto insurance.

²⁵ As explained in the section of this report on the survey of insurers in Massachusetts, a weighted average labor rate reflects each insurer's market share. That means that when the weighted average labor rate is calculated, the labor rate of an insurer that has 32.7% of the market share is given more weight than the labor rate of an insurer that has only 1.2% of the market share.

AUTO BODY REPAIR INDUSTRY'S POSITION

During two public meetings that were held by the Advisory Board on June 12, 2025, at the State House, and on October 29, 2025 at the Tri-County Vocational Technical High School in Franklin, several witnesses associated with auto body repair shops opined that the auto insurance industry is artificially suppressing labor rates for repairing auto body damage to motor vehicles in the Commonwealth. They contend that labor rates are well below the amounts needed to operate an auto body repair shop, pay a reasonable wage to auto body repair technicians, safely repair damaged motor vehicles, and remain in business.

Because of increasing demands on the automotive repair industry due to:

- changes in technology (such as electric batteries, the use of carbon fiber and other newly fabricated materials for manufacturing motor vehicles, and Advanced Driver Assistance Systems);
- the need to calibrate these advanced systems, the need to purchase sophisticated tools and diagnostic machines, the costs of health benefits and workers compensation insurance, and;
- increasing overhead costs such as real estate taxes, debt service, insurance, environmental compliance, and administrative costs;

the auto body repair shop witnesses opined that the repair industry is on the brink of disaster.

In addition, auto body repair shop witnesses asserted that the labor rates paid by auto insurers in Massachusetts are insufficient to maintain the labor force in the auto body repair industry. At the hearings, testimony from members of the auto body repair industry repeatedly expressed concern about the reduction in the availability of workers in the auto body repair industry's workforce, especially for collision repair technicians. They stated that the motor vehicle damage repair industry is losing technicians to other higher wage trades, such as plumbers, electricians, and carpenters.

Thirteen people associated with auto body repair shops made written submissions to the Advisory Board.²⁶ According to one auto body repair shop owner's written submission, his shop pays employees for 2080 hours at an average rate of \$35 per hour, the shop's actual labor cost is \$57.15 per hour. He explained in detail that the shop pays collision technicians an average of \$72,000, plus 30% for FICA, Social Security, and other benefits, for

²⁶ <https://www.mass.gov/info-details/auto-body-labor-rate-advisory-board#recommendations-from-non-board-members--general-public>

a total average cost of \$94,000 per collision tech. The owner stated that, although the shop pays its collision techs based on 2080 hours, their actual billable hours are reduced by paid holidays, paid breaks, paid time during training, and paid time for conducting maintenance and inventory of tools. According to the owner, this means that the shop's average technician is able to bill only 1,656 hours. Given that the shop pays its average collision technician \$94,640 in annual wages, the shop owner concluded that the shop's actual cost of labor for the average collision technician is \$57.15 per hour. That shop owner further indicated that, even if the shop were paid enough to cover the actual cost of labor for an average collision technician, it would not be sufficient to cover other costs such as management and other staff.²⁷

According to another auto body shop representative's written submission:

- "Collision technician wages lag far behind other licensed trades, driving workforce shortages and trade school closures.
- Small, independent shops are closing or consolidating, unable to reinvest in training, tooling, or environmental compliance required under state and federal law.
- Consumers face increased safety risks when shops are forced to limit or omit (OEM-required) procedures to stay within insurer caps."²⁸

Some auto repair shop industry representatives contend that insurers pay dealerships significantly higher labor rates than they pay to auto repair shops for the same work. For example, one repair shop owner stated,

"We repaired a 2024 Honda Accord with significant suspension damage. Despite having the training, equipment, and capability to perform the repair correctly in-house, the insurer refused to pay our mechanical labor rate. So we scheduled the work at our local Honda dealership and the insurer didn't hesitate for a second to pay the dealership's much higher mechanical labor rate."²⁹

Another auto body repair shop owner stated,

"[w]hen I try to negotiate an increase in the labor rate with an individual insurance company I am most often met with 'We don't negotiate labor rates, what we pay is the market rate', the truth is - I can only remember one insurance company sending out a survey one time asking what my rates were, and that was

²⁷ <https://www.mass.gov/doc/bill-johnson-recommendation/download>

²⁸ <https://www.mass.gov/doc/edward-force-recommendation/download>

²⁹ <https://www.mass.gov/doc/casey-sullivan-recommendation/download>

well over 10 years ago. Where is their ‘market rate’ coming from?”³⁰

No witnesses at the public meetings identified themselves as vocational school administrators, and the Advisory Board was unable to obtain vocational school data on enrollment trends. According to auto body repair shop witnesses, however, vocational technical schools in Massachusetts are experiencing decreased enrollment of students in auto body repair courses and some are planning the outright elimination of vocational educational courses for auto body repair technicians. They state that the Tri-County Regional Vocational Technical High School, where the Advisory Board held a meeting on October 29, 2025, is being replaced by a new \$256 million state-of-the-art vocational technical High School and will omit the auto body repair technician course. They state that the new school is under construction at the site of the current school and that when the new school is completed, the school administration will eliminate the course for auto body repair technicians. They also stated that the Essex North Shore Agricultural & Technical School is eliminating its auto body repair technician course in 2026. Of the vocational technical high schools which currently offer courses for auto body repair technicians, auto body repair shop witnesses testified that enrollment is greatly decreased. For example, a person who testified in support of auto body repair shops stated that the Lynn Vocational Technical Institute, which traditionally had 40 students enrolled at a time, currently has only 7 students enrolled in 2025.

Representatives of the auto body repair industry contend that, because of all those factors, the auto body repair industry in Massachusetts is in distress and in desperate need of a fix. Many of them ask that the legislature mandate a minimum auto body labor rate that must be paid by auto insurance carriers to repair damaged motor vehicles.

POSITION OF AUTO INSURANCE CARRIERS

In contrast, representatives of the auto insurance industry assert that there is an active and vibrant market at work in Massachusetts, that the auto body labor market is creating more competitive labor rates, and that hourly rates paid by insurers vary among insurers.

Representatives of the auto insurance industry contend that the labor rate paid by auto insurers is only one part of the story. They state that a common business practice among auto body repair shops is balanced billing of consumers for any shortfall between what auto insurance carriers are willing to pay and what auto body shops charge. The insurance representatives contend that articles appear almost monthly in *New England*

³⁰ <https://www.mass.gov/doc/kevin-comstock-recommendation/download>

Automotive Reports (a monthly trade magazine for auto body repairers) on how to balance bill consumers. They also state that the auto insurance carriers' have Preferred Shops Programs that auto body shops can voluntarily join, that consumers who participate in Preferred Shops Programs cannot be balanced billed under these programs, and that insurers are required to guarantee work done by shops in their Preferred Shops Program.³¹ They contend that legislation mandating that insurance carriers pay any minimum labor rate will definitely increase consumers' auto insurance premiums. They also point to the AIB estimate of premium impact, which estimates an approximate 3% premium impact for a \$10 increase in auto body labor rates.³²

Representatives of the auto insurance industry also contend that, if the legislature were to set a minimum labor rate, that would not guarantee that auto body repair technicians would receive a minimum established rate for their work or that students would opt for the auto body repair technician courses. Further, they opine that even if there were a mandated minimum rate to be paid by insurers to auto body repair shops, the shops that do not participate in their auto insurers' Preferred Shops Program would continue balance billing consumers.

Insurers conclude that there is an active and vibrant market at work and that the legislature should not interfere with it. Instead, insurers believe market forces should continue to be allowed to apply healthy competition, which they state is creating competitive prices and competitive policy premiums for consumers.

³¹ Preferred auto body repair shops cannot balance bill consumers. More specifically, if a repair is made at an insurer's preferred auto body repair shop, neither the repair shop nor the insurer can require the claimant to pay more than (i) the amount that the insurer's approved appraiser determines is the cost of the repair of the damage, plus (ii) the amount of any applicable deductible to have the repair work completed. 211 CMR 123.05 (4) (d). Another benefit to consumers required under the regulation is that insurers must guarantee the work performed by auto body repair shops participating in the Preferred Shops Program. 211 CMR 123.06 (5).

³² AIB's analysis assumed that the current auto body labor rates paid by insurers in Massachusetts is \$44.99, that labor constitutes 36% of the total repair cost, and that all-coverages average premium is \$1,234 per vehicle. According to the AIB, increasing the labor rate from the assumed \$44.99 – to \$47.24, \$49.49, \$49.99, and \$54.99 – would result in an estimated increase in consumer auto insurance premiums of \$8, \$16, \$18, and \$36, respectively.

RECOMMENDATIONS AND POTENTIAL SOLUTIONS

The Advisory Board collected industry data on labor rates in neighboring states, survey results on auto body repair shop labor rates and additional information related to auto body labor charges and insurance payment rates. Once the data was collected, the Advisory Board analyzed the collected data. The survey questions are included in Appendix B and Appendix C of this report.

At the meeting held on November 24, 2025, Advisory Board members discussed recommendations that were written by the Members of the Advisory Board. At the conclusion of the discussion, which showed that there was no agreement on a recommendation amongst Board members, it was decided that the Advisory Board would not adopt a Board recommendation but would attach to this report any recommendation submitted by any individual Advisory Board member who wished to provide one. No recommendation made by a member of the Advisory Board was adopted by the Advisory Board, and the recommendations made by the members of the Advisory Board are their own opinions. Those recommendations submitted by individual Advisory Board members are attached as Appendix H.

ACKNOWLEDGMENT

The Advisory Board would like to thank Erin Shannon of the Office of the Attorney General for her invaluable assistance with managing the vital aspects of the Advisory Board's logistics, including maintaining internet and software connections for the virtual meetings, copying videos of the meetings, assisting in writing the agenda and minutes, and acting as clerk for all filings that were submitted to the Advisory Board.

APPENDIX

APPENDIX A: BIOGRAPHIES OF BOARD MEMBERS

Michael D. Powers, Counsel to the Commissioner of the Division of Insurance

Co-Chair Michael D. Powers serves as the Counsel to the Commissioner of the Division of Insurance and was appointed by Massachusetts Insurance Commissioner Michael T. Caljouw. For nearly four decades and spanning five Commissioners, Mr. Powers has served as counsel to senior leaders. Mr. Powers specializes in labor law and major enforcement actions and served as the Commissioner's designee on the 2022 Special Commission on Auto Body Labor Rates and currently to the Merit Rating Board. Between his time in private practice as a trial attorney, he has held several positions in government: as General Counsel to the Massachusetts Turnpike Authority (overseer of Boston's Big Dig), General Counsel for the Massachusetts Highway Department, and Legal Counsel to the Boston Police Department. He is a graduate of Suffolk University, Suffolk University Law School, and is a member of the Massachusetts Bar.

Stacey Gotham, Actuary, Insurance and Financial Services Division

Co-Chair Stacey Gotham serves as an actuary with the Office of the Attorney General, and she was appointed by Massachusetts Attorney General Andrea Joy Cambell. Ms. Gotham is a property and casualty actuary with over three decades of experience in industry and regulatory positions. She has specialized in various lines of insurance including private passenger auto insurance and is a member of the Casualty Actuarial Society and the American Academy of Actuaries. Ms. Gotham is a graduate of Rutgers University, the State University of New Jersey.

Mark A. Merante, Deputy Commissioner and General Counsel

Board Member Mark A. Merante serves as the Deputy Commissioner and General Counsel at the Massachusetts Division of Standards and was appointed to represent the Division of Standards. He has over two decades of experience in state government and is an expert in administrative law. Mr. Merante is a graduate of Harvard University, University of Massachusetts Boston, and New York University School of Law.

Paul C. Burke, CIC CRM LIA, Vice President, Bay Coast Insurance Company

Board Member Paul C. Burke was appointed by the Massachusetts Association of Insurance Agents. Mr. Burke has been involved in the insurance business for nearly five decades and in 2003, partnered and became the President of Hadley Insurit Group (HIG), become one of the agency's three co-owners. Since 1996, he has served as the elected Town Moderator in his hometown of Swansea and has served on the Board of Directors of the Swansea Ambulance Corporation since 1994. He is a former member of the Swansea Board of Selectmen and the town Finance and Advisory Board.

Rick Starbard, Rick's Auto Collision, Inc. (Revere, MA)

Board Member Rick Starbard was appointed by the Alliance of Automotive Service Providers. Mr. Starbard is the President and owner of Rick's Auto Collision, Inc., an OEM certified auto body shop dedicated to providing high-quality collision repairs and restoration services in Revere, MA. Previously, he served as a City Councilor for the City of Lynn and was a Collision Repair Instructor at the Lynn Vocational Technical Institute, his alma mater.

Brian Bernard, Total Car Accident Repair Service of Raynham (Raynham, MA)

Board Member Brian Bernard was appointed by the Alliance of Automotive Service Providers. Mr. Bernard has been involved in the collision repair industry since 1999 as the business manager for a multi-shop operator. In 2010, he started his own collision repair shop in Raynham, MA. Total Care Accident Repair employs 17 people, has achieved I-CAR Gold Class recognition, and maintains several OEM Repair Certifications. Brian is an Executive Board Member of the AASP-MA.

Matthew Ciaschini, Full Tilt Auto Body & Collision (West Hatfield, MA)

Board Member Matthew Ciaschini was appointed by the Alliance of Automotive Service Providers. Mr. Ciaschini is the owner of Full Tilt Auto Body & Collision, a family-owned full-service collision and mechanical center in West Hatfield, MA. Mr. Ciaschini is also the President of the Alliance of Automotive Service Providers of Massachusetts.

Christopher S. Stark, Executive Director, Massachusetts Insurance Federation

Board Member Christopher S. Stark was appointed by the Automobile Insurers Bureau to represent the Auto Insurance Industry. He is the Executive Director of the Massachusetts and Rhode Island Insurance Federation where he oversees all aspects of the Federation's organizational and lobbying efforts. Previously, Mr. Stark served as the Regional Vice President for the National Association of Mutual Insurance Companies and served as the Vice President of the Insurance Council of New Jersey. He is a graduate of Seton Hall University.

Peter Smith, MAPFRE Insurance

Board Member Peter Smith is the Manager of Material Damage Claims at MAPFRE Insurance and was appointed by the Automobile Insurers Bureau to represent the Auto Insurance Industry. Mr. Smith has over two decades of experience in material damage claims and has been a licensed auto and truck damage appraiser since 1998. Mr. Smith has also served as a Board Member on the Auto Damage Appraiser Licensing Board since 2019, representing the automotive insurance industry.

Samantha Tracy, Arbella Insurance Group

Board Member Samantha Tracy is the Director of Claim Shared Services at Arbella Insurance Group and was appointed by the Automobile Insurers Bureau to represent the Auto Insurance Industry. Ms. Tracy has over two decades of industry experience in liability claims, quality assurance, and branch management. Her expertise includes leading cross-functional teams, stakeholder relationships, and implementing processes to drive continuous improvement. She is a graduate of California State University, Fresno.

JocCole “JC” Burton, Chief Executive Officer, Maven Construction, Inc.

Board Member JocCole “JC” Burton serves as the appointee for the Business Community. She is the Founder of Maven Construction (also known as Woodline Solutions), a women-owned Boston, Massachusetts based company provides full service general construction management, energy solution, and energy retrofits. Her expertise in high-performing green projects stems from directing more than 40 LEED new construction and energy retrofit projects where geothermal, solar arrays and solar farms are reducing traditional energy sources on average of 23%. Ms. Burton also serves on the City of Boston’s Board of Examiners and is a graduate of University of California Berkeley and Georgia State University.

Sean Kane, Safety Research Strategies, Inc. (Seekonk, MA)

Board Member Sean Kane of Safety Research & Strategies, Inc. serves as the Consumer Advocate appointee. He is the founder and president of Safety Research & Strategies, Inc., a firm that provides research, investigation, analysis, and strategies on motor vehicle and product safety issues. Mr. Kane is a recognized safety policy and regulatory advocate and has a background in critical analysis of federal safety regulations, product safety technology, and injury prevention efforts. Mr. Kane is a graduate of Stonehill College.

John Kwoka, Neal F. Finnegan Distinguished Professor of Economics, Northeastern University

Board Member John Kwoka is the Neal F. Finnegan Distinguished Professor of Economics at Northeastern University, and he was appointed to fill the economist seat. Dr. Kwoka teaches and conducts research in the areas of industrial organization, antitrust, and regulatory economics. His emphasis is on the application of economics to current policy issues in various industries. Most recently he served as Chief Economic Advisor to Chair Lina Khan of the Federal Trade Commission. Dr. Kwoka is a graduate of Brown University and obtained his Ph.D. in Economics at the University of Pennsylvania.

David Brown, Service Director, Bill DeLuca Chevrolet-Cadillac Inc. (Andover, MA) Board Member David Brown is the Service Director at Bill DeLuca Chevrolet-Cadillac Inc and was appointed by the State Automobile Dealers Association. Mr. Brown has over 25 years of experience overseeing auto body repair shop operations. Mr. Brown is a member of the National Automobile Dealers Association's auto body shop 20-Group, which comprises franchised dealers' auto body repair experts from twenty locations around the country and meets periodically to discuss ongoing issues in the auto body repair industry.

APPENDIX B: SURVEY QUESTIONS TO AUTO BODY SHOPS

Repair Facility Information

Please provide the following information about your repair facility.

- (1) Name of Repair Facility
- (2) Registered Shop Number from the Division of Standards
- (3) Facility's zip code
- (4) Facility's county in Massachusetts
- (5) Name of the individual filling out this survey
- (6) Email address to reach the individual above
- (7) Phone number of your facility

Labor Rates

Provide the labor rate your facility charges consumers on non-insurance repairs, for the following categories of repairs. While we understand that you may have charges for other services, we are only collecting data for the following categories. Please use numerals or leave blank if non-applicable.

- (1) Body Labor Rate
- (2) Refinishing Labor Rate
- (3) Aluminum Labor Rate
- (4) Mechanical Labor Rate
- (5) Structural Labor Rate
- (6) Frame Labor Rate

Additional Questions

Please use numerals or leave blank if non-applicable.

- (1) If your facility has fleet or governmental contracts, please provide the average labor rate charged for the past 12 months.
- (2) If your facility completes both insurance and non-insurance involved repairs, please provide a good faith estimate of the average monthly percentage of repairs completed without insurance company involvement.

APPENDIX C: SURVEY QUESTIONS TO INSURERS

Insurance Company Information

- (1) Name of Insurance Company
- (2) DOI License Number
- (3) Name of the individual filling out this survey
- (4) Email address to reach the individual above
- (5) Phone number of the individual above

Labor Rate Information

Please provide the current prevailing labor rate your company pays for collision repairs for the following category of repairs. Please use numerals or leave blank if non-applicable.

- (1) Body Labor Rate
- (2) Refinishing Labor Rate
- (3) Mechanical Labor Rate
- (4) Structural Labor Rate
- (5) Frame Labor Rate

Additional Questions

- (1) Please provide the number of body shops your company has under a referral contract:
- (2) Are any concessions required from body shops to become part of your referral program/network? (Y/N)
- (3) Does your company voluntarily conduct any randomized surveys of body shops in order to establish your company's prevailing labor rates listed above? (Y/N)

APPENDIX D: AUTO BODY SHOP SURVEY SUMMARY

Summary and statistical analyses of survey responses from Massachusetts auto body repair shops

Labor Rate	No. of Survey Responses	Mean (Average)	Median	Mean (Average) Excluding Outliers	Minimum	Maximum
Body	463	\$68	\$65	\$65	\$35	\$65
Refinishing	463	\$67	\$65	\$64	\$30	\$65
Aluminum	417	\$98	\$90	\$94	\$40	\$96
Mechanical	456	\$108	\$105	\$104	\$40	\$107
Structural	448	\$84	\$80	\$81	\$40	\$82
Frame	459	\$85	\$80	\$82	\$40	\$83
Govt. or Fleet Contract ³³	103	\$86	\$65	\$72	\$30	\$1500
Non-Insurance Repairs ³⁴	386	28%	22%	24%	0%	100%

Survey

Responses ³⁵	476
Shops that were sent a survey ³⁶	1497
Response rate	32%
Average of shops' reported monthly percentage of repairs completed without insurance company involvement	28%
Correlation between non-insurance percent and body labor rate	27%

Source: Survey responses submitted by Massachusetts auto body shops

³³ For shops that have fleet or governmental contracts, the 12-month average labor rate charged for those contracts

³⁴ For shops that complete both insurance and non-insurance involved repairs, the good faith estimate of their average monthly % of repairs completed without insurance company involvement

³⁵ Responses include all survey responses received except duplicates and responses with significant input errors.

³⁶ Surveys were sent by the Massachusetts Division of Standards to all auto body repair shops that are registered with the Massachusetts Division of Standards.

APPENDIX E: INSURER SURVEY SUMMARY

Prevailing labor rates paid by the 16 insurers in Massachusetts that submitted survey responses to the Advisory Board

Category of collision repair	Prevailing Labor Rates Paid by Insurers in Massachusetts				
	Body	Refinishing	Mechanical	Structural	Frame
Range of prevailing labor rates paid by the 16 insurers who responded to the survey	\$43 - \$55	\$43 - \$55	\$45 - \$80	\$43 - \$55	\$45 - \$58
Weighted Average of prevailing labor rates paid by the 16 insurers ³⁷	\$49	\$49	\$55	\$46	\$50

Sources: Data, other than weighted averages, is from the survey responses submitted to the Advisory Board by 16 insurers in Massachusetts that responded to the survey.

³⁷ Weighted Average measures the average labor rate of a given category of collision repairs, weighted by the market share of each insurer.

APPENDIX F: RHODE ISLAND SURVEY

Rhode Island auto body labor rate survey of insurers

Company	Market Share	Body Labor Rate
Progressive	32.7%	\$54
Geico	10.4%	\$55
Allstate	10.0%	\$49
Amica	8.4%	\$52
USAA	5.9%	\$54
Liberty	4.9%	\$52
Auto Club	3.1%	\$58
Travelers	3.0%	\$54
Farmers	2.6%	\$56
Nationwide	2.5%	\$55
Mapfre/Commerce	2.1%	\$52
Selective	1.4%	\$78
Main St	1.2%	\$50
Ohio Mutual	1.0%	\$62
Total & Weighted Avg	89.2%	\$54

Source: Rhode Island Department of Business Regulation, Insurance Bulletin Number 2025-02³⁸

³⁸ https://dbr.ri.gov/sites/q/files/xkabur696/files/2025-05/INS_Bulletin%202025-2%20-%20Auto%20Body%20Labor%20Rate%20Survey%20effective%20May%202025.pdf

APPENDIX G: AIB ESTIMATION OF PREMIUM IMPACT

Estimated impact of increase to auto repair labor rate

Premium impact estimate based on 2025 AIB private passenger advisory rates.

Assumptions

Current Labor Rate	\$44.99
Labor Cost % of Total Repair Cost	36%
Current All-Coverages Average Premium (per vehicle)	\$1,234

Estimated Premium Impact				
Assumption Increase in Labor Rate	Labor Rate	Total \$ Impact for Industry	% Impact per Vehicle	\$ Impact per Vehicle
5.0%	\$47.24	\$37,644,000	0.6%	\$8
10.0%	\$49.49	\$75,287,000	1.3%	\$16
\$5.00	\$49.99	\$83,671,000	1.4%	\$18
\$10.00	\$54.99	\$167,342,000	2.8%	\$36

Source: Automobile Insurers Bureau of Massachusetts

APPENDIX H: BOARD RECOMMENDATIONS

Recommendations by Various Advisory Board Members

- **Brian Bernard**, Owner of Total Care Accident Repair Service of Raynham
- **Matthew Ciaschini**, Owner of Full Tilt Auto Body & Collision
- **Rick Starbard**, Owner of Rick's Auto Collisions, Inc.
- **David Brown**, Service Director of Bill Deluca Chevrolet-Cadillac, Inc.
- **Joint recommendation of**
 - **Christopher Stark**, Massachusetts Insurance Federation;
 - **Peter Smith**, MAPFRE Insurance; and
 - **Samantha Tracy**, Arbella Insurance Company
- **John Kwoka**, Neil F. Finnegan Distinguished Professor of Economics, Northeastern University
- **Sean Kane**, President of Safety Research and Strategies, Inc.

Introduction to the Variable Rate Solution

Submitted by Brian Bernard 11/17/2025

The Auto Body Labor Rate Advisory Board is tasked with making recommendations for a minimum labor rate that insurers would reimburse to registered repair shops. There is no single rate that meets the needs of everyone, hence the need to recognize a Variable Rate Solution. The more you understand about the collision repair industry, the more complex the task becomes. Our recommendation will have a significant impact on the following stakeholders:

- **Employee Protection**
 - Employee wage growth – Stable income to afford high cost of living
 - Attract future talent into the trade schools
 - Keep Collision Technology programs open at our trade schools
 - Reduce or eliminate the exploitation of undocumented workers
 - Reduce or eliminate 'under the table' employment practices for businesses unable to afford legitimate wages
 - Stem the tide of attrition which strips the industry of talented workers to other industries
 - Protection for more workers with Workers' Compensation Insurance
 - Our industry must hire 134,000 technicians over the next 10 years to backfill attrition due to retirement or people leaving the industry according to BLS
 - Low wages for high skilled work make this an unattractive career choice.
- **Consumer Protection**
 - Complete indemnification for insurance paid repairs will eliminate the need to collect short-pay balances from consumers
 - Safe and accurate repairs are performed by better trained technicians
 - Maintain a strong licensing board (ADALB) with emphasis on consumer protection
 - Enforce and protect consumer's right to choose a repair facility
 - Consumers benefit from a 'lower than expected' increase in premiums to support safe and accurate repairs.
- **Small Business Protection**
 - Maintain a strong licensing board (ADALB) with emphasis on consumer protection and fair negotiation
 - Enforce and protect consumer's right to choose repair facility
 - Enhance & enforce anti-steering laws as consumers are being told to avoid certain repairers.
 - Break the 'command and control' regulations that prevent competition and hinder free market principles.
 - Insurers recognize and pay true market pricing (which is the same price consumers pay when insurance is not involved).
 - Reduce unfair competition from unregistered shops and shops that exploit undocumented workers

- **Massachusetts Protection**
 - Increased income taxes from higher wages and larger employee rosters with legitimate payroll employment
 - Increased tax base for the commonwealth from stronger businesses
 - Increased sales tax base from repair shops that can afford modernization of their tools and equipment.
 - Increased coverage for Workers Compensation and health benefits through employment which lessens the strain on state subsidies and hospitals.
 - Illegal shops do not comply with environmental regulations causing harm to our land, water and air.
- **Insurer Protection**
 - A strong repair industry will be able to meet the demand of repairing today's high-tech cars for the motoring public
 - Create a reasonable range of rates allowing insurers to maintain cost control while respecting free market principles for small businesses.
 - Insurer concern of escalating labor rates going exclusively into the pockets of shop owners is mitigated as the basis for reimbursement rates would be predicated on labor force wage growth.
 - Development of free market principles will reduce exposure to potential federal anti-trust violations.

The best recommendations from this board would show direct improvement for each of the above-mentioned stakeholders.

Variable Rate Solution

A collision repair facility sells skilled labor and related services to return vehicles to pre-accident condition and safety. This recommendation is for non-specialty passenger vehicles. Specialty vehicles would command unique pricing outside of this model which would be negotiated between parties.

Labor sales for collision repairers must be substantial enough to pay for the direct wages and benefits of technicians **plus** overhead cost of running the business (including support staff) **plus** a required profit margin. As such, the labor rate for each shop would be different based on their unique cost structure. The Variable Rate Solution identifies a range of acceptable rates, recognizing the uniqueness of shops.

The inconvenient truth is that some shops today do not even deserve the suppressed reimbursement rates from insurers. There are shops that don't train technicians. There are shops that fail to perform OEM procedure research to ensure cars are repaired to manufacturer engineering specifications. There are shops that ignore safety protocols as a cost cutting measure. There are shops that perform unconscionable shoddy repairs to vehicles, and their customers are unaware of the potential hazard and risk to their lives. There are shops that provide illegitimate payroll employment. These shops should be prohibited from conducting business and they should not benefit from increasing labor rates. Consumers deserve a higher standard.

It would be improper for either the state or an insurer to dictate a labor rate for an entire market as they are incapable of quantifying the uniqueness among repairers. This is why we need a Variable Rate Solution. We recognize the state and insurers are stakeholders who ensure:

- Consumers have a fair marketplace where their cars are repaired safely
 - Consumers are afforded stable insurance premiums with quality coverage that truly indemnifies them in the event of a claim
-

CALCULATION of the Variable Rate Solution

In this model, the **Minimum** Mandated Rate would be \$63.00/Hour and the **Maximum** Mandated Rate would be \$126.00/Hour. The Rates would be predicated on Technician Wages SOC Code 49-3021 using the 75th Percentile Hourly Wage for Massachusetts as reported by the Bureau of Labor Statistics. We will consider this the Base Wage in the calculation below:

Bureau of Labor Statistics provides 2023 data that the 75th percentile of Technician Wage was \$31.50/hour in Massachusetts. SOC Code 49-3021

- Base Wage = \$31.50/hour
- Add minimum benefit and overhead load factor of 100%
- Minimum Mandated Rate = \$63.00 ($\$31.50 + 100\% \text{ load factor} = \63.00)
- Repairers can accept the Minimum Mandated Rate **OR** establish their own Prevailing Market Rate according to the following:
 - See House Bill 1260 (attached) for methodology on how to calculate Prevailing Market Rate
 - House Bill 1260 formulation is based on the method that car dealers use to establish their labor rate for warranty and insurance repairs.
 - **Training achievement reaching “I-CAR Gold Class” would be a prerequisite for a shop to earn their Prevailing Market Rate from insurers.**
- The Variable Rate Solution would recognize any Prevailing Market Rate up to **the cap of twice the Minimum Mandated Rate.**
 - **Minimum Mandated Rate = \$63.00**
 - **Maximum Mandated Rate = \$126.00 ($\63.00×2)**
- If Prevailing Market Rate is less than or equal to Maximum Mandated Rate, then insurer pays the Prevailing Market Rate.
- If Prevailing Market Rate is greater than Maximum Mandated Rate, then insurer only pays the Maximum Mandated Rate.
 - A shop is not restricted from charging a balance bill for an overage
 - An insurer may not steer work towards or away from any shop for any reason
- The Minimum Mandated Rate shall be updated annually based on BLS Data.
 - If the BLS does not have updated data for the current year, then CPI data shall be used in the interim until BLS is able to report such data.

Regulatory Recommendations

- Division of Standards and the Legislature shall establish modern requirements for obtaining/maintaining Repair Shop Registration Number. Consumers deserve better quality repairs.
 - Minimum training should be required for all shops
 - I-CAR Gold Class training recognition is VERY low in Massachusetts – Set target for 40% versus the 11% we have today.
 - Changes are required to AIB Standard Policy
 - Part 4 Collision: “The cost to repair the auto is limited to the prevailing competitive price, which is the price we can secure from a licensed repair facility conveniently located to you.”
 - This policy statement is incongruent to free market forces at work and wreaks of potential federal anti-trust violations.
 - Insurance industry to sponsor a \$10,000,000 grant for tool upgrades to the repair industry to aid in closing the technology gap created by long term systemic rate suppression and monopsonistic power.
 - Over the past 30 years insurers have dictated unreasonably low reimbursement rates. While the industry has suffered nationally, Massachusetts has suffered the most with its average reimbursement rate 32.7% lower than the national average while the cost of living is 41.2% higher than the national average. Our industry is ill-equipped due to the actions of insurers.
 - Insurance industry to sponsor a \$3,000,000 advertising program over 5 years to encourage students into the Collision Tech programs at Massachusetts trade schools. Failure to attract talent will amplify the issues in the industry if not addressed immediately. The future earnings potential as a technician makes it prohibitive for our kids to learn the trade, purchase the essential tools for success, have a family and buy a house in one of the most expensive places to live. The dream has been extinguished by the actions of insurers, and they should participate in rebuilding it.
 - The Auto Body Labor Rate Advisory Board shall continue to meet in perpetuity, a minimum of twice per year, to ensure the Variable Rate Solution continues to meet the needs of all stakeholders.
-

House Bill 1260

Bill H.1260

SECTION 1. Chapter 100A of the General Laws, as appearing in the 2022 Official Edition, is hereby amended by inserting after section 14 the following section:-

Section 15. The commissioner of insurance shall set the minimum hourly labor rate that insurers shall pay on insured claims for repairs made by registered motor vehicle repair shops. In determining the minimum rate paid by insurers on all Massachusetts insured motor vehicle damage claims, the compensation for the minimum hourly labor rate that insurers shall pay on insured claims for repairs made by registered motor vehicle repair shops shall be calculated by utilizing the method described in this section:

The compensation for the minimum hourly labor rate that insurers shall pay on insured claims for repairs made by registered motor vehicle repair shops shall be established by the repair shop submitting to the insurer 100 sequential customer-paid collision repair orders or 60 consecutive days of customer-paid collision repair orders, whichever is less, from which the repairer shall calculate the average customer paid hourly labor rate, which shall be declared the minimum hourly labor rate that the insurer will pay to the repairer. The minimum hourly labor rate shall go into effect 30 days following the declaration, subject to audit of the submitted collision repair orders by the insurer and a rebuttal of the declared rate. If the declared rate is rebutted, the insurer shall propose an adjustment of the minimum hourly labor rate based on the rebuttal not later than 30 days after submission. If the repairer does not agree with the minimum hourly labor rate proposed by the insurer, the repairer may file an action with the commissioner of insurance 30 days after receipt of the proposal by the insurer. In an action commenced under this section, the insurer shall have the burden of proving that the rate declared by the repairer was inaccurate or unreasonable.

SECTION 2. Section 113B of chapter 175 of the General Laws, as appearing in the 2022 Official Edition, is hereby amended by inserting, after the word "commissioner" in line 14, the following:- "; provided, however, that collision repair hourly labor rates, set pursuant to section 15 of chapter 100A, shall not be included when considering programs to control costs and expenses under this section or section 113H."

SECTION 3. Within 90 days of the enactment of Section 1, the commissioner of the division of insurance shall promulgate regulations necessary to implement the provisions of Sections 1 and 2, inclusive.

Establishing a Fair Auto Body Labor Rate in Massachusetts

Introduction

Massachusetts' collision repair labor rates have remained stagnant for years, creating a large gap between what body shops are paid and the actual costs of doing business. The prevailing insurance-paid labor rate for auto body work in Massachusetts was an average of **\$44.99 per hour in Q1 of 2025**, which is the *lowest in the country* and has barely budged for decades. By contrast, other skilled services charge far more, for example, **plumbers and electricians** routinely charge over **\$200/hour**, and even general **auto repair shops** (mechanical work) often charge **\$150/hour or more** in labor. This outdated \$45/hr rate is clearly **out of step** with economic reality, making it difficult for body shops to attract skilled technicians and cover their overhead. To address this, a **data-driven calculation** can be used to determine a fair and competitive labor rate for auto body repairs in Massachusetts. The following outlines a step-by-step methodology to calculate an appropriate labor rate, tailored to Massachusetts' conditions and benchmarked against comparable trades.

Step 1: Base Local Wage Data for Technicians

Any fair labor rate should start with the actual **wages earned by auto body technicians** in the local market. According to the U.S. Bureau of Labor Statistics (BLS), "*Automotive Body and Related Repairers*" (occupation code 49-3021) in **Massachusetts** earn about **\$28–\$29 per hour on average**. This equates to roughly **\$58,000–\$60,000 per year** for a full-time technician, representing the **base pay** for skilled collision repair techs in the state. (By comparison, the national median wage for this occupation is about **\$24–\$25 per hour**, reflecting Massachusetts' higher cost of labor.) This local wage figure (~\$28–\$29/hr) is essentially what a body shop must pay to hire and retain a qualified technician; it **does not** include any overhead or profit. Starting our calculation from this Massachusetts-specific wage grounds the labor rate in current market reality for technician pay. In short, **\$28–\$29/hr** is the *bare minimum* cost of the labor itself (for the technician's salary alone).

Why this matters: Using up-to-date **local wage data** ensures our baseline is realistic. If we mistakenly used national averages or older figures, we would undervalue Massachusetts technicians, who earn more due to the state's higher living costs and demand for skilled labor. By beginning with the **Massachusetts average tech wage (~\$28–\$29/hr)**, we ensure the labor rate we calculate will at least cover the **true labor cost** in this state.

Step 2: Accounting for Overhead and Expenses

Simply charging a rate equal to the technician's wage is not viable, an auto body shop has **many additional costs** on top of that base pay. **Overhead expenses** include employer payroll taxes and contributions (Social Security, Medicare, unemployment insurance), benefits like health insurance and retirement, paid time off, ongoing training and certifications, expensive equipment (frame machines,

spray booths, diagnostic tools), consumable materials, facility rent or mortgage, utilities, insurance (liability, workers comp, etc.), and compliance with environmental and safety regulations. All of these must be covered by the labor rate charged to customers. In practice, these overhead items add substantially to the cost of employing a technician, often on the order of an **additional 15%–30%** on top of wages just for the **payroll burden and benefits**. And that is before even accounting for shop overhead and profit margin. Furthermore, not every hour a technician is on the clock is billable to a customer (due to downtime, administrative tasks, etc.), so the billing rate must be higher to compensate for non-billable time. Also, the labor rate collected pays for all In-Direct labor staff like Customer Service Representatives, book keepers, managers etc...

It is a common rule in the auto repair industry that the **labor rate needs to be a multiple of the technician's hourly wage** in order to cover all these expenses and allow for a sustainable profit. Many successful repair shops aim for a labor billing rate roughly **2.5 to 3 times** the direct pay rate of their technicians as a common industry practice. This multiplier accounts for the full burden of overhead (as described above) and a reasonable profit margin. Using this rule of thumb on our Massachusetts wage data: if a technician earns about ~\$28–\$29/hr, their **fully burdened cost** (with ~30% in payroll taxes/benefits) might be on the order of **\$36–\$38/hr**. Applying an industry-average markup, a shop would need to charge on the order of **2.5–3× that amount** to break even. For example, even using a mid-range factor of **2.7×** and a slightly conservative loaded wage (~\$31/hr), we get:

$$\$31 \times 2.7 \approx \$83.70 \text{ per hour}$$

So roughly **\$84/hr** is the **minimum labor rate** required *just to cover the technician's pay and the shop's overhead* at a sustainable level. In other words, a body shop needs to bill on the order of **\$80–\$85 per hour** for labor **per technician** simply to **break even** (before considering any additional profit or local cost factors). This aligns with industry norms; auto repair businesses typically mark up labor rates to stay solvent.

Why this matters: This step ensures the proposed labor rate isn't arbitrary. It directly ties the rate to the **actual cost structure** of running a shop in this field. By using a standard multiplier on the known wage (here, ~2.5–3× the wage), we're accounting for real-world expenses, from the \$100k+ spray booth to the technician's health insurance, that must be paid out of the labor charges. The resulting figure (~\$84/hr) represents a **data-backed breakeven point** for Massachusetts shops given the current wage and overhead levels. Breaking even is not enough.

Step 3: Adjusting for Massachusetts' Cost of Living

Massachusetts is a **high-cost state**, and this affects everything from salaries to rent to utilities. To ensure our labor rate fully reflects the economic environment, we need to adjust the preliminary rate upward to account for Massachusetts' well-above-average cost of living. One way to do this is by using regional cost indices. Data show that Massachusetts consistently ranks among the **most expensive states** in the U.S. on cost-of-living measures. For instance, comprehensive cost-of-living indexes (which include housing costs) estimate Massachusetts at around **40%–45% higher than the U.S. average** in overall living expenses. (Massachusetts was recently ranked the 2nd most expensive state, only behind Hawaii. Even more moderate metrics like the Bureau of Economic Analysis's

Regional Price Parity put Massachusetts prices roughly 8–10% above the national baseline, which is still among the highest in the country.

To be **conservative yet realistic**, we will use a **+25%** adjustment to represent Massachusetts' higher costs relative to the nation. In other words, we assume that operating a business in Massachusetts costs roughly one-quarter more than the U.S. average. Applying this $1.25 \times$ cost-of-living factor to our prior result ($\sim \$84/\text{hr}$) gives approximately **\$105 per hour** (calculated: $\$83.70 \times 1.25 \approx \104.63). This yields an *inflation-adjusted* labor rate of about **\$100–\$105 per hour** for Massachusetts. Another way to view this is: a \$105 Massachusetts rate would have roughly the same purchasing power for a shop as about \$84/hour would in an average-cost state. We've essentially scaled our figure to match Massachusetts' higher expenses in rent, energy, insurance, taxes, and so on, which tend to run 20–30% above U.S. norms on many metrics.

Why this matters: If we calculated a rate using only national cost assumptions, we'd **undervalue the service in Massachusetts**, where everything from real estate to utilities is pricier. Massachusetts shops and workers face higher baseline costs, technicians have higher living expenses, and shops pay more for overhead, so a higher labor rate is justified to keep the business viable. By **adjusting for regional cost-of-living**, we ensure the recommended rate keeps pace with Massachusetts' economic reality and doesn't leave local businesses at a disadvantage. This +25% adjustment is deliberately a bit lower than the full estimated cost difference (~40%+), which builds in some conservatism while still acknowledging that **Massachusetts is a costly state to do business**.

Step 4: Benchmarking Against Comparable Market Rates

After calculating a data-driven rate (roughly **\$105/hour**), it's important to validate this figure against the broader market, i.e. what other skilled trades and automotive services are charging in Massachusetts. This “sanity check” ensures our proposed range is neither unrealistically high nor leaving money on the table. Here's how our estimated rate compares:

- **Mechanical Auto Repair Rates:** Independent **general auto repair shops** in Massachusetts (for mechanical work like engine or brake repairs) routinely charge well into the triple digits per hour. It's common to see customer-paid labor rates around **\$175 per hour or higher** for mechanical and diagnostic work. In fact, recent industry surveys put the **average auto repair labor rate** in Massachusetts in 2024 at around **\$130–\$135 per hour**autoleap.com. Neighboring Northeast states are similar or higher (e.g. New York averages $\sim \$135$). Our proposed collision labor rate of $\sim \$100–\$105/\text{hr}$ is **below** these prevailing mechanical rates. This suggests the number is reasonable and not inflationary from a consumer perspective, it's actually still *cheaper* than what Massachusetts drivers already commonly pay for other auto services.
- **Dealership Service Rates:** Dealership service departments tend to have even higher posted labor rates. Many Massachusetts new-car **dealerships** charge on the order of **\$150–\$250 per hour** for repairs in their service centers, depending on the brand and location. For example, luxury brand dealers or shops in the Boston metro often exceed \$200/hr. A $\sim \$105$ collision labor rate would **still be lower than or comparable to typical dealership prices**, reinforcing that it lies in a competitive and acceptable range.

- **Other Skilled Trades:** It's also illuminating to compare our figure to other skilled trades beyond automotive. **Plumbers, electricians, and HVAC technicians** in Massachusetts routinely charge well over **\$200 per hour** for their labor. Even less specialized services can have high rates, for instance, **bicycle repair shops** often charge over **\$100/hour** for labor in Massachusetts. These benchmarks highlight that labor-intensive services in any high-cost state command high hourly rates across the board. In that context, a **\$100–\$115/hour** rate for certified auto body repair, a trade requiring significant training, sophisticated equipment, and heavy regulatory compliance, is entirely justifiable and in line with market norms. By contrast, the current ~\$45 rate for insured collision work is **wildly out of step** with every other trade or service (it's so low that even a bike mechanic earns more per hour than a collision technician under the present insurance reimbursements). This stark comparison underscores why a reset is needed.

In summary, looking at the wider market confirms that a collision repair labor rate on the order of **\$95 to \$115 per hour** is **reasonable** for Massachusetts. It falls well within the range of what Massachusetts consumers *already pay* for similar labor in other automotive contexts, and it remains far below what is charged in other skilled trades. Our calculated figure (~\$105) sits comfortably mid-range in this \$95–\$115 band, indicating it is a balanced target.

Step 5: Rate Increase Roll-out Plan

Objective

Increase the labor reimbursement rate from the current **\$46/hour in 2025** to a **2030 nominal rate that equals \$105 in today's dollars**, adjusted for inflation.

Step 1: Determine 2030 Equivalent of \$105 (Future Value)

Using the **future value formula**:

$$FV = PV \times (1 + i)^n$$

$$FV = \$105 \times (1.03)^5 = \$105 \times 1.15927 \approx \$121.73$$

Target Nominal Rate for 2030: \$121.73/hour

Step 2: Calculate Constant Annual Growth Rate from \$46 to \$121.73

$$121.73 = 46 \times (1 + r)^5$$

Solving gives:

$$r \approx 21.3\% \text{ annual increase}$$

5-Year Rollout Table (2026–2030)

Year	Nominal Rate	Real Value (2025 Dollars)	Annual % Increase
2025	\$46.00	\$46.00	–
2026	\$55.81	\$54.17	+21.3%
2027	\$67.71	\$63.78	+21.3%

Year	Nominal Rate	Real Value (2025 Dollars)	Annual % Increase
2028	\$82.16	\$74.13	+21.3%
2029	\$99.66	\$85.89	+21.3%
2030	\$121.73	\$105.00	+21.3%

By 2030, the rate will be \$121.73/hour, matching the **real value of \$105/hour in 2025** when adjusted for projected inflation.

Implementation Considerations

- **Consistent 21.3% annual increases** should be adopted as part of regulation or insurer reimbursement policy updates starting in 2026.
- The **2025 base rate of \$46/hour** should be formally documented as the starting point.
- The **floor should be indexed annually starting in 2031** using an agreed-upon inflation metric (e.g., Boston CPI or Massachusetts RPP).

Benefits of This Model

- Predictable, enforceable year-over-year increases.
- Prevents recurring rate stagnation (as experienced since the 1980s).
- Supports vocational workforce stability and investment planning for shops.
- Complies with **Advisory Board mandates** for inflation modeling, cost structure evaluation, and labor market alignment.

Conclusion and Recommendation

Using objective data and a transparent methodology, we have derived a fair Massachusetts auto body labor rate of roughly **\$105 per hour** (with a sensible range of about **\$95–\$115/hr**). This figure was arrived at by **grounding the rate in actual technician wages**, scaling it for realistic business overhead, and adjusting for Massachusetts' higher cost of living, then cross-checking against prevailing market rates in related fields. The analysis demonstrates that the current \$45/hr rate is untenable and unfairly low, while a rate of ~\$100+ is well-supported by economic data and industry benchmarks. An extended roll-out plan would help both consumers and the insurance industry mitigate the impact of the rate of increase.

Adopting a labor rate in the ~\$105/hr range would allow Massachusetts body shops to **pay technicians competitive wages**, cover their operating costs (equipment, training, insurance, etc.), and invest in the quality and safety of repairs, all while remaining in line with what consumers already pay elsewhere. This change would help stabilize the collision repair industry in the Commonwealth by making it financially viable to run a modern, compliant shop and attract skilled workers. In short, **\$100–\$105/hr** is a professional, data-backed rate that reflects the *true cost* of collision repair service in Massachusetts' economy. I respectfully urge the Auto Body Labor Rate Advisory Board to consider

these findings and move toward implementing a fair and **equitable labor rate** that will sustain this industry and protect consumers in the long run.

Sources: The above analysis cites data from the U.S. Bureau of Labor Statistics for wage figures bls.gov, industry guidelines on labor rate markups blog.autovitals.com, economic cost-of-living indices rentcafe.com, and comparisons to other trades and automotive sectors drawn from surveys and reports autoleap.com repairerdrivennews.com, among others, to ensure that all claims are well-founded in evidence. Each citation corresponds to the relevant supporting document for verification.

To be honest, I don't know where to begin.

The collision repair industry in Massachusetts is calamity. Reimbursement rates paid to collision repair shops have remained mostly stagnant for almost forty years while business costs and salaries have soared, especially in Massachusetts. Vehicles have become so much more complex and are now rolling computer systems, manufactured from an array of materials that quite frankly, most of the industry is ill-equipped and ill-trained to safely and properly repair.

Technicians who have stuck it out because they had nowhere else to go are ageing out and retiring at a rapid pace. Vocational schools, which are the farm system that most trades rely on for new technicians, have come to realize that students are far better off in other trades because the salaries and benefits offered in the collision repair industry do not compare to the pay, benefits and growth that their peers enjoy in any other field. As a former collision repair instructor myself, I saw the collision repair program at the Lynn Vocational Technical Institute go from one of the best equipped programs in the state and one of the top drawing programs in the school, to become a place that the school places the kids that can't get into the programs that they want essentially making the collision program the dumping ground for kids that don't want to be there. Other schools are simply closing programs after investing millions of dollars in state and federal funds while others are not even including collision programs in new schools under construction as the program doesn't even fit the bill as a dumping ground for students who don't fit anywhere else. I recently spoke to a former teaching colleague who is teaching at Northeast Metro Tech in Wakefield. He told me that his sophomore class went from 22 students to nine because the parents of 13 students had their children removed from the program with pay being the number one issue.

This is the third auto body labor rate working group that the legislature has convened to address the exceedingly low labor rates paid to repair insured collision damaged vehicles in Massachusetts. I served the first group in 2008 who found that the legislature should act if rates had not moved significantly in the following year after managed competition was allowed in the state. Thirteen years and two working groups later NOTHING has changed. While I applaud the efforts of all who have served on this board for the past year, I sincerely hope that the outcome is different this time, but I am not holding my breath. After over 42 years of running a collision repair business and serving on industry boards both locally and nationally while constantly investing in the latest equipment and training hoping that it

would ultimately pay off has made me to come to realize that I have been on a fool's errand. My business partner and I can't wait to get out and none of our family members want anything to do with taking over the business.

We have all seen the surveys. We have all heard the impassioned pleas by members of the collision repair industry. They are the exact pleas for relief that we heard back in 2008, albeit more desperate this time around. We see school systems divest from training for the industry while the knowledge needed to repair today's ever-changing vehicles is at an all-time high. The insurance industry has sought out a minority of shops in the state who are desperate for work but unable and unwilling to compete in an open market to essentially strongarm them into signing a contract for an artificially low rate so that they could call that a market rate that they would pay for all repairs. As a collision repair shop owner, we are forced to balance what we can afford to give to our employees and what we must pay to keep the doors open, including insurance costs. While our employees are paid less than their contemporaries in other trade areas, they fall way behind in the benefits that we can afford to offer. In fact, some of our employees decline health insurance because they can't afford their portion of the premium payments. The bottom line is that the cost of doing business in Massachusetts is one of the highest in the country while the labor rates paid to repair collision damaged vehicles is undeniably the lowest.

The numbers show that auto body labor rates should be in the \$120 per hour range at a minimum. I think that should be the goal going forward over time as I understand that while reasonable and necessary, change that drastic would be tough to absorb. My thoughts are that minimum labor rates paid for paint/body be \$80 per hour and adjusted to \$100 per hour after year one and \$120 the following year with increases tied to the CPI and market conditions being considered going forward. Minimum rates for structural, mechanical and exotic materials should be raised accordingly. Once the rates are adjusted to adequately reflect reality, a board of industry stakeholders should be immediately convened to set minimum standards to be considered a Massachusetts registered repair shop to be enforced by the Division of Standards, something that has not changed since the inception of the shop registration system almost 40 years ago. Industry stakeholders should also be working to fix our broken system of attracting and training the next generation of technicians, but this cannot be achieved at any level until the minimum rates paid for collision damage repairs in the Commonwealth reflect reality.

In conclusion, I as an independent business owner, am not enthused at the thoughts of asking the state to set rates. That being said, I understand that the latitude that has been given to the insurance industry to control the rates paid for collision repairs is not going to change. In a perfect world, I would prefer to compete in an open market without insurers using contracts that I didn't sign used against me because they have weaponized a small number of repair shops who cannot compete for themselves.

Respectfully submitted

Rick Starbard
Rick's Auto Collision, Inc.
655 North Shore Rd.
Revere, MA 02151

October 30, 2025

To Whom it may concern,

My name is David Brown, and I am a current appointee to the Massachusetts Auto Body Labor Rate Commission. I want to say thank you for the opportunity to be a part of this process. As you are aware I am tasked with coming up with a recommendation for a fair and equitable labor rate.

This issue is a very polarizing one. There is a lot of data as well as a lot of emotions at the meetings. I am glad that the board collected data not just from the surveys. They also collected inflation data, vocational-technical school trends, labor rates in other states as well as other additional data.

I thought about giving a short one-line recommendation. After a lot of deliberation, the people that have set this board in motion deserve more than that. Since the labor rate has not been allowed to adjust naturally for a long time it has skewed not only the rates in our state but also the surrounding states that may use our data to determine their rates. It is my belief that we need to cast a larger net to calculate the correct rate for this state.

1. Cost of living adjustments since 1986(the year the state adjusted the labor rates) to current would put the rate at \$106.67
2. The national average of body labor rate times the cost of living in this state would put the rate at \$97.55
3. Massachusetts Equal Pay Act (MEPA). The insurance companies will pay the service department \$189.00 per hour for working on a vehicle. Shouldn't the body shops get reimbursed at the same rate.

On the current Auto Body labor Rate Commission survey. The mechanical rate came back as:

Mean = \$108.00

Median = \$105.00

Trimmed Mean= \$106.70

It is my recommendation to put the body shop rate at \$106.70 on par with the mechanical rate. Equal pay for equal work.

Finally, I recommend that we create a process so that a rate can be established annually as set forth in this legislative session's House 1260 (<https://malegislature.gov/Bills/194/H1260>) and House 1285 (<https://malegislature.gov/Bills/194/H1285>) through an advisory committee as set forth in Senate 797 (<https://malegislature.gov/Bills/194/S797>). In this way we can guarantee that a rate will be reviewed and established annually as economic and industry conditions change.

Thank you.



Mass Insurance Federation

Two Center Plaza, 8th Floor • Boston, MA 02108 • 617.557.5538

Recommendations and Summation of Positions Submitted On Behalf of the Insurance Industry

Massachusetts Auto Body Labor Rate Advisory Board
November 24, 2025

Introduction

The insurance industry submits this position statement following the hard work engaged in by the Auto Body Labor Rate Advisory Board (“the Board”).

The Auto Body Labor Rate Advisory Board was established to “address any issues related to auto body labor rates”. The enabling statute that created the Board provides that:

The advisory board shall collect industry data including, but not limited to: (i) labor rates in neighboring states; (ii) auto body shop costs; (iii) total labor costs; (iv) inflation data; (v) work force data; (vi) vocational-technical school trends; (vii) insurance premiums; and (viii) any additional information as requested by the advisory board.

Ultimately, the goal of the Board is to collect enough data to enable the Board members to have an understanding as to what range of hourly rates are fair and equitable and to make recommendations to the Division of Insurance.

The two industry surveys conducted to date illustrate that there is a robust and thriving collision repair market in Massachusetts. However, the insurance industry suggests that more data is required and a more detailed survey would be necessary if any conclusions or recommendations from the Board are to be considered as a factor in determining a range of fair and equitable hourly labor rates in Massachusetts. Furthermore, the facts make it evident that competitive forces are actively shaping the total cost of repair in Massachusetts. Imposing a legislative mandate on labor rates would disrupt these real-world dynamics and undermine the existing competitive market to the detriment of Massachusetts consumers.

To date, the Board actively pursued data from auto body shops and insurers in Massachusetts relative to the hourly labor rate that auto body shops post and the hourly labor rates that insurers pay.¹

Until this point in time, no data has been collected as to the auto body shop industry’s average overhead or profit and loss data, nor has any data been collected as to the many other streams of revenue that auto body shops receive from insurers.

Data as to rates posted by shops and as to rates paid by insurers do not provide total insight into a shop’s profit margins. Of course, it is in the interest of body shops and insurers for shops to earn a reasonable profit.

¹ It is significant that the auto body shop survey reflects the “posted rate” and not necessarily the “paid rate”. The posted rate is not necessarily the amount that consumers actually pay. Further, the rates that shops agree to accept from insurers, which is a majority of the repair work performed by body shops, was excluded from the auto body shop labor rate survey.

Unfortunately, the Board has no data from which Board members can identify what the profit margins are for any shops in Massachusetts.

Importantly, the hourly labor rate is only one element of a body shop's total revenue. There is no data yet as to the revenue that shops generate based on other revenue sources. For example, shops may be paid a significant mark-up on parts and services. There is a significant variance between the wholesale price the shops pay for OEM (original equipment manufacturer) parts and the MSRP price paid by insurers. Nor is there any data as to the additional pure profit shops generate from scans and calibrations which are regularly sublet (amongst other sublet services which are often subject to mark ups as well).

See data submitted by the Federation which demonstrates that the average total repair cost in Massachusetts is \$4107 and the average total repair cost in the New England states is \$4612 a difference of 12.28%.² If we back out Rhode Island, which is an outlier and where consumers pay more significantly more for their automobile insurance, the difference between Massachusetts and the other New England states drops to 3.18 percent.

In short, the Board should understand there are vast differences in the claims settlement process among claims negotiated by insurers. Some claims involve a labor rate component that results in shops achieving a higher gross profit. Other claims involve scenarios where insurers allow more flexibility in permitting large mark-ups on parts and services, more flexibility in repair time allowances and more flexibility in "P-Page" (Procedure Page) allowances, all of which increase revenue for shops. This is why the Federation has long held that the only statistic that provides any value in achieving parity between Massachusetts auto body shops and shops in neighboring states is the Total Cost of Repairs.

As an additional note on this topic, please see below a snapshot from a recent repair, highlighting that while some insurers use the items above to increase the revenue stream for auto body shops, in this example they actually just put on the appraisal an amount dedicated to differences in the labor rate.

S03	Subl	Labor Rate Diff	1	2,931.50	X
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ESTIMATE TOTALS

Category	Basis	Rate	Cost \$
Parts			2,791.67
Body Labor	61.8 hrs	@ \$ 44.00 /hr	2,719.20
Paint Labor	9.7 hrs	@ \$ 44.00 /hr	426.80
Paint Supplies	9.7 hrs	@ \$ 32.00 /hr	310.40

Massachusetts is not nearly the outlier proponents claim when it comes to total labor costs nor total repair costs in the New England region, as noted in the data presented separately and reattached to this recommendation. Thus, any recommendation for a government-set price for auto labor repairs is unnecessary and imprudent public policy.

This is particularly true in the current economic climate. Labor rate increases even at modest levels will result in adding tens of millions of dollars to loss costs across the industry. Any labor rate increases near those proposed by the auto body shop industry would add hundreds of millions of dollars to loss costs annually at a time when Massachusetts consumers can least afford this burden.

² As set forth in more detail below, much of the differences in market conditions in Massachusetts are reflected by the oversupply of auto body repair shops in Massachusetts compared to other states. If Massachusetts shops were unable to earn a reasonable profit one would expect to see fewer shops doing business in Massachusetts. Instead, shops are competing for the business and competition is benefiting Massachusetts consumers.

The insurance industry is committed to working with the Legislature and Division of Insurance on key reforms that will improve market dynamics, require a labor rate survey, improve the talent pipeline, contain costs for repair facilities, and modernize regulations to help develop trust among the stakeholders and improve the system for all parties—and especially consumers. However, the industry will never support a government set labor rate. The following are our recommendations for how market dynamics can guide the Commonwealth to a fair and equitable labor rate.

For these reasons and for the other reasons set forth below, the insurance industry submits that a more detailed survey process, similar to the survey process utilized in Rhode Island is in order.

The Oversupply of Repair Shops in Massachusetts

Based on the earlier analysis performed by Dr. Tennyson in connection with the 2022 report to the prior Labor Rate Commission, it was clear and undisputed that there was an oversupply of auto body repair shops in Massachusetts based on 2019 data, the most recent data available at that time. Indeed, in 2019 the ratio of auto body shops relative to the number of registered motor vehicles in Massachusetts was the highest among all states in the region. Relative to population, the number of auto body shops in Massachusetts was significantly higher than in Connecticut, New Jersey and New York, only slightly higher in New Hampshire and notably lower only relative to Rhode Island.

The oversupply of auto body repair shops in Massachusetts remains evident using 2022 data, which is currently the most recent available. That said, there is some evidence that the oversupply of shops lessened somewhat from 2019 to 2022. First, the absolute number of auto body shops in Massachusetts fell by 33 from 1,192 in 2019 to 1,159 in 2022, a decline of 2.8%. It's notable that over the much longer 11-year period from 2008 to 2019, the absolute number of auto body shops fell by only 16, a decline of just 1.3%. Second, whereas in 2019 Massachusetts had the highest ratio of auto body shops to registered motor vehicles of all states in the region, by 2022 the Commonwealth ranked third, behind New York and Rhode Island.

Likewise, population metrics are also indicative of a modest reduction in the oversupply of auto body shops. The ratio of body shops to population fell slightly (the result of the decline in the number of shops and an increase in population). That said, this ratio remained higher in Massachusetts than any other state in the region with the exception of Rhode Island. In 2019, this ratio was high in two states—Rhode Island and New Hampshire. Data for 2022 indicates that number of shops per registered motor vehicle in Connecticut is only 69% of the number in Massachusetts; by the same measure New Hampshire has 71% as many body shops as Massachusetts, and New Jersey 80%. New York and Rhode Island, on the other hand, have materially more shops per motor vehicle than Massachusetts.

It is worth noting – despite concerns about the economic health of the repair shop industry in Massachusetts – the number of auto body shops relative to the number of motor vehicles is actually higher than it was in 2008. From 2008 through 2022 the number of repair shops in Massachusetts declined by 4.1% while over the same period the number of motor vehicle registrations declined by 5.4%. For this reason, the number of auto body repair shops relative to the number of motor vehicles in Massachusetts actually *increased*. Specifically, the downward trend in motor vehicle registrations means that the number of repair shops per 1,000 motor vehicles has *grown* by 1.5% since 2008 despite a net loss of 49 shops from 1,208 in 2008 to 1,159 in 2022.

The relative number of shops in Massachusetts has also grown in comparison to its neighboring states, which have seen consolidation in the industry. In Connecticut the number of registered motor vehicles declined by 12.6% from 2008 to 2022, and the number of body shops declined by 16.5%. New Jersey saw a 6.3% decline in motor vehicle registrations over the period, and an 18.8% decrease in the number of body shops; in New York there was a 24.5% decline in motor vehicles and a 7.8% decline in shops. Trends in motor vehicle registrations were different in New Hampshire (11.2% increase in motor vehicles and a 7.1% decrease in shops) and Rhode

Island (1.5% decrease in motor vehicles and a 5.9% increase in shops) but remain indicative of industry consolidation rather than expansion.

A final measure of repair shop capacity is in relation to motor vehicle accidents and insured claims. Data reported by the Massachusetts Automobile Insurers Bureau (*AIB Loss Trend Analysis - Private Passenger Auto as of March 31, 2025*) indicates that the number of insured claims for property damage liability and collision has decreased sharply over the past decade while the number of insured comprehensive (other than theft and glass) claims has increased. The AIB data show 239,704 property damage liability claims in 2015 compared with 234,292 in 2019 and 190,552 in 2024—a net decline of 49,152 claims—equating to drop of 20.5%. Likewise, the AIB reported 201,609 collision claims in 2015 compared with 184,833 in 2019 and 141,797 in 2024—a net decrease of 59,812—representing a 22.3% decline. A much different pattern is observed for comprehensive claims, which totaled 36,448 in 2015, 37,410 in 2019 and 43,174 in 2024—a net *increase* of 6,726 claims or 18.5%. While it is true that claim frequency across all personal auto coverages dropped sharply during the COVID-19 pandemic in 2020 and 2021, property damage and collision claim frequencies have only partially rebounded in the years since, seemingly stabilizing at a new plateau that is materially lower than that observed prior to the pandemic. Thus, the absolute number of property damage and collision claims in Massachusetts has fallen much faster than the number of auto body shops. This suggests more competition among existing Massachusetts auto body shops, a factor which would lead to more competition and lower labor cost.

Insurer Premiums and Profit Analysis

Insurers have been able to maintain a growth in premiums significantly lower than the rate of inflation since 1989, which has been to the benefit of the driving public. In fact, if we look back to 1989's premiums adjusted for inflation (Dec.1989-Dec.2022, the last available year of data) would be \$1,932 (\$821 in '89) yet the NAIC numbers for 2022 have combined premium at \$1,251, which is 52% less than the rate of inflation.

If we wanted a very simple calculation for fair and equitable labor rate, it would be to extend the same increase in premiums to the labor rate. Such calculation would result in a roughly 150% increase from the \$30/hr. rate in 1989 to \$45/hr. today.

However, the insurance industry opposes mandating a labor rate, especially as proposed by legislation like Senate Bill 797, which sets the floor at the midrange of neighboring states labor rates (\$55/hr.) and House Bills 1285 and 1260, which would force a set rate by the Division of Insurance based on customer paid repairs—while ignoring that insured policyholders are customers. Such an approach, without a concomitant tempering of other revenue streams, may not only result in total repair costs in Massachusetts which are higher than our neighboring states, but it will create more conflict and discord in the negotiation process between insurers and body shops.

Additionally, we know from prior legislative sessions, that the repair facilities really want a CPI adjusted rate from 1989 to 2025 with a prospective indefinite CPI adjustment, based on results from September 1989 when the labor rate averaged \$30/hr. to September 2025³, the amount of such a proposal would increase the labor rate to \$77.95/hr. Such an increase, based on the AIB premium estimates circulated to the Board, would result in approximately \$117 more per vehicle in costs to consumers if implemented this year. This approach would result in Massachusetts having one of the highest labor costs in New England.

Contrary to some of the comments that have been made by the auto body representatives, the profitability of the auto insurance market has been low in the Commonwealth during the last two years of data available. According to the NAIC⁴, in New England, only Connecticut had larger underwriting **losses** than the

³ https://www.bls.gov/data/inflation_calculator.htm

⁴ <https://content.naic.org/sites/default/files/publication-pbl-pb-profitability-line-state.pdf>

Commonwealth in 2023. In that year private passenger auto insurers ran a -3.2% underwriting profit, meaning the industry lost \$3.30 cents for every \$100 in premium written. In 2022, there was a modest underwriting gain of 1.7% or \$1.70 in profit for every \$100 in premium.

Recommendation 1—Annual Auto Labor Rate Survey

Rhode Island has performed a labor rate survey annually since 2006. The Federation would support adopting language similar to the current statute in Rhode Island (**§ 27-29-4.4. Auto body repair labor rate surveys**) to ensure the market is continuously monitoring the auto body labor market in the Commonwealth. Obviously, we will need to adjust this language to fit Massachusetts' statutory scheme, and it will be important to ensure that the body shop survey is based on the **paid** labor rate and not the charged rate, as consumer discounts should be as important as the insurer-calculated prevailing rates. This solution is another way to ensure the market is performing to achieve a fair and equitable labor rate.

Recommendation 2—Regulatory Reforms—Supporting House Bill 1152

The Automobile Damage Appraiser Licensing Board ("ABALB") remains today as a relic of the "fixed and established" regulatory scheme, despite other moves to make auto insurance and collision repairs more competitive.

H.1152 would revise the statute to fit most practical aspects of the current regulatory scheme.⁵

Importantly for the issue at hand, this legislation adopts the following notice language, which is based on the New Hampshire and New York approach for when disagreements on cost are unreconcilable.

If the appraiser for the insurer and the repair shop fail to agree on a price for repairs, the insurer shall furnish to the insured or claimant a written statement containing the following disclosure:

"Under Massachusetts law, you are always entitled to use the repair shop or facility of your choice. Unfortunately, we have been unable to agree on price with the facility you have chosen. In this situation, our payment for repair cost may be limited to the price available from a recognized and conveniently located repair shop or facility registered by the Division of Standards, that is willing and able to repair the damaged motor vehicle within a reasonable time. You may be responsible for the difference between our payment and the price charged to you by the facility you have chosen. Upon your request, we will furnish the name of a repair shop reasonably convenient to you that is able to repair your vehicle for the price in your appraisal."

One way that consumers are currently disadvantaged by the enabling ADALB statute is through the following language:

If the appraiser and the repair shop fail to agree on a price for repairs, the appraiser shall not obtain a competitive estimate from another repair shop unless the owner of such other shop, or his authorized agent, either of which shall be a licensed appraiser, has inspected the vehicle and prepared an itemized estimate of repairs to be performed. No such competitive estimates shall be obtained by the use of photographs, telephone calls or in any manner other than a personal inspection.

⁵ The Division of Insurance has investigators, already issues license renewals, manages the NAIC system for licensees to ensure that abuses in other states are captured by our Division, and professional regulators are much better suited to make findings regarding the future status of a licensee over those who want to score political points or settle old vendettas.

This single-sided mandate stymies a competitive market by preventing insurer appraisers from sourcing alternative locations without the express consent of the shop owner. Lifting this requirement and replacing it with the notice provision above would allow for competitive pricing to occur, which in many states results in higher labor rates over time. This approach for Massachusetts deserves our consideration rather than continuing down a path of policies designed to artificially price repairs, which as has been clearly demonstrated, has helped deflate labor rates over time.

Moderating the complicated and cumbersome current ADALB process by adopting the New Hampshire/New York language would go a long way toward modernizing the approach to disagreements relative to repair costs in Massachusetts. It is time to re-task the Division of Insurance with oversight of appraisers and allow the market to more properly dictate the cost of repairs. That is why the insurance trades strongly support H.1152 as a market-based solution to ensure a fair and equitable labor rate is achieved organically.

Recommendation 3—Containing the cost of technological advancements

Advanced Driver Assistance Systems (ADAS) are reducing the frequency of collision claims across the United States and here in Massachusetts, but the collisions that do occur come at a lofty cost due to these intricate systems. Thanks to economies of scale, marketing, and governmental mandates, the use of ADAS has grown exponentially since introduced to the market in the 1990s. These systems, existing in some manner in almost all new cars sold today, primarily focus on crash-avoidance technologies through lane assistance, blind-spot detection, automatic emergency braking, and adaptive cruise control. The fast pace of ADAS advancements is disrupting traditional repair models that have offered consumers choice over the last century, leading to both increased labor costs and a reduction in repair capabilities of independent shops.

Using these intricate systems as a justification, auto manufacturers are attempting to circumvent the Commonwealth's Right to Repair initiatives through **procedure mandates, tooling costs, and certification programs for ADAS and auto body repairs.**

The insurance industry is not anti-repair facility. The industry supports efforts to bring about fairness and competition for repair shops, but technological advancements in vehicles challenge the financial stability of small independent facilities. This type of existential threat is not going to be solved through government price-fixing for auto labor rates. Rather, as is occurring across the country, Massachusetts repair shops might consider creating networks amongst themselves, or through multi-shop ownership agreements, to access the technological capabilities and financial resources needed to fix increasingly complex vehicles.

Through legislative action or another voter initiative, Massachusetts may consider further expansion of the Right to Repair ballot initiatives, passed by voters, to force greater access to and reduce the cost of manufacturer repair certification programs, which could also have ancillary benefits for the Commonwealth's vocational schools. Additionally, enforcement of the current Right to Repair laws is essential to ensure that access to repair and diagnostic tools and access to all necessary vehicle data to complete repairs is available at competitive rates. These steps could foster more meaningful competition in the repair market and provide repair facilities with more long-term protection than a government-set labor rate, which will increase repair costs without any tangible consumer benefit. While not directly related to the labor rate,⁶ these steps would provide for a fair and equitable increase in profitability for auto-body repair facilities.

⁶It is however noteworthy that shops derive significant revenue from mark-ups on ADAS calibrations and scans. These mark-ups must be taken into account when evaluating the labor rate and the total revenue paid to shops.

Recommendation 4—Improving the Talent Pipeline

When it comes to the talent pipeline, it is of utmost importance for the Board members to understand that **higher labor costs do not necessarily correlate to higher wages**. The highest total labor cost states in New England often have both higher labor costs and lower average weekly wages for collision repair technicians than Massachusetts (see table 1 which was produced for the 2022 study commission and Table 2 is updated with current analysis).

State 2021 Data	Total Labor Costs (CCC Data)	Average Weekly Wage (Collision Week) ⁷	Average Weekly Wage (Zip Recruiter/ADP) ⁸
Massachusetts	\$1143	\$995	\$912
Connecticut	\$1414	\$982	\$858
Maine	\$1133	\$871	\$857
New Hampshire	\$1213	\$1034	\$952
Rhode Island	\$1733	Not Available	\$846
Vermont	\$1132	\$975	\$897

Table 1

State	Total Labor Costs (CCC Data)	Average Weekly Wage (Collision Week) ⁹	Average Weekly Wage (Zip Recruiter/ADP) ¹⁰
Massachusetts	1346.79	\$1471	\$1,206
Connecticut	1,854.17	\$1397	\$1,051
Maine	1,422.95	\$1474	\$1,069
New Hampshire	1,531.87	\$1514	\$1,074
Rhode Island	2,033.52	Not Available	\$1,082
Vermont	1,379.72	\$1441	\$1,174

Table 2

Beginning with supporting an effort to encourage participation in vocational training for collision repairs, the Legislature acknowledged that more needed to be done when it enacted Section 57 of MGL Chapter 74¹¹. This legislation focused support, training, and educational programs to address Class 1 licenses, which are dedicated to the repair technicians of dealerships. By extending the purpose of this grant program to future Class 2 license holders, we can begin stronger private public partnerships to address the seven enumerated goals for such a grant program.

The goals of Section 57 of MGL Chapter 74 are laudable but require stakeholder engagement as a key part of any successes in elevating collision repair vocational programs. Insurer and collision repair stakeholders already are acting nationally to address this through the Collision Repair Educational Foundation (CREF) and in collaborative ventures throughout the country. It is neither fair nor equitable that those repair facilities who are doing the largest volume of repairs are not permitted to take advantage of the state program, nor that the

⁷ [2021-0909-Collision-Repair-Establishments-and-Wages-Q1-2021-and-Q1-2020-Analysis.png \(1200x1598\) \(collisionweek.com\)](https://www.collisionweek.com/2021/09/09/collision-repair-establishments-and-wages-q1-2021-and-q1-2020-analysis.png)

⁸ [Q: What Is the Average Collision Repair Salary by State in 2021? \(ziprecruiter.com\)](https://www.ziprecruiter.com/)

⁹ [https://collisionweek.com/2025/08/08/fourth-quarter-2024-collision-repair-average-weekly-wages-2-4-compared-2023/](https://www.collisionweek.com/2025/08/08/fourth-quarter-2024-collision-repair-average-weekly-wages-2-4-compared-2023/)

¹⁰ <https://www.ziprecruiter.com/Salaries/What-Is-the-Average-AUTO-BODY-Technician-Salary-by-State>

¹¹ [General Law - Part I, Title XII, Chapter 74, Section 57 \(malegislature.gov\)](https://malegislature.gov/)

program has been underfunded for many years—the legislature should take steps to address both aspects of this issue.

State and federal standards also must be reviewed in the context of collision repair vocation training. In an era of ever-changing technology in vehicles, the methods for repairs are rapidly changing. As an example, metal body welding is now perhaps less important to teach than plastic welding or learning about proper calibrations and inspections. However, the process to change curriculum is a regulatory burden for educators, especially since it can take years for approvals of vocational curriculum changes. The training and pay for vocational educators must also keep up with the knowledge required to bestow upon students a foundation in collision repair that prepares them to enter the workforce and apprenticeships. Together, stakeholders and legislators should review all of the governing statutes for vocational institutions and ensure there is adequate flexibility to teach how to repair the automobiles of the 21st century.

Conclusion

In addition to the solutions offered above, the Federation redirects your attention to the conclusion made in the 2022 testimony to the Legislative Commission by Dr. Sharon Tennyson, economist and Professor of Public Policy and Economics at Cornell University, which illustrates the necessity of analyzing specific aggregated data across both the insurance and repair industry prior to making any other formal recommendations specific to the auto labor rate:

“Aside from concerns society may have regarding fair labor compensation, the mere fact of lower labor costs or lower costs of auto body repairs is not an economic policy concern. The important question is whether lower costs result in lower quality of repairs, reduced quality of the repair experience for consumers, and reduced incentives for investment and innovation in the auto body repair industry. These potential effects of lower labor rates can create a public interest in the issue from an economic standpoint.

But, evaluating whether these effects are occurring requires data at a greater level of detail than can be obtained from readily available industry statistics. Data on the distribution of labor rates (not just average values), variations by geographic area, and qualifications of the shops would be needed. Analysis would include investigation of the relationship between labor rates and (i) whether the quality of repairs is acceptable; (ii) whether damaged cars are going unrepairs; (iii) whether consumers face excessive delays in obtaining repairs; (iv) whether repair shops are using outdated equipment and technology; and (v) whether consumers are satisfied with the repair experience. If labor costs are lower for insured versus other repairs, differences between insured and uninsured repairs must be investigated, along with any difficulties in quality, cost, or compensation that insureds may encounter in seeking insured repairs. Looking solely at average labor rates or labor costs does not illuminate these issues.

Given the importance of the decision for the future of the insurance market and the cost of insurance for Massachusetts drivers, and the limited data upon which the decision would be made, it would be reckless to make any decision to establish a regulated labor rate at this time.”

Insurers strongly believe that the health of our auto insurance market relies on independent body shops, who deserve a reasonable profit. However, the Federation remains concerned that unlike rate setting practices for towing by the Department of Public Utilities (Section 6B of chapter 159B) or insurance rates by the Division of Insurance, or rate setting in other regulated industries, this Board has not had the opportunity to review profit and loss statements from the wide array of shops. Such data is essential to ensure that a rate is fair and adequate

to both the shops and the consumers in the Commonwealth. For that reason alone, it is premature for any recommendation to be adopted that sets a rate for auto body labor charges in the Commonwealth.

Finally, the outcome of this Board's decisions, if it would choose to take steps to create a statutory labor rate, must be viewed in the context of consumer subsidization of body shops. For every \$10 increase in the labor rates, consumers will be subsidizing shops an additional \$36 per vehicle. This type of subsidized protectionism has long term implications not only for the auto insurance market in the Commonwealth, but for all consumers and businesses in the state that will view this as the first of many efforts to create a system of subsidized protectionism. In the long term, a state-mandated increase in auto body labor rates will be neither fair nor equitable for Massachusetts consumers, especially in the current economic climate.

Respectfully submitted,



Christopher S. Stark
Member, Auto Body Labor Rate Advisory Board
Executive Director, Massachusetts Insurance Federation



Mass Insurance Federation

Two Center Plaza, 8th Floor • Boston, MA 02108 • 617.557.5538

Supplemental Submission On Behalf of the Insurance Industry

Massachusetts Auto Body Labor Rate Advisory Board

December 15, 2025

To the extent there has been testimony that auto body repair shops are leaving Massachusetts in droves, please find the updated list of auto repair and glass shops from the Automobile Insurers Bureau (“AIB”), linked here: [Repair & Glass Shops](https://www.aib.org/ContentPages/Public/RepairGlass.aspx).¹

This data demonstrates that a number of shops are still entering the market with an awareness of current levels of costs and reimbursements and only two shops are no longer registered. It is hard to imagine that the market as described by advocates for a statutory labor rate would be attracting new entrants.

There are currently 1557 auto body repair shops registered to do business in Massachusetts. Significantly more shops than in our neighboring states.

Further, relative to some of the comments in the various recommendations, the industry submits that the Massachusetts PPA insurance market is not highly concentrated as suggested.

In fact, a 2024 R Street report gave Massachusetts a Herfindahl-Hirschman Index (HHI) score of 1009. Anything less than 1,500 in their metrics is considered a competitive market.

Respectfully submitted,

Christopher S. Stark
Member, Auto Body Labor Rate Advisory Board
Executive Director, Massachusetts Insurance Federation

¹ <https://www.aib.org/ContentPages/Public/RepairGlass.aspx>

**Amended Statement by John Kwoka
Professor of Economics, Northeastern University
Member, Auto Body Labor Rate Board
December 10, 2025**

This Board has been charged with evaluating the labor rate for auto body work in Massachusetts, and recommending an appropriate rate or method for determining the appropriate rate. As the economist on this Board, I have examined the issues in the usual method of economics: to determine how the labor rate is currently determined, and whether that process has resulted in a rate roughly comparable to a competitive market rate or whether it is subject to distortions that fail to deliver a rate that is appropriate for both buyers and sellers. I say “roughly” since many markets do not look perfectly competitive but at least are “workably competitive.” Others, though, may have real problems that require intervention to protect buyers or sellers, whichever side is being harmed.

I have conducted that analysis of the auto body labor rate, which I will detail below. Based on that analysis and my understanding of the market, I have come to the following conclusions:

(1) The pricing process for establishing an auto body labor rate most closely resembles a bargaining process rather than a textbook market where many buyers and sellers come to some common price. Here, individual “buyers”—insurers that contract for body shop work—engage in periodic rate transactions with body shops. In trade, body shops essentially offer the necessary labor services to customers of the insurers. This type of process is what occurs in a so-called “bargaining” market.

(2) Price in a bargaining setting is not determined by the usual intersection of some supply and demand curves since these do not really exist in these markets. Instead, all that can be said is that price must be somewhere in the range between the minimum that each shop needs to operate—its zero-profit point—and the maximum that the insurer is willing to pay. Where in this range price will fall depends on each side’s relative bargaining power.

(3) I find that, in the process for establishing auto body labor rates in Massachusetts, the balance of bargaining power lies strongly in favor of insurers. The result is that the labor rates are much closer to the body shops’ absolute minimums than they are to the ability of insurers to pay. This imbalance needs to be remedied.

In the rest of this memo, I will summarize my assessment of the type of market process

involved in setting the auto body labor rate, expand on my conclusions, and offer my specific recommendations at the end.

The Auto Body Labor “Market”

In the ordinary textbook “market,” there are many buyers and sellers that interact regularly so the process settles at the intersection of the supply and demand curves without any significant influence over it by individual firms or players. The price that results is appropriate in economic terms since it is adequate to cover sellers’ cost and leaves something over, but at the same time it is also reasonable for buyers, who pay an amount that also leaves them with a net benefit. The total of these benefits to both sides are the “gains from trade,” and these total gains are shared by each side. That sharing does not need to be equal, but there must be some net gain for each side in order for them to continue to operate in the market.

Not many real-world markets operate exactly like this, but many are close enough to be “workably competitive.” But in other markets, the entire pricing process works differently. For example, many familiar markets involve contracting, that is, bidding for some business or for some purchase based on specs set out by the other side. Sometimes auctions are used to sell (or buy) some specific, often unique product. Other markets operate with bargaining between the sides when a deal must be struck between only one or a few parties to the transaction. A familiar example is union collective bargaining with employers, rather than each worker by themselves having to bargain with an employer. Other examples are hospitals with insurers and video distributors with program suppliers (like the current controversy between Disney and YouTube TV).

What characterizes bargaining markets in particular are two things. One is there is only a small number (maybe just one) of either buyers or of sellers that are involved in periodic or one-off transactions. A second characteristic is that completing the transaction—coming to some agreement—is essentially necessary for both sides, since there is no product or market without the participation of both. Union labor has nothing to do without their employers, any more than companies can do without their worker unions. Hospitals need insurers, but insurers’ only business is to provide insurance to hospitals. YouTube TV can only do without Disney so long, but Disney also needs YouTube TV viewers. So both sides are locked in a process that needs to come to some agreement to do business, and so they will. (In fact, Disney and YouTube TV just settled.)

This is essentially the auto body labor rate process in Massachusetts. On the one side are individual auto body shops that need insurers to make it possible for customers to pay for repairs.

On the other side, insurers have contracts with customers but their coverage require body shops to do the actual work. Each side needs each other in order to conduct any business. This is not a textbook market where price arises from numerous continuous interactions between suppliers and demanders.

Price in a Bargaining Market

The next question is exactly how price in such a bargaining market should be determined in general and how it actually is determined in the case of auto body labor. In the general case of a bargaining setting, each side has a price point that they will not go beyond. The buyer will not pay more than some maximum that leaves them with no net gain from the transaction (economics calls this point buyers' "willingness to pay"). The seller will not accept an amount that does not cover their costs—the "zero-profit point"—and leave them with some net gain. No price outside this range makes sense, but exactly where price ends up between these extremes cannot be predicted. Instead, it is determined through a bargaining or negotiating process between the two sides, and the side with the greater bargaining power will secure the larger share of the gains from trade. Greater bargaining power usually results from a greater market power, greater financial resources, or the greater ability to weather a brief period without business.

In the usual bargaining setting (such as union contracting or video agreements), both sides offer proposals and after discussion and negotiation (and, yes, sometimes strikes or blackouts), some compromise is likely reached. The auto body rate business involves two sides but it works differently. Each insurer periodically reviews and may revise what it is prepared to offer as a labor rate. While in principle at the same time body shops could make their own proposal followed by negotiation toward a mutually agreeable solution, as in other bargaining markets, that does not seem to be the case here. At most, the body shops in an insurer's referral network may be consulted or surveyed, and they may propose a different rate, but it seems that the rate proposed by the insurer almost certainly sticks. Among other reasons, any body shop interested in that insurer's business will likely have to just accept the insurer's rate. But "having to take it" is an indication of the lack of bargaining power for that side, in this case, the body shops. Put differently, an insurer can do without a particular body shop more easily than a body shop can do without the insurer's referral business.

In this auto body labor rate process, I therefore conclude that the insurer side of the market has greater—probably much greater—bargaining power than the auto body shop side. As a result the benefits from this business—the gains from trade—go more substantially to the insurers than to body shop owners and workers.

The Basis for My Conclusion

Determining the balance of bargaining power in any bargaining market is generally not straightforward, and the auto body labor rate process is no exception. There is, however, a range of data and evidence that, in its totality, convinces me of the imbalance of bargaining power strongly favoring insurers. Here are several reasons for my conclusion:

(1) The number of licensed auto body shops in the state has been in slow long-term decline. This suggests that many shops may be operating at or below their lower bound of zero-profit operation and slowly exiting the market. This interpretation is consistent with the decline in auto body programs at vocational schools in the state. A decline in the number of shops shrinks job and career opportunities, deterring possible trainees for positions that no longer seem as promising. On the other hand, this decline in the number of body shops could also be caused by a decline in the need for them to the extent that collision frequency and claims have declined over time (though the cost of repairs may have risen to offset this).

(2) There are relatively few insurers, and the largest have very substantial size. Standard economic measures of market concentration would categorize the Massachusetts market as “highly concentrated.” In a true bargaining process these would negotiate with a similarly small number of body shops on the other side. In reality, however, auto body shops are numerous, relatively small, fragmented, and often scattered across the state. This structure of the market leaves the insurer side with greater market and bargaining power. Body shops are in a “take it or leave it” situation since they cannot really afford to reject the insurers’ rates and the business that comes from being in a referral network. Insurers face no such risk from not having one or a few body shops agree to their rate. For that reason, insurers have what is often called “buyer market power.”

(3) The auto body labor rates set by insurers have not increased much in the recent years and have fallen behind those of other skilled trades. This is true even as skill levels and necessary training for auto body work have increased due to the greater complexity of autos. This, too, suggests that labor rates may be deviating from the level necessary to sustain employment and operation of body shops. This would go hand in hand with declines in the number of vocational schools with auto body training programs and the number of auto body shops themselves, but of course, they could also reflect a decline in the overall business.

(4) There is additional evidence consistent with lagging labor rates from insurers. The Board’s survey found that auto body shops on average are reimbursed at \$46 per hour for work through insurers, but these same shops charge an average of \$68 for uninsured work where they deal directly with customers and can charge whatever rate they believe is appropriate in the

market. That rate is nearly 40 percent more than that set by insurers, although there is likely some differences between work provided in the uninsured market vs. the insured market. Nonetheless, the large gap between the rates for insured and uninsured service certainly suggests that current labor rates on insured work fall short of what they need to be.

(5) In addition, it is notable that auto body repair rates in the state vary considerably across insurers. According to survey data available to the Board, rates range from a low of \$43 per hour to a high of \$55 per hour—more than a 23% difference. The full explanation for these differences is not clear, but it is interesting to observe that the lowest rates are associated with some of the smaller and more traditional insurers in the state. By contrast, two of the highest auto body labor rates are from the newer entrants into the market. Those insurers may be bringing into the state auto body labor rates familiar to them from other states and settings—which are often higher than the rates from the older insurers in this state. Interesting, too is the fact that their higher rates have not handicapped them in the market for auto insurance: whether their premiums are higher but still satisfactory to customers, or whether margins are smaller or their business models are different in some other way, these new entrants have increased their market shares substantially even with their higher labor rates.

In summary, I believe that there is sufficient evidence to conclude that the current auto body labor rate is relatively low, close to the lower bound for the trade and for auto body shops. I agree that some of the evidence could be stronger and some facts have alternative interpretations, but I am convinced that the totality of the evidence supports this conclusion.

A Fair and Equitable Rate

There are two possible approaches to fixing the labor rate deficit. The first would alter the balance of bargaining power between auto body shops and insurers. The second would more directly adjust the rate itself.

The first approach would follow from recognition that at present the auto body shops are not in a position to effectively bargain with insurers. An insurer can much more easily do without a particular body shop than a body shop can do without the customers of most insurers. That has resulted in the rates calculated and announced by insurers becoming the actual rates without effective pushback. In order to rebalance the bargaining power of the two sides, auto body shops might be allowed to bargain collectively with insurers over the labor rate. Collective bargaining by body shops would mean that insurers would have to bargain meaningfully since each would find themselves facing the prospect of losing not just a single auto body shop but a large group of shops. This grouping could be based on their referral networks or their trade association or some

other collective bargaining unit.

What would emerge from this process would be similar to the outcome of collective bargaining between labor unions and employers, and for the same reasons. Recognition of the imbalance of bargaining power is exactly what led to legislative sanctioning of collective bargaining by labor at the federal level. Collective bargaining by auto body shops in Massachusetts would likely also require legislative sanctioning as well. It would, however, allow the state to remove itself from any rate setting process.

The second approach would be to directly address the rate itself rather than the rate setting process. Given the complicated nature of labor rate determination, calculating what constitutes a “fair and equitable labor rate” is not straightforward. I have nonetheless conducted an analysis based on available data and my understanding and have concluded that at the present time, the appropriate rate would be somewhere in a range centered on \$83 per hour.

I base this conclusion on two types of evidence. The first is a comparison to rates for similar services that are determined in more flexible interactions between sellers and buyers that have some characteristics of a competitive market. The second type of evidence is based on past rates that may have more closely approximated the appropriate rates, which can then be adjusted to current conditions. Here I describe both approaches.

The Board has conducted an important survey of the roughly 1600 licensed body shops in the state, and obtained an adequate response rate of 30 percent. The survey asked repair shops for their rates on work not covered by insurance. While uninsured work may not be identical to insured work, these rates can be set by shops as they wish, and accepted or not by customers who are either satisfied to pay those rates or look elsewhere. Setting too high a rate would deter customers, while too low a rate would be inadequate compensation. This two-way adjustment process is the way competition should work in any market, and under the right conditions the resulting price might be a good indication of the supply-demand price.

Whether the uninsured market meets these conditions is not clear. Uninsured work is only a fraction of a body shops’ total work, and the work may not be the same as insured work. Uninsured customers are often drivers who choose not to report damage to their insurer. Some uninsured work may be on expensive classic cars, which again is not insurable or not fully insured. To that extent, the work may simply require more expensive labor. On the other hand, body shops may be cautious in what they charge for uninsured work, since customers may balk at prices too far in excess of posted (insured) prices. In short, there are factors that might cause uninsured rates to be distorted in either direction.

For these reasons, it is difficult to know whether or by how much the uninsured rates

TABLE 1
Average Labor Rates (\$)

	<u>Insured Rate</u>	<u>Uninsured Rate</u>	<u>Difference (%)</u>
Body	49	68.0	38.8
Refinishing	49	66.9	36.5
Mechanical	55	108.0	96.4
Structural	46	84.0	82.6
Frame	50	85.4	71.0

Sources: Board survey of insurer rates
Board survey of auto body shops

found in the Board's survey diverge from competitive rates, but regardless, I believe that those rates are useful indicators of what more competitive rates would look like. And the differences are clear and substantial. As shown in Table 1, actual labor rates on uninsured work are systematically higher than the allowed rates on insured work, and by substantial amounts. They range from 36.5 percent higher for refinishing to 96.4 percent higher for mechanical work. For body work in particular, the underpayment is nearly 39 percent. With information about the percentages of each type of work actually performed in body shops, it would be possible to calculate the weighted overall average underpayment, but the unweighted average is a 65 percent underpayment.

Based on these comparisons, it would follow that body and refinishing work should be compensated no less than 67 or 68 dollars per hour, and mechanical, structural and frame repairs should be compensated at least 84 or 85 dollars per hour. These numbers are consistent with the substantial current underpayment to body shops.

These comparisons do not necessarily represent the full extent of underpayment since either or both rates may be distorted by suppression of labor rates for insured work. This takes me to the second type of evidence, which begins with some past benchmark rate and then adjusts it to current market conditions. For this, I focus on the labor rate for body work, although similar effects likely apply to the other rates. I believe there are two possible bases from which to start: the labor rate in 1988 and the labor rate in 2008. Each has advantages and limitations.

The 1988 rate appears to have been set at \$30 per hour as a result of an agreement

between insurers and body shops at that time. If it was truly an agreement, then it could be interpreted as “fair and equitable” by both sides at the time. The obvious disadvantage of using the 1988 rate as a baseline is that it was nearly 40 years ago. Many events and factors have affected the economy and labor rates since that time, so that it is questionable whether beginning with that rate is truly appropriate.

The alternative baseline is the rate in 2008. The 2022 Report of the Special Commission recounted the history of labor rates and reported that as of 2008 “The average labor rate that is paid to auto body shops in Massachusetts, when being paid through insurance companies, is approximately 40 dollars per hour.” It went on to say that between 2008 and 2022, “the auto body labor rate has not increased significantly.” The virtue of using 2008 as a benchmark is that it is much more recent than 1988, but still, of course, many years ago. The disadvantage is that the 2008 rate of 40 dollars is the rate announced by insurers, so that it understates the rate that would be agreed to by body shops.

Rather than choosing between the two baseline rates, I use both the \$30 rate in 1988 and the \$40 rate in 2008 in my analysis, while being sure to note their limitations. Each base number needs to be adjusted by factors that influence labor rate changes over time—and more specifically, labor rates in Massachusetts. In Table 2, I provide these comparisons. The first three columns report actual auto body rates for insured work in 1988, 2008, and 2025. The last two columns calculate the total percent increase from 1988 to 2025 and from 2008 to 2005. Below that are the same numerics for the average hourly wage in the entire country and in Massachusetts.

What is immediately apparent is that while the insured hourly labor rate rose by 63 percent over this entire period, this is far below the US average hourly wage increase, which tripled over the same time. If the state labor wage for insured body work had increased at the same rate beginning in 1988, it would have risen to \$99 by 2025, which is more than double the current \$49 per hour. A comparison beginning with the 2008 insured labor rate indicates a continuing shortfall in labor rates relative to US hourly wage increases. Since 2008, US hourly wages have risen by 72 percent, still much more than the 22 percent increase for insured body work in this state. If the Massachusetts auto body rate had increased at the same rate as US wages since 2008, the rate in this state would now be \$69 rather the current \$49. This is likely an underestimate since, as noted before, the 2008 rate was already below the appropriate rate for that year.

These estimates based on past rates assume that auto body wages would and should change over time at a rate similar to broader indexes. That would be true only on certain conditions not examined here, so that is a caveat to these calculations. That said, these do

TABLE 2
Comparison of Auto Body Rates and Overall Hourly Wages

	<u>1988</u>	<u>2008</u>	<u>2025</u>	Pct. Increase since	
				<u>1988 to 2025</u>	<u>2008 to 2025</u>
Avg Labor Rate (insured body work)	30	40	49	63.3	22.5
Avg Hourly Wage US	9.41	18.04	31.05	330.0	72.1
MA	n/a	26.4	41.4	n/a	56.8

Sources: Board Survey

Report of Special Commission on Auto Body Labor Rates, 2022

Bureau of Labor Statistics, Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private

indicate substantial underpayment of labor rates at present, and confirm the evidence from rates on uninsured work. Overall, it is clear that Massachusetts hourly rates for insured auto body work are well below every benchmark.

I conclude with two further comparisons. It is well understood that wage levels (and prices) are higher in Massachusetts than elsewhere. That does not necessarily mean that the rates of change over time are different, but I have checked that to be sure. Reliable data for hourly wages for 1988 in the state do not seem to exist, so the only comparison is with the year 2008. As shown in the bottom row of Table 2, the hourly Massachusetts wage has risen by 57 percent since 2008, once again well in excess of the 22 percent increase for auto body shops in the state.

Lastly, a comparison is often made between wages and the overall rate of inflation, as measured by CPI. This comparison reflects whether wage increases have kept up with prices, allowing for gains in the standard of living. There is no reason, however, to expect all wages to grow at the same rate as CPI, since there are changes specific to every labor market that affect its wages. These include growing or declining demand for sector services, changes in skill levels and training requirements, and so forth. Nonetheless, given some interest, Table 3 reports percent changes in CPI since 1988 and since 2008, up until 2025. As is evident, auto body labor rate changes have lagged increases in both the US and the state measures of general price inflation as measured by CPI over both time intervals.

In summary, I find indications of auto body labor underpayment ranging from significant to substantial. The various estimates imply that a “fair and equitable” labor rate for auto body

TABLE 3
Comparison of Labor Rate and CPI Increases

	Percent Increase to 2025 from:	
	<u>1988</u>	<u>2008</u>
Avg. Insured Labor Rate	63.3	22.5
 CPI		
US	74.4	47.2
MA	79.7	50.0

Sources: Board Survey
Bureau of Labor Statistics

work would likely fall somewhere between \$67 per hour and \$99 per hour. I view both of these estimates as boundary values rather than the most likely value. The lower end is subject to understatement given the history of underpayment, while the upper end is based on a much earlier benchmark that risks overstating the value. As a result I would recommend the midway point of \$83 per hour, although there is some range of reasonable estimates around that value.

Additional Issues and Questions

Determining a fair and equitable rate is the key step toward remedying the current system. I comment briefly on three additional issues that follow from this determination.

First, since this rate is substantially in excess of the current rate, it would seem prudent to institute this rate in a series of steps over time—although not too long a time. Phasing in this increase would allow body shops, customers, insurers, and ratepayers to adapt to this new rate schedule.

Second, this rate would need to adjust periodically in accordance with some external benchmark that would reflect changes in costs related to the business of auto body repair. Establishing such a process would avoid, or at least minimize, the need for on-going administrative actions. There are several possible indexes for rate adjustment noted in my discussion.

Third, this rate should be a minimum so that a body shop that performs especially high quality work can charge a correspondingly higher rate. Body shops could be rated based on training, equipment, consumer complaints, etc. This would help customers make informed

choices, and provide incentive to distinguish themselves by the quality of service provided.

And finally, there are certain issues about both the appropriate current rate and the next steps that might benefit from further investigation. The following is a list of some of those questions.

(1) Regarding uninsured auto body work, what fraction of total body shop work is this? How is it different from work covered by insurance companies? How do shops decide on their rates for uninsured work?

(2) How do insurers arrive at the labor rate that they announce? Based on what information? Why are rates different among insurers? How often do they change?

(3) How are rates for body shops at auto dealers determined? Why are they so different than for independent body shoip?

(4) What are the reasons for shop closures? Can some information be compiled about the causes?

(5) To what degree are insurer-set labor rates passed through to actual workers in body shops?

(6) How do other states address the issue of auto body labor rates? Do some set them or set targets or criteria, and if so, how do they establish rates? How different are the rates among states, and why?

(7) To what degree are auto body labor rates passed-through to insurance premiums and to insurers' profit? Are there reliable studies of this pass through?

November 24, 2025

TO: Stacy Gotham, Michael Powers, Co-Chairs, Auto Body Labor Rate Advisory Board
Members of the Auto Body Labor Rate Advisory Board

FR: Sean Kane, Auto Body Labor Rate Advisory Board Member

RE: Auto Body Labor Rate

The following are my observations and recommendations to the Auto Body Labor Rate Advisory Board (ABLRAB).

As you know, I was appointed as the consumer advocate member of the ABLRB, which was established by the Mass Leads Act of 2024, Section 292 of Chapter 238.¹ The responsibility of the ABLRB is included in Section 292 of the Act, which states:

The advisory board shall be responsible for creating, implementing and overseeing a survey given to relevant auto body shops. The advisory board shall collect industry data including, but not limited to: (i) labor rates in neighboring states; (ii) auto body shop costs; (iii) total labor costs; (iv) inflation data; (v) work force data; (vi) vocational-technical school trends; (vii) insurance premiums; and (viii) any additional information as requested by the advisory board. The results of the survey and the data collected shall be reviewed and analyzed by the advisory board.

Not later than December 31, 2025, the advisory board shall make recommendations to the division of insurance for a fair and equitable labor rate and file a report of its findings, conclusions and recommendations with the clerks of the senate and house of representatives, the joint committee on financial services, the senate and house committees on ways and means and the division of insurance.

As the consumer advocate member of the board, my primary focus is how the labor rates and any recommendations made by the ABLRB regarding labor rates may impact Massachusetts consumers. Labor rates that are too high can make repairs unaffordable, whereas a rate too low negatively impacts the quality, safety and availability of the repair.

The Commonwealth's Division of Insurance requirements, pursuant to 211 CMR 123.06(3)(b), are associated with insurance company customer referrals to registered repair shops, which includes the following regarding the insurers' choice of such shops:²

¹ Section 292, Chapter 238 of the Acts of 2024. AN ACT RELATIVE TO STRENGTHENING MASSACHUSETTS' ECONOMIC LEADERSHIP. Accessed at:

<https://malegislature.gov/Laws/SessionLaws/Acts/2024/Chapter238>

² 211 CMR 123.06(3)(b). DIRECT PAYMENT OF MOTOR VEHICLE COLLISION AND COMPREHENSIVE COVERAGE CLAIMS AND REFERRAL REPAIR SHOP PROGRAMS. Accessed at:

<https://www.mass.gov/doc/211-cmr-123-direct-payment-of-motor-vehicle-collision-and-comprehensive-coverage-claims-and-referral-repair-shop-programs/download>

In determining which registered repair shops will be referral shops, the insurer shall consider all of the following criteria, and only the following criteria: the quality and cost of repairs at a particular shop, the quality of the service given the customer, the responsiveness of the shop to the customer's needs, the ability of the shop to perform repairs without undue delay, the geographic convenience of the shop for the claimant, cooperation of the shop with the pre- and post-repair inspections and the shop's compliance with applicable laws and regulations.

These same criteria – quality, cost, responsiveness, timeliness, geographic accessibility, cooperation with the pre- and post-repair inspections, and the shop's compliance with applicable laws and regulations – are important to consumers, regardless of a repair shop's status with a particular insurer. Although consumers may state these criteria in slightly different ways, their concerns are certainly associated with repair quality, which necessarily requires that repairs are done properly to ensure safety, and that the repairs are accessible and completed within a reasonable amount of time.

Consumers are also concerned about insurance premiums, deductibles, and the effects a claim may have on their premiums versus paying for repairs without submitting an insurance claim.

Auto body labor rates make up one aspect of motor vehicle collision repairs, and what is evident is that insurers have been successful at suppressing these rates, which is detrimental, including to consumers. If auto body labor rates fail to keep pace with the required technological training, skills and tools, as well as the rising costs of operating the businesses that provide collision repairs, consumer access to quality repairs is affected. Similarly, practices that encourage or promote collision repairs to be done in a manner that does not follow automobile manufacturers' (also known as Original Equipment Manufacturers, or OEMs) procedures may present quality and safety risks for consumers and other motorists. While these alternative procedures may be more appealing because they cost less and are less time intensive, they frequently incomplete or ineffective and may result in crashes or further repairs in the future.

ABLRAB Survey

The ABLRAB survey, sent to 1,497 active body shops registered with the Commonwealth's Division of Standards requested data on the rates for six categories of collision repair labor: body, refinishing, aluminum, mechanical, structural and frame. The survey also requested the governments and/or fleet contract labor rate and non-insurance repair percentages.

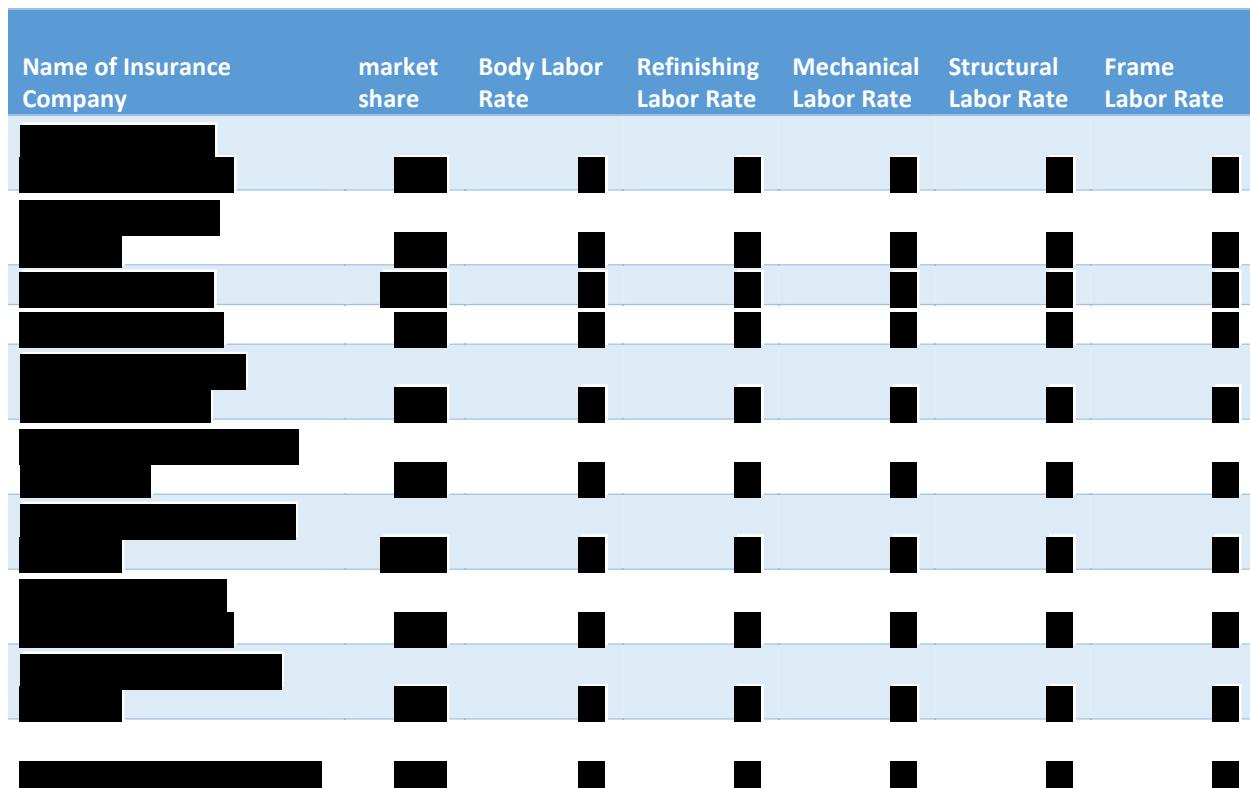
The ABLRAB received 475 usable responses, which represents 30% of the total shops surveyed. These data were analyzed by the co-chair, Stacy Gotham, who provided the following statistical summary:

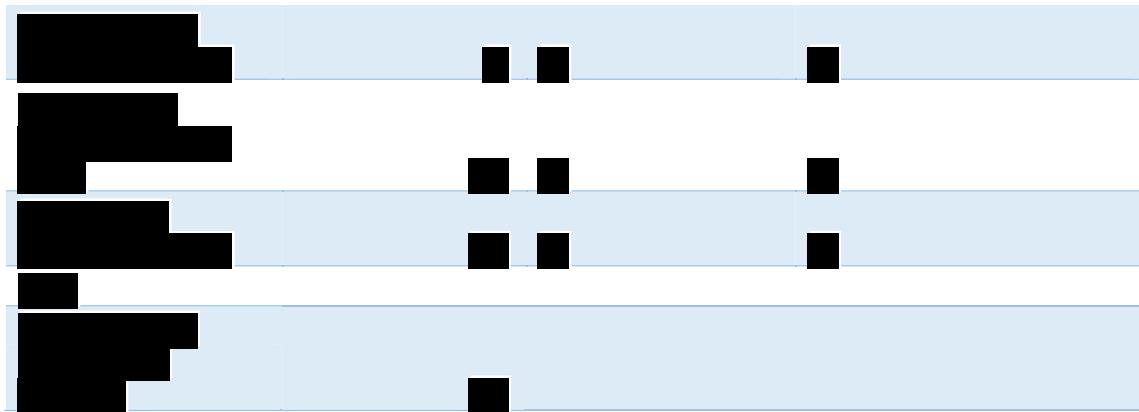
Labor Rate	Size	Mean	Stddev	Median	Avg Excl Outliers	Trimmed Mean
Body	463	68.0	20.3	65.0	64.6	65.3
Refinishing	463	66.9	20.1	65.0	63.9	64.6
Aluminum	417	98.3	34.4	90.0	94.4	96.2
Mechanical	456	108.0	33.6	105.0	104.3	106.7
Structural	448	84.0	26.8	80.0	80.6	81.8
Frame	459	85.4	27.8	80.0	81.6	82.7
Gov and/or Fleet	103	85.6	143.3	65.0	71.8	68.1
Non-Insurance %	386	0.28	0.2	0.22	0.24	0.25

The insurers were also surveyed for the data on the rates they paid in the six categories of collision repair labor: body, refinishing, aluminum, mechanical, structural and frame. In addition, insurers were asked the following three questions:

- Please provide the number of body shops your company has under a referral contract
 - Are any concessions required from body shops to become part of your referral program/network
 - Does your company voluntarily conduct any randomized surveys of body shops in order to establish your company's prevailing labor rates listed above?

These data were analyzed by the co-chair, Stacy Gotham who provided the following statistical summaries:





While these data provide some insight into the labor rates and practices, the take-aways appear to be limited. What is not known from these data are the differences between those that responded and those that did not respond, what percent of their work was represented in each category, or the volume of repairs by the responding shops.

However, it is notable that the percentage of non-insurance reported by body shop respondents was less than 28%, yet for each labor rate category, the average posted rates were significantly higher than the average insurance companies paid.

An implicit assumption in the reported data appears to be that all labor hours are alike – without allowance for differences in the education, training, or experience of the technicians. There is also no allowance for differences between repair shops in the technical means, technical support, and the tools provided to technicians to assist in repairs.

In addition, the ABLRAB does not have the costs or profit margins associated with body shop operations or the auto insurance business in the Commonwealth.

The Collision Repair Industry

The automotive industry, like many others, has been undergoing rapid transformation in the last couple of decades. During this period, automotive systems have changed dramatically – they are more complex, software intensive, and include more automation. New technology-driven features that have rapidly proliferated into vehicles during the last decade are designed to reduce the driver's engagement and increase comfort, convenience and safety compared to their predominantly mechanical predecessors.

This transformation has resulted in vehicles that were once an assemblage of largely mechanical components controlled solely by a driver, to highly complex mechatronic designs that generate hundreds of data points in seconds or milliseconds from a multitude of sensor types that are processed by Electronic Control Units (ECUs). Most modern vehicles rely on a network of 50 -

and some luxury models 100 - or more ECUs to process and share specific data elements.³ These ECUs (aka, computers) process these data based on software/firmware algorithms that instruct various actuators within the vehicle to carry out specified actions. The result is that the role of the vehicle driver has increasingly become more akin to a supervisor rather than an operator, and vehicle operation may be executed based on drivers' inputs, or it may be shared or overridden by a driver assistance systems.⁴ A simple example: If a driver depresses the accelerator and the drive wheels lose traction and begin to spin, the vehicle's ECUs, detecting the loss of traction, will intervene to regain maximum available traction based on the conditions through the amount of torque that is allowed to the wheels. The ECU will typically reduce the throttle through strategic brake application (including to individual wheels as needed), regardless of whether the driver continues to request more throttle via the accelerator pedal or whether the driver depresses the brake pedal.

As a recent article in the trade journal *Automotive News* succinctly stated: “Much of what a modern driver does is thoroughly divorced from the mechanics of the past.”⁵ This is increasingly the case with vehicles that include Advanced Driver Assistance Systems (ADAS) which include common features like automatic emergency braking (AEB), lane departure warning/lane keep assist (LDW/LKA), advanced cruise control (ACC) which control the steering braking and acceleration of the vehicle beyond the driver's input using predominantly radar, and camera-based systems.

The effects of the shift from separate mechanical components to mechatronic systems that have the ability to *override the driver and control the vehicle throttle, brakes and steering*, which are still rapidly evolving, means that post-collision repairs to these complex systems require new skills, continual training, and a plethora of tools and access to detailed OEM repair information and methods. ADAS require specialized pre- and post-repair assessment to detect potential problems and to ensure repairs include proper calibrations. In both cases, access to OEM tools and information are required, along with specialized training. There is also a lack of standardization associated with the specific functions of these systems, which continue to evolve and adopt various enabling technologies, as do the tools, training, processes and techniques required to keep these systems operating within the OEM specifications.

In addition to the transformation from mechanical to mechatronic, the vehicle fleet once solely consisting of vehicles with internal combustion engines (ICE), is made up of hybrid electric vehicles (HEVs) which rely on ICE and electric powertrains, electric vehicles (EVs) that includes battery EVs and fuel cell EVs (FCEVs).⁶ HEVs and EVs differ from ICE vehicles in that they have high-voltage electrical systems, which require different handling and storage considerations that affect repairers and that are guided by technical bulletins from each OEM,

³ AutoPI.io. “ECU Explained (2025): Architecture, Networks & OTA Updates.” Updated Aug. 14, 2025. Accessed at: <https://www.autopi.io/blog/what-is-electronic-control-unit-definition/>

⁴ Sheridan, T.B. (2021). HUMAN SUPERVISORY CONTROL OF AUTOMATION. Chapter 28, HANDBOOK OF HUMAN FACTORS AND ERGONOMICS (eds G. Salvendy and W. Karwowski). <https://doi.org/10.1002/9781119636113.ch28>

⁵ Molly Boigon. “Cars that run on code: How chips changes the vehicle.” *Automotive News*, Mar. 10, 2025. Accessed at: <https://www.autonews.com/technology/an-100-chips-in-cars-0314/>

⁶ I-Car. “Understanding Hybrid And Electric Vehicle Names.” May 7, 2021. Accessed <https://rts.i-car.com/crn-1540.html>

including specific paint booth time/temperature recommendations to prevent damage to high-voltage components.⁷

Other aspects of vehicle repairs require consideration of the various materials used in the vehicle body and structure. In 2006, I-CAR, an inter-industry non-profit training, research and educational program provider for automotive repairs, described the state collision repairs for vehicle components made of advanced high-strength steels (AHSS), and concluded:⁸

What is important to note is that when working on late model vehicles, the old rules may no longer apply. A part such as a front rail may be made from several different types of steel, attached together by a variety of joining methods.

The collision industry is currently in the infancy stage when it comes to repairing advanced high-strength steels. There is still a large amount of research that needs to be conducted to determine the limits of repairability. The steel and vehicle makers are working diligently to determine proper repair techniques such as welding, drilling, and cutting. Currently, the only universal recommendation for repairing AHSS is that heating for straightening purposes is not recommended due to the adverse affect on the strength of the steel.

Eight years later, an I-CAR publication addressing prior collision repair guidelines cited the previous “Kink vs. Bend Rule” that “Simply stated, bent parts were often repairable and kinked parts required replacement. . . . The kink vs. bend rule is no longer as simple as it sounds. A part may not look like it is kinked, but it may not be able to be straightened without damaging the grain structure, if it isn’t already damaged by the collision. The damage may be in the form of micro-cracking which is not easy to see. In more extreme cases, cracking may occur during straightening which is easier to see, and will require part replacement.”⁹

A 2017 article on body construction and material repair guidelines highlighted the types of questions collision repair technicians are confronted with: “What is the MPa of the front lower rail? What is outer uniside made of; steel, aluminum, or composite? Can heat be used to straighten or is it cold straightening only? What are the repair limitations?”¹⁰ The article went on to say:

As we know with today’s vehicles, they can be constructed from a wide variety of materials. To repair vehicles, knowing if the OEM provides information on body construction materials and repair guidelines is a crucial step in providing a complete, safe, and quality repair.

⁷ See I-Car: high-voltage repair considerations at <https://rts.i-car.com/global-search-results.html#gsc.tab=0&gsc.q=repair%20considerations%20for%20High%20voltage%20&gsc.sort=date>

⁸ I-Car Advantage Online. “Advanced High-Strength Steels—A Collision Repair Perspective.” Jul-Aug. 2006. Accessed at: <https://i-car.co.nz/wp-content/uploads/2018/10/general-technical-info-advanced-high-strength-steels-july-aug-2006.pdf>

⁹ Jason Bartanen. “Repair or Replace? – Material Tensile Strength Key to Repairability” I-Car Collision Repair News. Sep. 23, 2014, Accessed at <https://rts.i-car.com/crn-120.html>

¹⁰ I-CAR Repairability Technical Support. “Body Construction and Material Repair Guidelines.” Oct. 20, 2017, Accessed at: <https://rts.i-car.com/crn-706.html>

After researching for these articles, we found that the majority of the OEMs provide the construction material and/or MPa and material repair guidelines. Many go so far as provide position statements pertaining to the use of heat, while others provide a convenient steel repairability matrix.

The article is followed by links to 18 OEM body construction and material repair guidelines – and each link provides a host of additional links specific to OEM information and resources, including updated recommendations, technical articles, training courses, and OEM repair websites which require paid subscriptions. Following are just a few examples:

- **Structural Steel Parts Restrictions.** (BMW of North America, LLC, Bulletin #: C-2-0912-0024, Sept. 12, 2024) “Due to complexity of repair and the requirement of highly specialized tools, training, & repair procedures, BMW of North America restricts the provision of certain structural carbon fiber, aluminum, and newly expanded structural steel parts to those collision centers that successfully complete specific training requirements and who possess the required tooling pertaining to the repair. Structural steel parts restrictions will launch on October 1st, 2024.”¹¹
- **USE OF HEAT WHILE REPAIRING DAMAGED STRUCTURAL & NON-STRUCTURAL COMPONENTS. POSITION STATEMENT.** (FCA USA LLC, which includes its Chrysler, Dodge, Jeep, Ram, Fiat brands) “Structural components are designed to help ensure occupant safety and structural integrity of the vehicle. If this type of component becomes damaged, it requires repair and/or replacement. Some repair methods may require damaged areas to be heated and “pulled” to relieve stress before disassembly...”¹²
- **“USE OF OEM STRUCTURAL FASTENERS AND ADHESIVES”** (Ford Motor Co., Collision Position Statement, Oct. 1, 2025): “For all structural and cosmetic body repairs on Ford Motor Company vehicles, including aluminum repairs, technicians should follow the Ford Motor Company original equipment repair procedures by using: Ford Motor Company-original structural rivets, Ford Motor Company-approved structural adhesives, and Ford Motor Company-approved installation tools. Rivets or fasteners not approved by Ford Motor Company, whether self-piercing, blind, solid or flow-drill, have not been tested by Ford Motor Company and could compromise the repair. Each Ford Motor Company-original rivet is engineered for a specific location (with its own part number, mandrel and tool specification) to achieve the correct depth, spread and bond. Adhering to these Ford Motor Company original equipment guidelines help ensure the vehicle’s designed form, fit, performance, durability and safety are fully restored.”¹³

¹¹ “BMW adds structural steel parts to restricted list.” Bulletin #: C-2-0912-0024, BMW of North America, LLC, Sept. 12, 2024. Accessed at: https://www.repairerdrivennews.com/wp-content/uploads/2024/10/Structural_Steel_Parts_Restrictions_Bulletin-1.pdf

¹² “Use of Heat During Repair” Position Statement. Mopar, FCA US LLC. Jan. 7, 2022. Accessed at: <https://www.moparrepairconnect.com/dA/e4cfa28960/Use%20of%20Heat%20During%20Repair.pdf>

¹³ “USE OF OEM STRUCTURAL FASTENERS AND ADHESIVES” Ford Motor Co., Collision Position Statement, Oct. 1, 2025. Accessed at <https://rts.i-car.com/images/pdf/oem-info/ford/statements/41117.pdf>

- **“Body Repair Manual Welding & Sectioning Guideline Revisions”** (American Honda Motor, Co. Sept. 2025, 13300 v.7): This version of Honda’s general guidelines for welding and sectioning Honda vehicles, it lists the most current approved methods and materials applicable to all of its models and it supersedes previously published body repair manuals.¹⁴
- **“Collision Position Statement Pre- and Post-Repair Scanning, Calibrations”** (Nissan USA, Nov. 1, 2025) Nissan revised and updated these procedures to “To help ensure that all advanced technology systems, whether for safety or infotainment, are functioning as designed, all 2008 and newer Nissan vehicles require a pre- and post-repair diagnostic scan.”¹⁵

Collision Repairs: Who Pays and What are the Cost and Outcomes?

Ensuring proper repairs is critically important for consumer safety. This is true for the range of repairs whether they involve the mechanical systems, body structures or electronics systems.

Concerns about the costs associated with vehicle collision repairs are not unique to the Commonwealth; these concerns are apparent throughout the U.S. and even globally. One cause that all parties involved – vehicle OEMs, insurers, collision repair shops and consumers – appear to understand is that increased vehicle complexity is a significant contributor.

The following is a brief summary of other sources of data and information regarding vehicle collision repair costs, the causes and some solutions.

One of the often cited reasons for increased collision repair costs are vehicles with ADAS. Key sensors for these systems are located on vehicles in areas that are often affected by minor impacts or areas that can often sustain damage in day-to-day driving – windshields, mirrors, bumpers. Repair experts note that these systems require more than diagnostics – they can often require reprogramming and calibration. According to Mitch Becker, a collision industry trainer for 30 years and an I-CAR instructor for more than 25 years: “These procedures require a scan tool capable of accessing these procedures. This is not about clearing a code, this is about making sure everything is aimed or that all components can talk to each other when activated. Everyone in the industry has seen or had to do some sort of scan, but recalibrations can be much more extensive. I’ve run into many companies that think as long as the scan is done, it’s all complete. That could not be farther from the truth.”¹⁶ Becker correctly emphasizes that vehicle component systems – which include ADAS features that now control throttle, brakes and steering – work together and:

¹⁴ “Body Repair Manual Welding & Sectioning Guideline Revisions” Honda Body Repair News. 13300 v.7. American Honda Motor, Co. Sept. 2025. Access at: <https://rts.i-car.com/images/pdf/oem-info/honda/body-repair-news/13333x.pdf>

¹⁵ “Collision Position Statement Pre- and Post-Repair Scanning, Calibrations” Nissan USA, NPSD/25-946. Nov. 1, 2025. Accessed at: <https://rts.i-car.com/images/pdf/oem-info/nissan/position-statements/24715.pdf>

¹⁶ Mitch Becker, Technical: Recalibrations – Are You Aiming in the Right Direction? Body shop Business. Oct. 11, 2017. Accessed at: <https://www.bodyshopbusiness.com/technical-recalibrations-aiming-right-direction/>

Not only do they need to be checked to be sure they communicate correctly with each other, but also that they're aimed correctly. It's like Christmas tree lights – if one bulb doesn't work, it affects the whole string. Also, think about a motion detector alarm. It doesn't work if it's not aimed correctly. The DTC lights on the dash will not be an indicator of any problems. Be sure to understand that just because there is no light does not mean it's right.

Studies show that repairing a modern vehicle with ADAS can be twice as expensive due to the sensor and calibration costs.^{17 18}

Recent reporting by *Automotive News* cites the growing cost of vehicle ownership, which includes rising insurance premium rates and proliferation of advanced technologies. The article also points to the “friction that has surfaced between insurers, auto manufacturers, repair shops and consumers with the evolution of driver-assist technology.”¹⁹ The article (which is available via a shared gift link in the footnote below) cites Mike Nelson, founder of insurance tech startup QuantivRisk, a lawyer and claims adjuster:

Mechanics once held expertise and expected insurers to agree with their assessments of needed repairs. Now, he said manufacturers hold sway. They have prescribed guidelines for fixing more sophisticated technology and requirements for how systems are calibrated, and mechanics must follow along.

“There’s huge liability in recalibrating,” Nelson said. “As we try to go down this path, it’s only going to get more complicated.”

Indirectly, there is also liability in not recalibrating.

Customers who balk at higher repair costs at Caliber Collision facilities will often look elsewhere for shops willing to make repairs without calibrating the sensors, Ebrahimi said, rendering systems like automatic emergency braking inoperative.

Worse, they can later sell those vehicles to unsuspecting buyers.

Cars lack a straightforward means for determining whether sensors are properly functioning, Nelson said.

Another point of particular interest reported by the *Automotive News* article cites a collision repair executive: “Of the approximate 33,000 body shops in America, he said only a fraction

¹⁷ Ellen Edmonds. “New Vehicle Technologies Double Repair Bills for Minor Collisions.” AAA. Oct. 25, 2018. Accessed at: <https://newsroom.aaa.com/2018/10/new-vehicle-technologies-double-repair-bills-minor-collisions/>

¹⁸ Crash avoidance features improve safety but complicate repairs. IIHS News. Feb. 15, 2023. Accessed at: <https://www.iihs.org/news/detail/crash-avoidance-features-improve-safety-but-complicate-repairs>

¹⁹ Pete Bigelow, Driver-assist technology has surprise side effect: higher insurance, repair costs. *Automotive News*. May 22, 2025. Accessed at: https://www.autonews.com/technology/an-adas-collision-repair-0522/?utm_id=gfta-ur-251124&share-code=CEEVFW4PRJG53BRI2ADY2QNILU&user_id=4517954&customer_secondary_source=aac_articleGifting

have the proper lighting, perfectly level floor and automaker-specific targets to calibrate sensors. It can cost \$600,000 to \$1 million to outfit a shop with the right equipment, he said.”

How post-collision repairs and calibrations associated with ADAS systems require adherence to OEM guidelines, tools and procedures are echoed by Mike Reynolds, an advanced certified diagnostic technician and instructor.²⁰ Reynolds describes and demonstrates these issues in a detailed video, which also addresses how *efforts to reduce these costs can result in improper repairs and unsafe outcomes that may not be known or detected by untrained technicians without the use of OEM guidelines, tools and procedures or by consumers.*

In February 2023, the Insurance Institute for Highway Safety (IIHS) reported on its survey of owners of vehicles equipped with front crash prevention, blind spot detection or rearview or other visibility-enhancing cameras. Among those who reported that at least one of those systems had been repaired for any reason, about half said they had issues with the features after the job was completed.²¹ According to the article:

Post-repair problems with the technology were substantially more common among people who had features repaired because of crash damage or in connection with a windshield replacement. About two-thirds of owners whose crash avoidance feature repairs involved windshield replacement and nearly three-quarters of those whose repairs were required due to crash damage said they had issues with the technology after repair. In contrast, fewer than half of owners who had repairs done for other reasons faced problems afterward.

Windshield repairs often make it necessary to calibrate crash avoidance sensors and cameras, though it's a common step in many repairs. Automakers stipulate systems be calibrated anytime a sensor is removed and replaced or reinstalled. Likewise, calibration is typically an early step in addressing a malfunctioning feature. About two-thirds of respondents who had had repairs done said that calibration was included. Those respondents also reported a higher incidence of post-repair issues.

Repeat trips to the repair shop are not uncommon with other routine mechanical repairs, either, and most owners reported that their insurance or warranty covered the complete cost, minus any deductible.

However, the higher incidence of post-repair issues for repairs that involved calibration suggests that repairers are struggling with the calibration process. Some calibrations are complicated and require large spaces, specialized training and expensive equipment. Calibration software is subject to frequent updates, making it difficult for shops to keep their tools up to date. This is further complicated by a lack of standardization of calibration processes. Institute researchers are tracking these problems to monitor whether they persist or diminish over time.

²⁰ Mike Reynolds. Revision 5. Jan 6, 2025. Accessed at <https://www.youtube.com/watch?v=69t8CyI4rWY>

²¹ Crash avoidance features improve safety but complicate repairs. IIHS News. Feb. 15, 2023. Accessed at: <https://www.iihs.org/news/detail/crash-avoidance-features-improve-safety-but-complicate-repairs>

Repair problems are important to track because they have the potential to slow the spread of crash avoidance features that aren't standard equipment. However, in the current study, only a little more than 5 percent of the owners said they would not buy another vehicle with the feature they'd had repaired. Repair hassles also might prompt drivers simply to switch off crash avoidance features, eliminating their safety benefits.

"These technologies have been proven to reduce crashes and related injuries," said Mueller. "Our goal is that they continue to deliver those benefits after repairs and for owners to be confident that they're working properly."

(The details of the IIHS study were published in the *Journal of Safety Research*.²²)

Another source of data and information relevant to the ABLRAB to consider comes from Crash Network. This organization provides "Research, news and analysis for the automotive collision industry" and publishes a "survey series from Collision Advice and *CRASH Network* to discover how insurers pay for "not-included" repair procedures." These surveys are described in part, as follows:²³

With the goal of helping shops become more aware of the "not-included" repair operations they are doing and whether other shops are being compensated for those procedures, CollisionAdvice and *CRASH Network* developed this survey series to provide a real-world picture of the payment patterns of the eight largest U.S. auto insurers when it comes to "not-included" repair operations.

Throughout the course of a year, the "Who Pays for What?" series covers nearly 100 different "not-included" procedures and estimate line items with each survey covering a different part of the repair process including: Refinish Operations; Body Repair Operations; Scanning & Calibration Operations; Shop Supplies; and Frame & Mechanical Repair. We ask shops to describe how often they are paid, by each insurer, for each procedure: "always," "most of the time," "some of the time," or "never."

Other surveys include the Insurer Report Card, which surveys body shops nationally on an annual basis in which they request shops to grade to each of the insurance companies they interact with, by asking based on one question: "How well does this company's claims handling policies, attitude and payment practices ensure quality repairs and customer service for motorists?" According to the Insurer Report Card, what sets highly-graded insurance companies apart from others based is that they "don't pressure them to cut corners or install lower-quality parts just to save money. The best insurance companies also aren't adding more administrative steps that slow down the repair and claims process."

Many surveys can be obtained by individuals for individual use by request.

²² Alexandra S. Mueller, Jessica B. Cicchino, David S. Zuby, Joseph V. Calvanelli. Consumer experiences with crash avoidance feature repairs. *Journal of Safety Research*, V88, 2024. Accessed at: <https://doi.org/10.1016/j.jsr.2023.10.003>.

²³ <https://www.crashnetwork.com/collisionadvice/02moreinfo.php>

CCC Intelligent Solutions, a company that provides workflows for insurers, collision repairers, automakers, parts suppliers, and lenders, to improve the claims and repair process and efficiency, provides reports on data and trends in the property and casualty insurance industry. It's 2024 Q4 report cited the following key points from 2024 in review:²⁴

From shifting claims volumes to the rising costs of repair and the growing presence of electric vehicles (EVs) and hybrids, 2024 was a year of adaptation, with stakeholders working to stay ahead of the curve in an unpredictable environment.

One of the biggest shifts this year was inflation, which drove the cost of motor vehicle insurance up by 51% (since 2022), causing consumers to become more selective about filing claims for minor damages. Repairable claims of \$2,000 or less - often seen as small but frequent - now make up just 26% of the mix, down from 43% in 2019.

Other significant points cited by CCC in 2024

- aging vehicle fleet - vehicles seven years or older now make up nearly 45% of all repairable claims had a significant impact on total loss frequency this year and fewer new
- repair costs for older vehicles remained lower than for newer models, total losses soared as their values continued to drop
- high [vehicle] purchase costs, loan rates, and auto premiums resulted in an uptick in uninsured or underinsured motorists (UM/UIM) claims - notably, auto casualty claims - as consumers struggled with affordability. This trend is not just a byproduct of lower vehicle values and inflation - it's also driven by the increasing claims costs.
- Collision repair shops faced rising costs which continued to squeeze margins, while labor rates were up by 4.7% in 2024, rising faster than inflation and repair cost increases slowed compared to the double-digit jumps of 2021 and 2022, total repair costs still rose by 3.7%, driven primarily by labor

Of particular interest, Thatcham Research, an automotive risk research and guidance organization, issued UK Insurance Industry Requirements (IIR) for the safe repair of ADAS equipped vehicles, which it announced in March 2020.²⁵ These guidelines include:

Inspection, realignment and calibration requirements must be considered in all repair situations where ANY of the following is included within the repair, service or maintenance procedure:

²⁴ Kyle Krumlauf, Eric Bahnsen. "Crash Course 2024. A Year of Shifting Gears: How the Auto Claims and Repair Industry Adapted to Economic Strain and Evolving Technology in 2024. CCC Intelligent Solutions. Accessed at: <https://www.cccis.com/reports/crash-course-2024/q4>

²⁵ Thatcham Research. UK Insurance Industry Requirements (IIR) for the safe repair of ADAS equipped vehicles. Mar. 2020. Accessed at: <https://www.thatcham.org/wp-content/uploads/2023/07/IIR-Requirements-March-2020-Thatcham-Research.pdf>

- ADAS sensors,
- parts likely to affect the operation and functionality of ADAS sensors, or
- vehicle geometry

When specified, inspection, realignment and calibration operations must be completed post repair to confirm that the sensors are functioning within the vehicle manufacturer's technical specification.

A repairer shall, **in all cases**:

identify the presence, or not, of ADAS on the vehicle and ensure this is recorded.

where ADAS are present, ensure repair procedures clearly identify if inspection, realignment and calibration are required and why.

complete all relevant inspection, realignment and calibration activities as detailed within the repair procedures.

inspection, calibration, realignment and road tests shall be carried out by a currently competent person.

ensure the calibration results confirm that the sensors are functioning within the vehicle manufacturer's technical specification.

produce fully verifiable and auditable records and provide a copy to the Asset Owner / Work Provider.

(The IIRs apply to Thatcham's member insurers, which are identified in the March 2020 document cited.)

Finally, the Automotive Body Parts Association (ABPA), which represents the aftermarket collision parts industry's 2025 report, which includes surveys of drivers in the U.S., addresses the auto manufacturers' roles in rising repair costs.²⁶

The cost of collision repairs is climbing rapidly, placing an immense financial strain on American drivers—far beyond what can be explained by normal inflation. This report, prepared for the Automotive Body Parts Association (ABPA), examines the impact of these soaring expenses on consumers. Inspired by recent research linking car manufacturers' monopolistic practices to inflated part prices and limited access to affordable alternatives, we illustrate how this situation leaves drivers with few repair options and forces them into difficult (sometimes even life-altering) financial situations.

While this is beyond the scope of the ABLRAB, this report is cited for the Board's reference.

²⁶ High Costs, Hard Hits: The Consumer Struggle with Rising Collision Repair Prices. Accessed at: <https://www.autobpa.com/abpa-consumer-research-report-2025/>

Observations and Recommendations

Consumers expect and need to access quality, safe, and timely repairs post-collision. Costs of these repairs have escalated due to motor vehicle complexity and the divergence from once relatively standardized features and material usage, which in turn requires investment in OEM tools, service information, training and OEM parts. While the effects of advanced motor vehicle designs and features have translated to improvements in vehicle safety for consumers, these benefits have resulted in an increased cost of ownership.

It is clear from the above that it is not an exaggeration to say that collision repair shops and their technicians have to keep abreast of a staggering number changes related to what and how they repair. This requires proper training, tools and access to OEM repair information if they are expected to provide functionality and performance of vehicles that they are charged with fixing – and that consumers need and expect.

What is less clear is why collision repair labor rates are being paid at a fraction of the rates paid for mechanical repairs. The continuation of this practice appears to threaten consumer access to timely, accessible and safe repairs. However, the significant increases that appear justified and necessary to support consumer's needs will likely add even more costs that they will bear.

Regardless, any increased labor rate costs does not necessarily require insurers to directly increase insurance premium rates to consumers. The ABLRAB does not have information about insurance company's income from premiums and investments or their profit margins. (Similarly, the Board does not have labor costs - wages and benefits - parts costs, overhead, income, or profit margins for the repair shops; however, the submission by non-board member Bill Johnson, Pleasant St. Auto Body and Repair, provides some perspective.)

Another likely negative outcome of increased body shop labor rates is that insurers are likely to designate more vehicles as a "total loss" and these vehicles will be given salvage titles. This presents yet another set of concerns that will affect consumers who own those vehicles, which include potentially purchasing a new vehicle which are at historically high average prices, or considering repairs that may sacrifice safety and quality. Currently, there are an increased number of car dealers willing to purchase vehicles that appear to have relative minor appearance damage but have been deemed a "total loss" because the cost of repairs exceeds its value. How these companies operate – even when there is transparency about the prior damage and disclosure of a salvage title – and make a profit appears to rest on their ability to perform repairs, or outsource those repairs, at a lower cost, creating an incentive to complete those repairs by cutting corners on quality and safety.

In sum, there are many complex issues affecting the costs of collision repair that go well beyond the scope of this Board and the auto body labor rates that evaluating and any recommendation we provide. However, this should not forestall the Board's efforts to address what is abundantly clear: auto body labor rates must be increased substantially. While this will provide some negative outcomes for consumers in the form of increased costs, without a substantial increase, the long-term harm will likely be greater.

Thus, it is my recommendation this ABLRAB consider the prevailing rates for mechanical service as a baseline for auto body labor rates while also considering ways to minimize the impact on consumers.

APPENDIX I: 2008 SPECIAL COMMISSION REPORT



Commonwealth of Massachusetts

Report of the

Special Commission on Auto Body Labor Rates

December 30, 2008

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Introduction

Section 108 of Chapter 182 of the Acts of 2008 created a special commission (“Commission”) to study auto body rates by reviewing existing practices in the setting of labor rates, and examining the costs and benefits of options including creation of a rate setting system, a tiered rating system for repair shops, an average national hourly payment rate and the use of a cost of labor multiplier developed from data supplied by the Department of Labor. The Commission’s report must also include the number of auto body shops in Massachusetts from 2000 until present, including the number of shops that closed during that time.

The Commission consists of the following 11 members: Chair Daniel C. Crane, Undersecretary of the Office of Consumer Affairs and Business Regulation; Senator Stephen Buoniconti, Co-Chair of the Joint Committee on Financial Services; Senator Robert Hedlund, Designee Senate Minority Leader; Representative Ronald Mariano, Co-Chair, Joint Committee on Financial Services; Representative F. Jay Barrows, Designee House Minority Leader; David Krupa of Safety Insurance Company; David Bartlett of Travelers Insurance Company; David Antocci of Commerce Insurance Company; Richard Starbard of Alliance of Automotive Service Providers/Rick’s Auto Collision; Thomas Ricci, Central Mass. Auto Rebuilders Association/Body & Paint Center; and John Santilli, Sr. of The Cadillac/Nissan/Dodge Center, Inc.

As mandated by St. 2008, c. 182, §108, the Commission held two public hearings, one in Worcester on October 9, 2008 and one in Boston on November 13, 2008. Both hearings were well attended by auto body repair shop and insurance company representatives. The Commission is charged with submitting a report of its study, including any legislative or regulatory recommendations with the clerks of the senate and house of representatives, to be forwarded to the joint committee on financial services not later than December 31, 2008.

History of Auto Body Rates

Beginning in the late 1970s and continuing until 2008, the commissioner of insurance fixed and established motor vehicle insurance rates for the commonwealth. As part of the rate setting process, the commissioner considered a variety of factors, including accident rates, insurance company profits, losses, claim payments and expenses. In the proceeding to fix and establish the rates for 1986, the State Rating Bureau of the Division of Insurance (“SRB”) introduced a study by an outside consultant who determined that the system permitted, if not actively encouraged, gross overpayments

to automobile repair shops and included no incentives to lower the cost of repairs¹. The consultant concluded these overpayments were caused in part by the companies' paying repair shops directly for repairs, and the lack of incentive for insureds to shop for repairs based on price, thereby limiting competition between shops. The commissioner determined that evidence was insufficient to quantify a reduction in premiums for that year but expected that the parties address the issue in the 1987 rate proceeding.

Prior to the 1987 proceeding to establish private passenger automobile insurance rates, the legislature enacted Ch. 622 of the Acts of 1986, entitled An Act Relative to Automobile Insurance Rates ("Act"). The Act amended the statute regarding the procedures for fixing and establishing rates by requiring that the commissioner determine whether insurance companies used adequate programs to control costs and expenses in order to reduce costs and lessen premiums. The commissioner's determination was to be based on information filed by the rating organization of the automobile insurers. If the industry made no such filing, or the filing was deficient or the industry's programs inadequate to control costs, the Act required the commissioner to limit the amount of any adjustment in premium charges based on changes in costs and expenses.

In the proceeding concerning 1987 rates, the SRB requested an updated study from the same consultant employed for the 1986 rate proceeding. The commissioner found that the 1987 study reinforced in all respects the prior year's report, and that the consultant noted that the Massachusetts labor rates were the highest in the country with the exception of Alaska and San Francisco. To the commissioner, it appeared the insurance companies had done nothing to make the labor rate aspect of the repair process more competitive. The commissioner found that the companies' passivity was unacceptable under the Act, and ordered a three percent reduction to physical damage and collision premiums.² In the decision on rates for 1988, the commissioner again found the companies failed to show adequate cost containment efforts regarding body shop payments and ordered the same adjustment as in the proceeding for 1987 rates.³

¹ Decision on Motor Vehicle Insurance Rates for 1986, at 33.

² Decision on Motor Vehicle Insurance Rates for 1987, at 56.

³ Decision on Motor Vehicle Insurance Rates for 1988, at 153.

In November, 1988⁴, the legislature passed a law allowing companies to file plans with the commissioner pursuant to which companies could pay insureds directly for the loss or damage to their vehicles prior to the companies' receiving a completed claim form stating that the repair had been completed. The amended law also permitted the commissioner to require that any such plan provide insureds with a list of five repair shops, convenient to the insured, that would complete the repair for the amount stated and to guarantee the quality of the repair. A company could not require, or steer, any insured to any particular repair shop. A court decision in 1987 also permitted a carrier to provide a list of quality repair shops to insureds on the request of the insured.

The Decision on Motor Vehicle Insurance Rates for 1989 discussed the impact of approved repair shop referral programs under both the court decision and the 1988 legislation. The decision notes that several companies were able to reduce the labor rate paid to auto body shops, and that the use of referral programs should assist in containing future costs. Based on information in the hearing record, the commissioner ordered a ten percent reduction to the pure premiums for property damage liability, collision and comprehensive coverages.

For several years thereafter, the cost containment proceedings focused almost exclusively on fraudulent claims payments and did not discuss auto body rate issues in detail. No further reductions were ordered in response to allegedly excessive labor rates.

In the proceeding to fix and establish the 2001 auto insurance rate, the Central Massachusetts Auto Rebuilders Association ("CMARA") attempted to intervene in the rate setting proceeding to consider whether the industry's rate filing adequately addressed whether auto body shop labor rates were reasonable, alleging that the industry did not consider whether the labor rates were unreasonably low. CMARA requested that the commissioner determine whether the industry was making an effort to ensure labor rates were reasonable, what a reasonable rate might be, or what a reasonable range of rate might be. The commissioner denied CMARA's request to intervene, determining that the issues CMARA sought to resolve were outside the scope of the insurance rate proceeding. CMARA was permitted to submit evidence and testimony regarding whether labor rates were reasonable. Since that time, the body shop industry made no other attempts to intervene in rate setting proceedings. Many of

⁴ St. 1988, c. 273, §51

the subsequent cost containment rate proceedings settled by stipulation of the parties and did not discuss auto body rates in significant detail.

Beginning with policy year 2008, the commissioner of insurance determined that competition was sufficient in the auto insurance market to preclude the setting of rates going forward. Instituting a managed competition system, the commissioner issued guidelines for companies to set their own rates. She gave no specific guidelines regarding auto body rates.

Public Hearings

The Commission held two public hearings to receive comment from interested parties. The first hearing was held on October 9, 2008 at the Worcester Public Library. The second hearing was held on November 13, 2008 at the Division of Insurance in Boston.

The Worcester Hearing

Ten parties submitted oral and written statements, and three submitted only oral statements. Of the thirteen people submitting comments, twelve represented individual auto body repair shops or auto body repair shop trade groups, and one party represented an auto insurance industry trade group.

The representative from the insurance industry submitted that auto body labor rates in Massachusetts are comparatively low, but the time it takes for shops to complete repairs is longer than the nationwide average. He also pointed out that, under the fix and establish auto insurance rate setting process, the industry was penalized for not containing auto repair labor rates, which contributed to the stagnation of labor rates. Under the managed competition system now in place, he suggested that this new structure is a model for modernizing other aspects of the auto insurance market, including repairs to damaged vehicles. Any new state structure to prescribe labor rates as currently proposed in certain legislation would be harmful to managed competition and a step backwards and a deterrent to insurance companies entering the Massachusetts market. The industry representative believes that market forces under managed competition will resolve any issues concerning labor rates.

Auto body shop representative comments reflected common themes. All commented that labor rates have stagnated and have not kept pace with increased costs of doing business, such as employee wages, health insurance costs, machinery upgrades and property costs. Several representatives testified that the stagnation in wages is leading to a drastic reduction in the number of young technicians entering the field and leading to an aging, less productive workforce. One party submitted appraisals showing the labor rate authorized by an insurer in 1988 was \$30 per hour, and the rate

authorized in 2008 was just \$35 per hour. Rates for paint and materials more than doubled in those same 20 years. Another party submitted statistics showing that the majority of students graduating from technical schools in auto body programs leave the business within a few years of graduation.

Several representatives also testified to the benefit of tiering body shops by state-sanctioned standards for safe collision repair services. Higher tiered shops would be compensated at a higher level, and lower tiered shops at a lower level. The auto body shops believe this will lead to higher consumer satisfaction with repairs and would be less of a burden on insurance companies in that the companies would not have to become involved in appeasing customers whose vehicles were repaired in shops that were not well equipped or that lacked properly trained technicians for the required repairs.

Some members of the auto body shop representatives feared the suppressed labor rates could lead to shops being forced to repair vehicles in a different manner than the shop would consider safe for the consumer. Additionally, the low wages in the industry cause many of the best, most talented technicians to leave the business. This too could compromise consumer safety.

The Boston Hearing

Twenty-five people provided oral testimony. Most of those also submitted written testimony. Others submitted only written testimony. A total of twenty-five parties submitted written statements.

The themes expressed at the Boston hearing were similar to those expressed at the Worcester hearing. Most of those submitting statements were representatives of the auto body shop industry. The lack of any meaningful increase in the auto body repair labor rate paid by insurance companies over the past twenty years was repeated by almost every person submitting oral or written testimony on behalf of auto body shops. By all accounts, including those of the insurance industry, the labor rate paid to auto body shops in Massachusetts is below the national average rate. Whatever the process is for setting the current labor rate, noted several repair shops, it has led to an inadequate rate requiring an immediate increase.

Several people also noted the discrepancy between the labor rate paid for mechanical repairs versus that paid for body work. Most attributed that discrepancy to the fact that auto body repair work is generally paid by insurance companies after motor vehicle accidents while consumers pay for most mechanical work. Several other representatives of auto body shops noted that the reimbursement rates for police ordered towing of vehicles has increased significantly in the past few years, now set at approximately \$90 per tow, a rate that is set by the Department of Public Utilities. One speaker

mentioned that a lawn mower repairer receives \$89 per hour for his labor. Most of those who own shops reported that the low labor rate impacts their ability to upgrade their facilities and buy the new technology needed to repair today's more complicated vehicles, and some reported having lost employees over the past few years through attrition or lay-offs and not being able to replace them due to inadequate labor rates.

The auto body representatives also disputed that any actual negotiation takes place with insurance companies regarding rates. According to the auto body shops, the insurance company says what rate they will pay, and that is what the shop is forced to accept. While there is nothing legally prohibiting a repair shop from billing the customer in excess of the reimbursement rate set by the insurance companies, few auto body shops engage in this practice, preferring to maintain the goodwill of their customers. Several of those submitting statements noted that increasing the auto body labor rate to the national average would increase the average insurance premium by \$22.50. Auto body shops argue that such an increase is minimal and raising the rate to the national average should be considered.

Several speakers also pointed to the aging of the auto body repair workforce, and the inability to attract younger workers to the trade due to low wages. Those younger workers currently in the field are leaving to pursue more lucrative trades, and fewer students are enrolling or staying in the auto body repair courses offered at the high school level.

A number of auto body shop representatives spoke to the benefit of tiering auto body labor shops, so that better equipped and talented shops would be reimbursed at a higher rate than those shops. This, they argue, would encourage shops to invest in their businesses, obtain up to date equipment and hire the most talented technicians. A number of auto body representatives, when asked about the recent return of the Massachusetts automobile insurance industry recently returning to a more competitive system, stated that setting a new, mandatory labor rate immediately and then allowing competition to work in the auto body market would be acceptable.

Several representatives from the automobile insurance industry submitted statements. They pointed out that the labor rates became suppressed after the promulgation of the Cost Containment regulation by the Division of Insurance during the years the private passenger automobile insurance rates were fixed and established by the commissioner. All industry representatives also acknowledged the stagnation in the auto labor rates over the past several years, though several again pointed to the increased time taken to repair vehicles in Massachusetts makes the average cost to repair a vehicle in

the state just slightly less than the nationwide average to repair a vehicle. The issue of the labor rate cannot be separated from the repair time, according to the insurance industry. If the labor rate increases but the time to repair does not decrease, consumers will pay more without receiving increased services.

The insurers also cite the referral shop programs authorized by the legislature in 1988 as a reason for the lower labor rates. Under those programs, consumers may choose a repair shop off a list provided by their insurance company, and if they choose a preferred shop, the insurance company guarantees that the repair will be done for the price quoted as well as the quality of the repair work. In order to be on a referral list, a repair shop and the insurance company must agree on the labor rate to be paid to the shop. One insurance company stated that 75% of the vehicles it reinspected after repair were not repaired in accordance with the negotiated terms, requiring additional work. Both industry and auto body representatives agreed that this issue is worthy of further consideration.

Insurance industry representatives all oppose the return to any type of labor rate setting by the government, citing to the recent decision to return the automobile insurance industry to managed competition. Massachusetts was the last state in the nation to stop setting the auto insurance rates, and no other state sets auto labor rates. Establishing a new commission and procedure to set auto labor rates is a step backwards in the eyes of the insurance industry. Most insurance industry representatives want to allow the managed competition market for automobile insurance to work on auto body labor rates. Returning to a system of any type of rate setting might signify that managed competition is not working, and could have a detrimental impact on the fledgling competitive market.

Insurance representatives also noted that consumers are still able to find auto body shops to repair their vehicles for the prices approved by the insurance companies. In the free market, when consumers can no longer find shops to repair their vehicles for the amount of the insurance company's appraisal, the labor rate increases.

The insurance industry also noted that the bureaucracy inherent in setting up a process to "tier" auto body shops would be expensive, costly, time consuming, fraught with difficulty and the potential for litigation. A shop that disagrees with its placement on a certain tier could sue, resulting in high expenses and delays. The tiering classifications would need regular updating to keep pace with advances in technology, and the monitoring and enforcement requirements of such a tiering program would be expensive. The insurance industry questioned the tier on which appraisals would be made, noting that appraisals made on the highest tiered rate could cause insureds to have the repairs done at a

lower tiered shop and to pocket the difference in the reimbursement from the insurance company. Appraisals done on a lower tier would result in inadequate appraisals.

The insurance industry also notes that increasing the auto body labor rate dramatically would directly increase the cost to repair a vehicle, leading to more vehicles declared total losses as the cost to repair the vehicle would exceed the value of the vehicle. This in turn would result in fewer vehicles to repair, costing the auto body shops business. The past several years have seen a dramatic decrease in the number of motor vehicle accidents resulting in body damage, thereby reducing the amount of work available to shops. The number of auto body shops, however, has not dramatically decreased leading to less work and revenue for any individual shop.

None of those submitting statements on behalf of the auto insurance industry advocated for the setting of auto body labor rates. Rather, consensus is that the newly competitive auto insurance market be allowed to play out and have the free market set the rate.

Conclusions

There is no dispute that the auto body labor rate has not kept pace with increases in the labor rates in similar industries. The question is what, if anything, needs to be done at this time to remedy the situation. Those in the insurance industry advise a wait and see posture, to allow the managed competition of the Massachusetts private passenger automobile insurance market to determine the appropriate auto body labor rate. Those in the auto body business, however, feel that an increase in the labor rate is so overdue as to necessitate an immediate increase. Below are separate comments submitted by those in the insurance industry and the auto body repair industry.

Insurance Industry Representatives Conclusions

Data presented in the hearings showed that while body shop labor rates paid in Massachusetts are lower than those paid in other states, the number of labor hours in an average repair is the highest in the nation such that the average collision repair cost is about equal to that of the national average. There are a number of factors that should be considered before any serious thought is given to “regulate” the manner in which labor rates are “set” for purposes of payments to auto body shops for insurance related repair work. Massachusetts is just now emerging from years of a highly regulated auto insurance market. Within the past year “managed competition” has found its way into the Massachusetts auto insurance market. Within the past few months, old Cost Containment regulations that significantly curtailed market-driven changes in the labor rate have been repealed. In addition, in early September, changes to 212 CMR have enabled insurers and repairers to work more efficiently

and directly with each other than they have at any time in the past 30 years. The effect of these significant, fundamental changes has not as yet matured and undoubtedly more reforms will follow as a result of the deregulation of the auto insurance rates. This will happen, however, only if further distorting regulation can be avoided, such as a government-set body shop labor rate.

The fixed and established rate setting mechanism used to set the auto insurance rates in Massachusetts for the last thirty years led to other price and market distortions. This government insurance rate price-setting allowed, in part, the supply of body shops in Massachusetts to remain largely unchanged in proportion to a sharp decrease in physical damage claims in the past six years. This decline in demand and oversupply of shops has led to a relative stabilization in the labor rates. Fixing labor rates higher than a free market rate is a government mandated subsidy to inefficient body shops that leads to a continued imbalance between the supply of body shops and the demand for collision repair.

With a competitive automobile insurance system in its infancy, several components comprising the premium dollar, including the body shop labor rate, that have been so heavily regulated will need time to react to the new competitive landscape. The best method for allowing the system to develop into a healthy market is to provide time for it to recover and to achieve equilibrium within the context of competitively set auto insurance rates. To force the labor rate into a fixed and established rate setting mechanism is not advisable, as it comprises such a sizable component of the auto insurance premium that much of the premium dollar would once again be fixed by the state. The market should be given time to work to find equilibrium for the mutual benefit of shops, insurers and most importantly consumers.

An economist from Cornell University testified about significant economic concerns in connection with establishing a state-set labor rate. She pointed out that such rates are highly inefficient and lead to a mediocre work product. She also urged the Commission to refrain from the temptation to fix the rate in the short term and then release it to competitive forces, reflecting that once regulated, a market is very challenging to de-regulate. Testimony was also presented about how competitive labor rate markets behave in other parts of the country and with specific examples of large states in the northeast where insurance companies regularly survey shops and negotiate acceptable rates and repair times for quality work. The Massachusetts market is now positioned for this type of competitive behavior to begin.

Because of the price and market distortions ushered in by years of over-regulation of the auto insurance rate, the issue of the labor rate cannot be separated from that of repair hours. A few examples of this distortion will be mentioned here. Numerous insurers provided statistics establishing that the number of hours in an average repair in Massachusetts is by far the highest in the country. One insurer testified that, with the Cost Containment focus on labor rate, cost shifting by repairers is in part responsible for the increased number of repair hours in Massachusetts. Forensic reinspections completed by this insurer demonstrated a significant number of vehicles reinspected were not repaired in accordance with the negotiated appraisal and supplement. This insurer stated it had met with the leaders of the various Massachusetts auto body associations on the issue and had expressed that this is one of the variables present in today's Massachusetts repair shop environment that has kept the labor rate at its current level over the past few years.

While the absolute value of the labor rate has risen only modestly over time, the total cost of repairs in Massachusetts has kept pace with the national average cost of repair. Insurers regularly negotiate with shops over the cost of repair and with shops that employ those with specialized skills for certain types of repairs. Insurers also negotiate with shops over procedures that shops claim need to be done to put the car in pre-accident condition. Sometimes these repairs are performed and sometimes they are not. There is a wide variety of reasons the repairs may not have been completed, but the insurers and consumers have little to no recourse against the shop for failing to complete the negotiated procedures, as the reinspection form called for by the Direct Pay Plan regulations specifies only that "repairs" were made, not that they were performed in accordance with the company's appraisal of the damage observed.

The testimony adduced at the public hearings also covered two areas where true competition for business has existed for body shops in the current market. The first is in the area of high-end specialty vehicles. Currently there are some vehicles that require certified shops to purchase parts and complete repairs. These shops have made the investment in equipment and training and are, therefore able to negotiate a substantially higher labor rate as a result of their investments. The second is in the area of rental, municipal and other fleet repairs where body shops compete against one another for business. Documentation presented demonstrated that when shops compete for these repairs, they complete those repairs at labor rates significantly lower than current insurance labor rates. Body shops are performing these repairs for \$25 to \$28 per hour and providing parts price discounts up to 30%. Currently, parts price discounts are not part of the insurance repair negotiations.

Insurance companies are competing for consumers' business for the first time in decades by providing innovative products and discounts for services and by managing their business relationships independent of direct state intervention such as the Cost Containment Regulation. The relationship between an insurer and a body shop is a business relationship that requires mutual understanding in order to negotiate labor rates and times that recognize the business realities of both industries. Creating another highly regulated environment will only deepen the mistrust that the fixed and established auto insurance rate setting mechanism fostered at the moment when both parties now have the potential to benefit from the innovation and partnership potential that they now have for the first time in decades.

The opportunities that these and other changes will afford both industries need to be nurtured and developed. The new way of doing business must also be measured and consistent, not regulated or mandated. A prudent course of action would be to monitor the repairer/insurer environment for the development of positive changes over the next year. During this timeframe, a committee of insurers and body shop representatives should continue to meet to discuss/review some of the most critical elements that were brought forth by the testimony provided by the many interested parties with the goal of bringing further regulatory change to enable the system to work as smoothly and efficiently in the free market we are moving into.

Auto Body Repair Shops Representatives Conclusions

Immediate relief is needed through legislation that sets minimum rates for qualifying repairers that is relative to Massachusetts. This legislation must also have a provision that puts in place a mechanism for future review and adjustments. There is also no dispute that the average number of labor hours in an average repair is by far the highest in the nation. The reason for higher labor hours however, is most likely attributed to more parts being repaired versus replaced. It is simply more cost-effective to repair parts when labor costs are far below that of the national average than it is to replace them. Labor hours to repair panels are much higher than hours needed to replace them. All appraisers in the Commonwealth are held to the strict guidelines included in 212 CMR. Any attempt to artificially inflate labor hours would constitute a clear violation of that regulation. Many of the insurance representatives testifying at the hearings were asked if their appraisers pay for procedures or for items that were not necessary, they all responded "no". All appraisals written by licensed auto damage appraisers in the Commonwealth must be sworn to under the penalties of perjury pursuant to

212 CMR 2.02 (5). Any changes to labor hours are only included in judgment times. These judgment times represent only a few lines in the content of an appraisal.

While the insurance industry makes a compelling argument against regulating hourly rates paid to the repair industry, the repair industry feels that “cost containment” is used as the primary scapegoat for keeping rates stagnant for the past twenty years. In fact, at a public hearing held before the Legislature’s Insurance Committee in 2004, regarding a bill filed on behalf of the Massachusetts Auto Body Association seeking regulation for rates paid to collision shops, an insurance industry lobbyist testified that “the Commonwealth should not be in the business of setting rates of body shops”. When pressed by a senate representative of the committee how rates should be set, he replied “the free market system”. When asked if the free market system currently sets the rate, he responded, “perhaps the system is a bit flawed”. He went on to state that the free market system should be allowed to work properly; he never mentioned “cost containment” in his testimony. The insurance committee took his advice and did not act. Four years after that request to wait for the free market to work, nothing has changed. The fact remains, the free market does not work and will not work when a third party responsible for payment infiltrates and attempts to control the relationships and agreements between the consumer and their chosen repairer. With notes on appraisals and correspondence to consumers that state: “This damage appraisal was written at a market labor rate. If your repairer charges more than this rate, you will be responsible for the additional cost”. This market labor rate was not set by those performing the labor.

The collision industry urges the legislature to pass legislation that includes the major provisions in the original Auto Body Labor Rate Bill, H1085. We believe that testimony offered during the recently concluded hearings proves, without a doubt, that waiting for the forces of a free market to develop for labor rates will not solve the problem that virtually all witnesses acknowledged. We feel the nature of the market for labor rates is controlled so tightly in all aspects by one party – from the initial appraisal to the final payment, and all actions in between – that no force, except for the force of law, can be a counterbalance to that control. In simple terms, the insurance industry is the only party that can change the situation and, because it holds the ultimate power as the payer, fair and meaningful labor rate reform will not take place without the force of law.

Therefore, we request that the legislature adopt a tiered rating system for registered collision shops as well as minimum allowable amounts for those rated shops for all categories of labor to be determined by using the national average and indexing it to the Massachusetts labor market according

to a multiplier that would be determined from reports from the Bureau of Labor Statistics of the US Department of Labor. Further, we recommend that all of the above actions be regulated, managed, and executed by an autonomous commission of the commonwealth that is fully funded by fees paid by the collision industry and the auto insurance industry, according to the provisions in the original legislation, and that labor rates for rated shops be reviewed and updated at least every three years according to the above formula.

Recommendations

1. The Commission recommends that as soon as the data for auto body labor rates through June 30, 2009 becomes available, the General Court should review it to determine what effect, if any, the implementation of managed competition has had on the auto body labor rate paid by insurance companies to auto body shops located in Massachusetts. The representatives of the auto insurance and auto body industries agree that the CCC Information Service's "Crash Course" and Mitchell International's "Industry Trends" reports will be utilized as the primary national source for labor rate statistics. The Commission also recommends that other sources of information such as Collision Repair Industry Insight as well as appraisals generated by insurers to consumers and or repairers to track movement in labor rates paid be utilized. These reports are produced quarterly and annually. They detail the average labor rate paid nationally and by state. Also included in these reports is the average number of labor hours per repair both nationally and by state.
2. The Commission recommends that the General Court then consider whether or not alternate methods, including legislation, are necessary to ensure that the labor rate insurers pay to auto body shops for repair of damaged motor vehicles is fair and reasonable as a result of the transition to managed competition in Massachusetts motor vehicle insurance.
3. The Commission recommends that representatives of the auto body repair shop industry meet bi-monthly with representatives from the motor vehicle insurance industry to discuss and identify best practices and any other actions that will improve the accountability and quality of services that both industries provide to consumers whose motor vehicles are damaged.

No table of contents entries found. Appendix ANumber of Auto Body Repair Shops
2000 through 2008

Number of shops registered by the Division of Standards by year:

<u>Year</u>	<u>Number of Shops</u>
2000	1887
2001	1828
2002	2033
2003	1965
2004	1917
2005	1897
2006	1873
2007	1809
2008	1827

Number of shops with expiring registrations by year:

<u>Year</u>	<u>Number of Shops expiring</u>
2003	80
2004	87
2005	104
2006	92
2007	160
2008 to date	79

Appendix B**Biographies of Commission Members****CHAIR***Undersecretary Daniel C. Crane*

Undersecretary Crane was appointed by Governor Deval Patrick to serve as Undersecretary of the Office of Consumer Affairs & Business Regulation on January 29, 2007. Undersecretary Crane is an attorney and former Bar Counsel for Massachusetts. Since admission to the bar in 1975, he practiced law with the firm Finn & Crane and has actively served in various Massachusetts legal associations and legal boards.

2 STATE SENATE MEMBERS*Senator Stephen Buoniconti**Co-Chair, Joint Committee on Financial Services*

Senator Buoniconti has served as the Hampden District representative in the Massachusetts State Senate since 2005. Prior to being elected to the State Senate, Senator Buoniconti served over 12 years in public office. Senator Buoniconti comes from a legal background.

*Senator Robert Hedlund**Senate Minority Leader appointee*

Senator Robert Hedlund has served as the Plymouth and Norfolk County representative in the Massachusetts State Senate since 1994*. Prior to his career in the State Senate, Senator Hedlund worked as a small business owner. He became president of Hedlund Motor Sales, Inc., a truck and fire apparatus repair business founded by his grandfather.

*Senator Hedlund also served as a Senator for Plymouth and Norfolk County from 1991-1992 and was not re-elected in 1993.

2 HOUSE REPRESENTATIVE MEMBERS*Representative Ronald Mariano**Co-Chair, Joint Committee on Financial Services*

Representative Mariano is the Massachusetts State Representative for the 3rd Norfolk District. Representative Mariano comes from an academic background, previously serving as an educator and member of the Quincy School Committee since 1989.

*Representative Jay Barrows**House Minority Leader appointee*

Representative Barrows is the Massachusetts State Representative for the 1st Bristol District, elected November 2006. Jay has also served as the President of the Tri-Town Chamber of Commerce and the President/Owner of Barrows Insurance Agency.

3 MEMBERS FROM THE AUTO INSURANCE INDUSTRY

Appointed by AIB –Contact: Dan Johnston, President

David Krupa, Safety Insurance

David has been the Vice President of Claims with Safety Insurance Company for 18 years. David is also a one-year member of the Massachusetts Auto Damage Appraisers Licensing Board and a 14-year Chartered property casualty underwriter for The American Institute for Chartered Property Casualty Underwriters.

David S. Bartlett, Travelers Insurance

David is the Second Vice President of Travelers of Massachusetts with 23 years of P&C insurance claim experience with Travelers and 20 years of experience in management of appraisal operations in Massachusetts. In 2004 David testified at the Joint Insurance Committee of Massachusetts Legislature on appraisal reform.

David Antocci, Commerce Insurance

David is the Vice President of Claims at Commerce Insurance with 32 years of experience in the insurance industry, 23 of which have been with Commerce. Over the years, David has worked in the many disciplines of claim handling including casualty, workman's comp., property, physical damage, subrogation and SIU. David has also been a licensed Mass. Auto Damage Appraiser since 1978.

2 MEMBERS FROM THE AUTO REPAIRER INDUSTRY

Appointed by Alliance of Automotive Service Providers – Contact: Peter Abdelmaseh, Executive Director

Rick Starbard, President, Alliance of Automotive Service Providers/ Rick's Auto Collision, Revere, MA

Rick has been President of Rick's Auto Collision, Inc. for 25 years and has been a Collision Repair Instructor at the Lynn Vocational Technical High School for 12 years. Rick has also served on several task forces and committees and is a Licensed Auto Damage Appraiser with the Massachusetts Division of Insurance.

Tom Ricci, President, Central Mass Auto Rebuilders Association/ Body& Paint Center of Hudson, Hudson, MA

Tom is the owner of Body & Paint Center, President of Central Massachusetts Auto Rebuilders Association (CMARA). He has been in the auto body repairs industry for 32 years.

**1 MEMBER WHO IS A MOTOR VEHICLE DEALER PURSUANT TO
M.G.L. c. 93B, § 1**

Appointed by the Massachusetts State Auto Dealers Association – Contact: Robert O'Koniewski, Director of Legislative and Government Affairs

John J. Santilli, Sr, President of The Cadillac/Nissan/Dodge Center, Inc.

John has been the President/Owner of John Santilli's Center for Automobiles for 26 years. John has also been a member of several automobile manufacturers' affiliations for over 10 years.

Appendix C

Links to Public Hearing Testimony

Worcester Hearing, October 9, 2008

http://www.mass.gov/Eoca/docs/autobodyrates_written_testimony20081009.pdf

Boston Hearing, November 13, 2008

<http://www.mass.gov/Eoca/docs/autobodyrates/writtentestimonies20081113meeting.pdf>