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September 10, 2014

**BULLETIN NO. 989**

**ORDER**

**Performance Standards for the Payment and Handling of  
Private Passenger Motor Vehicle Insurance Claims**

**Performance Standards for the Payment and Handling of  
Commercial Motor Vehicle Insurance Claims**

At its June 18, 2014 meeting, the Governing Committee approved the modifications to the Performance Standards for the Payment and Handling of Private Passenger and Commercial Motor Vehicle Insurance Claims. These changes to the section Auto Body Payments – Labor Rates and Times of both the private passenger and commercial Claim Performance Standards require that carriers have a plan designed to seek the most competitive labor rates and times and to determine whether labor, repair, and replacement times are reasonable and consistent with industry-recognized sources.

The Performance Standards were forwarded to the Commissioner of Insurance on June 26, 2014. Following a public hearing held on August 7, 2014, the Division of Insurance issued the attached Order approving both the Private Passenger and Commercial Performance Standards as recommended by the Governing Committee.

The current versions of both the Private Passenger and Commercial Performance Standards are available from the Manuals section of CAR's website.

MARK ALVES  
Administrator – Compliance Audit

Attachment



**COMMONWEALTH OF MASSACHUSETTS**  
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**DIVISION OF INSURANCE**

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**Proposed Amendments to Performance Standards for the Handling  
and Payment of Private Passenger Motor Vehicle Insurance Claims  
by Assigned Risk Companies and to Performance Standards for the Handling  
and Payment of Commercial Motor Vehicle Insurance Claims by Servicing Carriers**

**Docket No. C2014-01**

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**Order**

Commonwealth Automobile Reinsurers (“CAR”), established pursuant to Massachusetts General Laws Chapter 175, §113H to administer the residual market for motor vehicle insurance, is required by statute to prepare performance standards for the handling and payment of motor vehicle insurance claims. It then submits those standards to the Commissioner of Insurance (“Commissioner”) who, after a public hearing, may approve or modify them. Since 2007, CAR has prepared separate performance standards for commercial and for private passenger motor vehicle claims. By letter dated June 26, 2014, CAR requested the Commissioner’s approval of proposed amendments to the performance standards for private passenger motor vehicle insurance claims and for commercial claims that the Governing Committee had approved on June 18, 2014.

On July 2, 2014, the Commissioner issued a notice scheduling a hearing on August 7, 2014 to afford interested persons an opportunity to provide oral and written comments regarding the proposed amendments to the performance standards.

One section of each set of performance standards addresses auto physical damage and property damage liability claims. Subsection 4 of that section relates to labor rates and times. The proposed revision consolidates paragraphs a and c of subsection 4 into a single paragraph a, and eliminates paragraph b. Instead of language requiring carriers to have a plan designed to control labor costs, the proposed amendment requires them to have a plan designed to seek the most competitive labor rates and times and to determine whether labor, repair and replacement times are reasonable and consistent with industry-recognized sources.

At the August 7, 2014 hearing, Daniel Judson, Esq., President of CAR, appeared on its behalf. No other person submitted written commentary or made a statement at the hearing. Mr.

Judson explained that the proposed amendments responded to concerns that the current language requiring carriers to “resist labor rate increases” and “control labor costs” is no longer relevant in an era of managed competition. The amendment recognizes that cost control in this market is achieved through competition among repair shops and that industry-recognized sources provide data points for determining whether labor, repair and replacement times are reasonable.

After due consideration, the Performance Standards for the Handling and Payment of Private Passenger Motor Vehicle Insurance Claims by Assigned Risk Companies and for the Handling and Payment of Commercial Claims by Servicing Carriers approved by the CAR Governing Committee on June 18, 2014 are hereby approved.

September 4, 2014

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Jean F. Farrington  
Presiding Officer