

CERNOSEK TDI # 104953

**REQUESTED INFORMATION
REGARDING**

Insurer Survey—Auto Repair Facilities and Personal
Auto Claim Payments

§ 552.305—Proprietary Interests of a Third Party

**Prompt Release Previous Determination
ORD 684**

State Farm Mutual Automobile Insurance Company's response to Auto Repair Facility ... Page 1 of 1

Leslie Hurley - State Farm Mutual Automobile Insurance Company's response to Auto Repair Facility survey

From: "Paul Martin" <
To: <david.nardecchia@tdi.state.tx.us>
Date: 5/28/2010 3:42 PM
Subject: State Farm Mutual Automobile Insurance Company's response to Auto Repair Facility survey
CC: <Kim.Zapalac@tdi.state.tx.us>, "John Stuckemeyer" >, "Paul Martin"

Attachments: State Farm responses to auto repair survey).pdf; Att. # 1-Select Service Agreement.pdf; Att. # 4-New SS Agreement w-Provider Schedule Addendum-Redacted.pdf; Att. # 2-SS Agreement Addendum-Schedule of Provider Locations.pdf; Att. # 3-New SS Agreement-Signature Pages-Redacted.pdf

Mr. Nardecchia – I'm attaching State Farm's response to the survey TDI recently provided. Specifically, I attach our responses along with four supporting documents.

Please let me know if you need additional information from us. Thanks -

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This email contains information protected by the attorney/client privilege and work product doctrines.

<<State Farm responses to auto repair survey).pdf>> <<Att. # 1-Select Service Agreement.pdf>> <<Att. # 4-New SS Agreement w-Provider Schedule Addendum-Redacted.pdf>> <<Att. # 2-SS Agreement Addendum-Schedule of Provider Locations.pdf>> <<Att. # 3-New SS Agreement-Signature Pages-Redacted.pdf>>

Insurer Survey – Auto Repair Facilities and Personal Auto Claim Payments

The Texas Department of Insurance (Department) requests that your company provide responses to the following survey for each company in your group that is writing personal auto insurance in Texas, unless the response is identical for each company within your group. This information is necessary for the Department to have current information relating to personal auto claim payments, including claim payments relating to auto repair facilities that have contracts or agreements with your company. As used in this survey the terms "auto repair reimbursement rates" or "reimbursement rates" should be considered to include any other term that may be used by your company to mean the rate paid for auto repairs.

If your company does not have contracts or agreements with auto repair facilities, you may disregard Sections I and III.

This request is being made pursuant to Texas Insurance Code, §38.001. Please respond to this survey in writing by **June 2, 2010**.

State Farm Mutual Automobile Insurance Company's Introductory Comments:

The following are State Farm Mutual Automobile Insurance Company's responses to your inquiry dated May 19th. In addition, State Farm County Mutual Insurance Company of Texas adopts these answers as well. State Farm County Mutual Insurance Company of Texas does not have any agreements or information responsive to the survey, other than the information provided by State Farm Mutual Automobile Insurance Company.

State Farm is filing this information with the understanding that it will not be disseminated either within the Department of Insurance beyond those with a need for access or to anyone outside the Department.

Section I - Contracts/Agreements with Auto Repair Facilities

- 1) Please provide a sample copy of each contract(s) or agreement(s) your company may use to negotiate with auto repair facilities.

Response: See attachments

- Att. #1: Select Service Agreement
- Att. #2: Select Service Agreement Addendum –
Schedule of Provider Locations

- 2) Please provide a copy of an actual contract or agreement between your company and an auto repair facility for each sample contract provided.

Response: see attachments

- Att. #3 Signed Select Service Agreement (*shop info redacted*)
- Att. #4 Signed Select Service Agreement with
Provider Schedule Addendum (*shop info redacted*)

- 3) Please explain how often your company re-negotiates contracts or agreements with auto repair facilities.

Response:

If State Farm revises its standard Select Service Agreement the auto repair facilities are contacted at that time. The contracts are not re-negotiated. If the standard Select Service is revised the auto repair facilities may only accept or reject the entire agreement as presented.

Responses of State Farm Mutual Automobile Insurance Company

State Farm is continuously evaluating which auto repair facilities will participate within the Select Service Program. Local management is responsible for managing individual market area capacity. When local management determines a business need to adjust capacity in an individual market, they should analyze the current group of program repairers to determine where adjustments are needed. These adjustments may involve the removal, replacement, or addition of repairers.

A Select Service Agreement can be terminated by State Farm or the provider at any time, for any reason.

- 4) Please explain the criteria that must be met by an auto repair facility prior to your company agreeing to contract with the repair facility.**

Response:

The Select Service Program Equipment/Capabilities Criteria are listed in the State Farm Repair Facility Survey.

- 1. A paint application system and refinishing area designed and maintained to minimize the diffusion of paint or other hazardous material and which will produce an original equipment manufacturer's type of color and finish.**
- 2. A source of frame/unibody dimensions, including upper body dimensions, and a measuring device capable of determining frame/unibody dimensions, including upper body dimensions, for the types of vehicles to be repaired.**
- 3. Hydraulic equipment needed to perform multiple repair pulls on frame and unibody vehicles.**
- 4. A gas metal arc welder, which will be used in appropriate repair situations.**
- 5. Equipment to elevate the vehicle for underbody damage inspection, analysis, and diagnosis.**
- 6. Equipment and capability to restore corrosion protection materials.**

Responses of State Farm Mutual Automobile Insurance Company

7. A four-point anchoring system capable of holding the vehicle in a stationary position during structural and body pulls, suitable for the types of vehicles to be repaired.
8. Equipment, on-site or readily available, to remove and reinstall suspension, engine, and drivetrain components.
9. Equipment, on-site or readily available, to restore steering system alignment, including four-wheel alignment.
10. Equipment, on-site or readily available, for use by certified personnel to evacuate and recharge air conditioning systems.

The auto repair facility must also have the ability to offer Paintless Dent Repair as an option.

All other criteria that an auto repair facility must meet to be considered for State Farm's Select Service Program are found in the State Farm Select Service Agreement.

- 5) **Please provide the number of the auto repair facilities in Texas where there is a contract or agreement between your company and the facility.**

Response:

As of 5/20/10 there were 636 Select Service shops in Texas.

- 6) **Please explain if your company provides a guarantee or warranty for the repairs made at a contracted auto repair facility.**

Response:

The auto repair facility, not State Farm, provides the warranty.

Responses of State Farm Mutual Automobile Insurance Company

Provider agrees to provide the vehicle owner with a written national limited lifetime warranty for workmanship, including refinishing, for all completed repairs for as long as the customer owns the vehicle.

If, following receipt and payment of the final repair bill, State Farm determines corrective repairs are needed, State Farm will give Provider notice of the need to perform such repairs. Provider agrees to promptly take reasonable steps to comply with its obligation under this provision, including performing such repairs upon State Farm's request, and at no additional cost. If corrective repairs are necessary and the vehicle owner is unable or unwilling to return to Provider's facility, Provider agrees, upon request, to reimburse State Farm for such repairs paid for by State Farm.

7) Please advise how claimants are informed of auto repair facilities that have a contract or agreement with your company.

Response:

State Farm claim representatives utilize the Auto Damage Service Programs – Discussion Information Guide. The following wording is used:

“You have the right to select the repair facility that will repair your vehicle. Only you can authorize repairs to your vehicle.”

“State Farm has agreements with repair facilities in your area that provide enhanced customer services.”

The Select Service Program benefits are then explained and State Farm offers to assist the vehicle owner in locating a participating program facility in the area.

In addition, State Farm agents or their staff may also discuss the Select Service Program with vehicle owners. Agents and Agent Staff are given appropriate training and discussion guides.

- 8) Please explain what information is provided to claimants who choose to have repairs made at an auto repair facility that does not have a contract with your company.**

Response:

For customers who do not choose repairers who participate in our Select Service program, State Farm may provide a repair estimate using prices that are competitive in the market area or approve an estimate provided by a vehicle owner.

Section II - Reimbursement Rates for Auto Repair Facilities

Please provide a separate response to each item under this section for auto repair facilities that have a contract or agreement with your company and for auto repair facilities that do not have a contract or agreement with your company. If the response to an item under this section is the same for both types of facilities, please indicate that your response is for both types of facilities in the appropriate item(s).

- 1) Please explain how your company determines the auto repair reimbursement rates, including labor, services, parts and materials.**

Response:

The repair facility survey process is used to determine prevailing competitive prices (PCPs) in a market area. PCPs are the repair prices charged by not less than a majority of the repair market. Pricing and repair capacity information is gathered from all known repairers in market areas as they submit online surveys. The repair market is comprised of repairers who have completed the Repair Facility Survey and who meet the Equipment/Capabilities Criteria. This information is used to determine PCPs.

Responses of State Farm Mutual Automobile Insurance Company

The prices we pay for most repair operations will be determined from printed or electronic collision estimating guides and repair facility survey results. However, it is not possible to determine the cost of every repair operation from these sources. For example, when estimating a sheet metal or other repair operation, the labor estimate is based on judgment time. When estimating judgment time, it should follow what is competitive in the local market to repair the vehicle in a quality manner.

Each repairer has the ability to update equipment/capabilities, pricing, and/or repair capacity information through the online survey process at any time.

Repairers will be advised the pricing information they submit will be considered in PCP calculations if their repair facility meets the Equipment/Capabilities Criteria as listed on the Repair Facility Survey form.

For Select Service auto repair facilities, the following provision is part of the State Farm Select Service Agreement:

Section 4. Competitive Price

- a. Repair Pricing. Provider agrees to estimate and bill for repairers using the lower of the:**
 - 1) Most recent labor rates and paint and materials pricing information submitted by Provider to State Farm through State Farm's survey process; or**
 - 2) Current labor rates and paint and materials pricing identified through State Farm's survey process; or**
 - 3) Labor rates and paint and materials pricing offered to or agreed to with any other insurer.**
- 2) Please explain if certain software is used by your company to determine auto repair reimbursement rates and/or any impact the software may have on the reimbursement rates. Your explanation should identify such software.**

Response:

State Farm does not use any specific software to determine auto repair reimbursement rates. State Farm does utilize the vendor Audatex in Texas as a estimating system/platform. Although Audatex is utilized, claims are handled on a case by case basis and rates are subject to negotiation when appropriate.

- 3) Are there situations where your company deviates from the auto repair reimbursement rate or software? If yes, please explain in detail those situations and how the final reimbursement rate is determined.**

Response:

There may be occasions when the unique repair characteristics of a damaged vehicle require unusual or specialized techniques and/or equipment be used during the repair process. When these skills and/or equipment are not ordinarily available in a local market area, repair facilities that are able to perform these specific repairs may request labor rates that are higher than prevailing competitive prices (PCPs) otherwise applicable in that local market area.

Labor charges incurred for non-specialty repairs or traditional repair processes to vehicles in a "specialty vehicle" category would usually be paid at the PCP for labor established in that market. Claims are handled on a case by case basis and therefore there may be situations where repair costs are negotiated.

- 4) a) Does your company set caps or limits on the reimbursement rates for certain labor, services, parts and/or materials when estimating auto repairs, e.g. paint? If yes, please explain.**

Response:

No.

Responses of State Farm Mutual Automobile Insurance Company

- b) If your company sets caps or limits on items such as paint, please explain how the caps or limits are determined?

Response:

N/A

- 5) Please explain how your company determines the auto repair reimbursement rates for used, after-market or reconditioned parts and materials. Please include in your explanation how the reimbursement rate for labor is determined and impacted by the use of these parts and materials.

Response:

The prices we pay for most parts, materials, and repair operations will be determined from printed or electronic collision estimating guides and repair facility survey results. The labor rate is not affected for used, after-market or reconditioned parts and materials. The labor time may be affected and is determined on a case by case basis.

For Select Service shops this is detailed in the State Farm Select Service Agreement.

State Farm Select Service Agreement:

Section 4. Competitive Price

c. Recycled Replacement Parts. When estimating recycled replacement parts, Provider agrees to estimate and bill for repairs using the lower of the:

Responses of State Farm Mutual Automobile Insurance Company

- 1) Most recent recycled parts mark-up percentage submitted by Provider to State Farm through State Farm's survey process; or
- 2) Current recycled parts mark-up percentage identified through State Farm's survey process; or
- 3) Current competitive local market price; or
- 4) Resulting price based on any agreement between Provider and State Farm; or
- 5) Recycled parts mark-up percentage offered to or agreed to with any other insurer.

d. New, Non-OEM Replacement Parts. When estimating new, non-OEM replacement parts, Provider agrees to estimate and bill for repairs using the lower of the:

- 1) Manufacturer's retail price; or
- 2) Current competitive local market price; or
- 3) Resulting price based on any agreement between Provider and State Farm; or
- 4) Price offered to or agreed to with any other insurer.

- 6) a) **Please explain how often your company re-evaluates auto repair reimbursement rates, caps and/or limits, including labor, services, parts and materials.**

Response:

State Farm uses a continuous survey that gives repairers the opportunity to provide information online at any time.

- b) **When did your company last adjust auto repair reimbursement rates, caps and/or limits for labor, services, parts and materials?**

Response:

State Farm uses a continuous survey that gives repairers the opportunity to provide pricing and rate information online at any

Responses of State Farm Mutual Automobile Insurance Company

time. As a result, rates change based on the survey activity of the market area and not some pre-determined date or time. For example, if a particular shop changed their surveyed labor rate, and this change in their survey response resulted in the need to raise the labor rate by some amount, the change in rates would be processed in concert with the change in the survey responses in that market.

Section III - Personal Auto Claim Payments

- 1) For calendar year 2009, please provide the percentage of initial auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.

Response:

Texas contracting auto repair facilities:	50.62%
Texas non-contracting auto repair facilities:	49.38%

- 2) For calendar year 2009, please provide the percentage of supplemental auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.

Response:

2009 supplement frequency:

Texas contracting auto repair facilities:	78.5%
Texas non-contracting auto repair facilities:	32.1%

Section IV - General Information

- 1) a) Does your company require auto repair facilities to follow certain repair procedures in making repairs or for estimating the cost of repairs? If yes, please

explain how these procedures are used to estimate the cost of repairs.

Response:

The Inter-Industry Conference on Auto Collision Repair (ICAR) has played an important role in developing vehicle repair procedures. State Farm is an active supporter of ICAR and ICAR-approved repair techniques. When State Farm pays for the cost of any repair operation, we presume all necessary repairs will be made.

When a repairer requests payment for an operation not mentioned in the printed or electronic time guides, the repairer is asked whether the requested repair operation is necessary. If it is determined a repair operation is necessary, a reasonable charge may be included on the estimate. The local repair market will determine what constitutes reasonable charges for these operations, and State Farm attempts to work with individual repairers to arrive at reasonable amounts.

State Farm will pay claims based upon reasonable, competitive prices for repairs necessary to repair the vehicle in a quality manner.

- b) Please explain how the repair procedures will impact the amount that will be reimbursed to the auto repair facilities estimated cost for repairs. Does your company provide an explanation to the auto repair facility for repair procedures that will not be paid?**

Response:

If the repairer requests payment for a repair operation that is not necessary, the cost of the operation is not recoverable. State Farm explains to the vehicle owner and repairer that State Farm will pay for necessary operations to repair the vehicle in a quality manner.

- c) Please provide a copy of your company's repair procedures.**

Response:

State Farm does not have company repair procedures.

- 2) Please explain how disagreements relating to the repair costs are resolved between your company and auto repair facilities and/or the claimant.**

Response:

In cases where State Farm is unable to reach an agreement with the selected repairer regarding payment for a repair operation, it may be appropriate to negotiate with the repairer or request that the vehicle owner obtain competitive bids for the complete repair job.

State Farm explains in writing to vehicle owners that they may be responsible for the difference for any amounts not agreed to by State Farm.

- 3) a) Please explain how your company addresses possible manufacturer's warranty issues that may exist, e.g. certain auto manufacturer requires certain manufacturer approved or certified auto repair facilities to perform the repairs to maintain the warranty on the auto.**

Response:

A vehicle manufacturer cannot require that vehicle repairs be performed by a specific repairer, nor can it void its warranty obligations by requiring that collision/comprehensive repair work be completed by a specific repairer.

- b) Does your company make payment based on the manufacturer requiring repairs to be made by an approved or certified auto repair facility? If yes, how is the actual payment amount determined?**

Response:

Factory certification for repair technicians or facilities may be factors to consider, but are not, in and of themselves, the basis for paying a higher rate than PCP. There may be a negotiated rate if this is a reasonable and necessary repair.

- 4) Will your company accept pictures and estimates from an auto repair facility in lieu of a company/adjuster inspection/estimate? If no, please explain.**

Response:

Estimate and vehicle repair issues in rural areas are often unique to local conditions. State Farm may not provide estimating services in some rural areas. In those type of situations State Farm may accept pictures and estimates from an auto repair facility in lieu of a company inspection or estimate.

State Farm will also accept pictures and estimates from auto repair facilities that are part of our Select Service Program.

State Farm may request that the vehicle owner obtain competitive estimates.

- 5) Please explain how your company determines the number of days rental car expenses will be reimbursed.**

Response:

Per the Texas Personal Auto Policy language:

Our payment will be limited to that period of time reasonably required to repair or replace the auto.

Responses of State Farm Mutual Automobile Insurance Company



State Farm[®] Select Service³ Agreement

This Select Service Agreement (hereinafter "Agreement"), and if applicable and attached the **Schedule of Provider Locations Addendum** (hereinafter "Addendum") outlines the understanding between State Farm Mutual Automobile Insurance Company and its subsidiary and affiliated companies (hereinafter "State Farm" or "we"), and _____ (hereinafter "Provider"). In consideration of the mutual promises and representations contained herein, the parties agree to the following provisions.

Section 1. Customer Protections

- a. **Freedom of Choice.** Provider acknowledges that vehicle owners have freedom of choice when selecting a repair facility.
- b. **Confidentiality/Privacy.** Provider acknowledges it may learn or have access to confidential, proprietary, or private information (hereinafter "Information") of State Farm, State Farm's vendors, and vehicle owners. This Information specifically includes, but is not limited to, customer names, addresses, phone numbers, and social security numbers, vehicle accident and repair history, vehicle images, date of loss, and vehicle identification numbers. Provider warrants that it will use such Information for the limited purpose of repairing vehicles. Provider further warrants it will keep strictly confidential any such Information that Provider may learn. A third party performing as a subcontractor for Provider to accomplish duties subject to this Agreement may be given access to pertinent Information if that third party has agreed in writing with Provider to use such Information solely for the purpose of repairing vehicles and otherwise to keep such Information strictly confidential. Provider agrees it will not sell or share nor permit its third party vendors to sell or share Information.
- c. **Authorization.** Provider agrees to obtain the vehicle owner's authorization prior to dismantling or beginning repair of the damaged vehicle. Provider further agrees to obtain and retain the vehicle owner's authorization for State Farm to pay Provider directly for completed repair work.

Section 2. Quality

- a. **Workmanship/Warranty.** Provider agrees to repair the vehicle including, as applicable, mechanical, electrical, vehicle restraint and safety systems, in a quality and workmanlike manner. Provider further agrees to provide the vehicle owner with a written national limited lifetime repair warranty for workmanship, including refinishing, for all completed repairs for as long as the customer owns the vehicle. If, following receipt and payment of the final repair bill, State Farm determines corrective repairs are needed, State Farm will give Provider notice of the need to perform such repairs. Provider agrees to promptly take reasonable steps to comply with its obligation under this provision, including performing such repairs upon State Farm's request, and at no additional cost. If corrective repairs are necessary and the vehicle owner is unable or unwilling to return to Provider's facility, Provider agrees, upon request, to reimburse State Farm for such repairs paid for by State Farm.
- b. **Estimate Preparation.** Provider agrees to complete inspection of the vehicle and further agrees that the initial estimate will be completed in a thorough manner by a qualified individual. Provider agrees that its estimates and supplements will not include an "appearance allowance" credit or adjustment. Provider agrees to correctly label replacement parts when preparing damage estimates so vehicle owners and State Farm will be aware of the type of part used in the repair process. Further, prior damage and betterment will be clearly identified. Provider will supply the vehicle owner with a copy of the original estimate, any supplement, and a final repair bill. Provider will maintain documentation to verify delivery of all documents to the vehicle owner.

If Provider determines partial disassembly is necessary to prepare an estimate, Provider agrees to

- 1) Obtain photos prior to disassembly.
- 2) Make all parts available for inspection.
- 3) Follow local State Farm management direction for retention of damaged parts, reattaching disassembled parts, and/or disposition of parts.
- 4) Obtain prior approval from State Farm for any fees relating to work performed on a total loss.

Provider also agrees to notify State Farm if a vehicle owner elects not to complete repairs as estimated.

- c. **Electronic Images.** Provider agrees to transmit electronic images of vehicle damage to State Farm prior to preparing or when submitting any estimate and/or supplement that corresponds to the damage. This includes securing appropriate photographs prior to disassembly. Provider further agrees electronic images will be of sufficient quality to allow for effective review by State Farm personnel and support the amount of vehicle damage noted on the final repair bill. Provider also agrees to transmit any additional images when requested by State Farm.

d. Prior Damage. Provider agrees to contact State Farm when the vehicle has prior damage that may affect the cost of repairs. When requested by State Farm, Provider agrees to prepare and forward an itemized estimate and electronic images of prior damage at no additional cost to State Farm. Provider agrees not to charge State Farm to repair any prior damage.

e. Quality Control. Provider agrees to maintain a quality control process for in-progress and completed repairs and will provide State Farm evidence of this process when requested. Provider acknowledges quality control measures include, but are not limited to, quality control checkpoints at various stages of the repair.

f. Deductible Collection. Provider agrees to collect from the vehicle owner any and all deductible amounts and/or betterment charges. Provider agrees not to reduce, discount, or waive vehicle owner's deductible when performing repairs under this Agreement.

g. Billing Accuracy and Completeness. By submitting a final repair bill to State Farm, Provider warrants that it has conducted a thorough inspection of the vehicle and has identified and completed all necessary repairs in a quality and workmanlike manner. Unless expressly stated on the final repair bill, Provider further warrants it has completed all repairs listed on the final repair bill, in accordance with the terms and conditions of this Agreement, and that the final repair bill reflects parts replaced and repairs actually performed on the vehicle. When requested, Provider agrees to make available for State Farm's review invoices and/or other documents relating to completed repairs. State Farm agrees to review Provider's final repair bill as submitted and agrees to process payment in a timely manner. Provider acknowledges that State Farm reserves the right to withhold payment if the accuracy of the final repair bill is in question.

h. Training. Provider agrees to pursue training and certification necessary to maintain its technicians' proficiency on current auto repair procedures and techniques. Provider acknowledges training opportunities may include, but are not limited to, I-CAR Gold Class or ASE certification, or other recognized industry training. If State Farm determines specific training and/or certification is required as a condition of the Agreement, State Farm agrees to give Provider a reasonable timeframe in which to have its technicians complete the requirements. Upon request, Provider agrees to provide documentation to State Farm that supports Provider's training activity.

i. Equipment/Capabilities Criteria. Provider represents that it meets the most recent equipment/capabilities criteria as listed on State Farm's repair facility survey form, which has been completed by Provider.

j. Licensing and Certification. Provider agrees to maintain current licensing and certification relating to all Federal, State and local regulatory requirements. If requested, Provider agrees to supply State Farm with documentation supporting their compliance.

k. Environmental Practices. Provider agrees to maintain business practices that are environmentally responsible based on Federal, State, and local regulatory requirements. If State Farm determines specific training and/or certification is required, State Farm agrees to give Provider a reasonable period of time to comply.

Section 3. Efficiency

a. Repair Cycle-Time. Provider agrees to complete repairs promptly upon receiving the vehicle owner's authorization and further agrees that State Farm repair work will be given preferential status in comparison with other repair work performed by Provider. So that State Farm is able to monitor rental expenses and in-progress repairs, Provider will ensure all cycle-time information will be completed prior to submitting the final repair bill. Provider agrees to accurately complete all repair cycle-time information as follows:

- (1) Vehicle Drop Off Date
- (2) Promise Date
- (3) Start Date
- (4) Repair Completion date
- (5) Vehicle Pick Up Date

b. Guaranteed Completion Date. Provider will provide vehicle owner with a guaranteed completion date for repairs at the time the original estimate is completed. Provider agrees to promptly notify the vehicle owner and State Farm of repair delays and further agrees to reimburse the vehicle owner and/or State Farm for any additional rental expenses associated with the delay if State Farm determines Provider caused the delay.

c. Customer Services. Provider agrees repaired vehicles will be washed and vacuumed at no additional charge before delivery to the vehicle owner. If requested by the vehicle owner, Provider agrees to pick-up and deliver the vehicle at no additional charge. State Farm and Provider recognize that pick-up and delivery service may be limited to a reasonable distance from Provider's location.

d. Estimate Upload. Provider agrees to provide State Farm with an electronic version of the initial estimate immediately

after it is prepared and before repairs begin. Provider agrees to limit estimate upload activity to an initial estimate and final repair bill whenever possible. In situations where a supplement is necessary, Provider agrees to upload the supplement prior to additional repairs taking place.

e. Total Loss Vehicle Inspection. If the extent of damage to an owner's vehicle will likely cause it to be considered an economic total loss, Provider agrees to immediately notify State Farm. If requested by State Farm, Provider agrees to immediately complete and forward an itemized repair estimate and accurate Vehicle Inspection Report (VIR) to expedite the total loss settlement process. Provider agrees that the estimate and VIR will be accompanied by electronic images as specified by State Farm, and further agrees to provide these services at no additional charge.

f. Repair Services On Claims Below Deductible. When a vehicle owner requests assistance in locating a repair facility on claims below or likely below the customer's deductible, State Farm agrees to provide information about participants on its program to the vehicle owner. Provider agrees that State Farm is under no obligation to make such information available, and in the event it or its agents fail to do so, Provider has no cause of action for failure to make such information available. It is the intent of this provision to make this information available as a service, both to vehicle owners and repair program participants such as Provider.

g. Electronic Data Interchange. Provider agrees to maintain electronic data interchange capabilities as specified by State Farm, including the ability to accept payments via Electronic Funds Transfer (EFT). Provider further agrees to register on State Farm's Business to Business (B2B) website as requested by State Farm. Both parties recognize these capabilities may change from time to time.

h. Estimating Vendor Applications. If requested by State Farm, Provider will utilize an estimating vendor application designated by State Farm. State Farm agrees to give the Provider a reasonable timeframe in which to obtain the designated estimating vendor applications should this become a condition of the Agreement. Regardless of the vendor application being utilized, Provider agrees to maintain the most current pricing information and version of the estimating software provided by the vendor.

i. Performance Reporting. If requested by State Farm, Provider agrees to obtain estimating vendor reporting that we specify. Provider acknowledges this information may be utilized as part of monitoring Provider's performance and agrees this reporting will be obtained at no additional cost to State Farm. If Provider obtains this information as a requirement of the program, Provider agrees not to disclose the information to any third party or other insurer.

Section 4. Competitive Price

a. Repair Pricing. Provider agrees to estimate and bill for repairs using the lower of the:

- (1) Most recent labor rates and paint and materials pricing information submitted by Provider to State Farm through State Farm's survey process; or
- (2) Current labor rates and paint and materials pricing identified through State Farm's survey process; or
- (3) Labor rates and paint and materials pricing offered to or agreed to with any other insurer.

Provider agrees to include on estimates the cost of competitively priced parts for the types of repair or parts replacement operations to be performed.

b. New, Original Equipment Manufacturer (OEM) Replacement Parts. When estimating new, OEM replacement parts, Provider agrees to estimate and bill for repairs using the lower of the:

- (1) Manufacturer's retail price; or
- (2) Current competitive local market price; or
- (3) Resulting price based on any agreement between Provider and State Farm; or
- (4) Price offered to or agreed to with any other insurer.

c. Recycled Replacement Parts. When estimating recycled replacement parts, Provider agrees to estimate and bill for repairs using the lower of the:

- (1) Most recent recycled parts mark-up percentage submitted by Provider to State Farm through State Farm's survey process; or
- (2) Current recycled parts mark-up percentage identified through State Farm's survey process; or
- (3) Current competitive local market price; or
- (4) Resulting price based on any agreement between Provider and State Farm; or
- (5) Recycled parts mark-up percentage offered to or agreed to with any other insurer.

d. New, Non-OEM Replacement Parts. When estimating new, non-OEM replacement parts, Provider agrees to estimate and bill for repairs using the lower of the:

- (1) Manufacturer's retail price; or
- (2) Current competitive local market price; or
- (3) Resulting price based on any agreement between Provider and State Farm; or
- (4) Price offered to or agreed to with any other insurer

If new, non-OEM parts are included on the repair estimate, Provider warrants the parts and the estimate comply with applicable state law and further agrees the use of such parts will be discussed with the vehicle owner and clearly identified on repair estimates. Provider further agrees that if new non-OEM parts are included on the repair estimate, such parts will be Certified Automotive Parts Association (CAPA) certified if the parts are subject to CAPA certification.

e. Part Pricing Agreements. Provider acknowledges State Farm may enter into agreements with manufacturers, distributors, or suppliers of automotive parts. State Farm will send Provider a notice in writing of any such agreement. Provider may, at its option, participate with State Farm and such entities in obtaining parts for repairs when performing under this Agreement. Provider further agrees that any part pricing agreements negotiated by State Farm are in addition to the price offered by the Provider to State Farm under 4.b, 4.c, and 4.d. State Farm shall receive the benefit of both the Provider's pricing offer under 4.b, 4.c, and 4.d and the price or discount negotiated through any part pricing agreements. If Provider chooses not to participate with State Farm and such entities, the prices charged for replacement parts may not exceed the prices set forth in this Agreement.

f. Parts Locating Services. If requested by State Farm, Provider agrees to utilize automated replacement parts locating services or applications we specify for ordering and/or sourcing replacement parts and agrees these services or applications will be utilized at no additional cost to State Farm. Provision 1.b., "Confidentiality/Privacy", does not apply to information when transmitted or supplied by Provider to any parts locating service or application vendor utilized under this provision.

g. Other Provider Discounts. Provider agrees that if it gives a bottom line discount, rebate, or other estimate discount on the overall repair costs to any insurer, such discount constitutes an estimate and bill for repairs for purposes of this section.

4. Competitive Price. In that event, pricing provided to State Farm and its customers by Provider shall include the bottom line discount given to any other such insurer.

h. Other Insurer Estimates and Cash Settlements. If Provider agrees to perform a repair based on another insurer's estimate where the vehicle owner has accepted a cash-out, cash settlement, or settlement under a similar settlement method, then any pricing for the repair shall constitute "a price offered to and agreed to" between the other insurer and Provider, is subject to subsections 4.a., 4.b., 4.c., and 4.d., and must be offered to State Farm as provided by this section.

4. Competitive Price

i. State Farm Staff Prepared Estimates. Provider agrees to apply the pricing, terms, and conditions of this Agreement whenever a vehicle owner presents a State Farm staff prepared estimate to Provider. Provider agrees it will not charge more for the repair than the price that would result from application of this Agreement.

j. Paintless Dent Repair (PDR). Provider agrees that if PDR services are available in the local market, it either has PDR capability on-site or readily available, and will utilize the PDR method of estimating and repair on eligible vehicle damage. Provider agrees that when PDR is specified in whole or in part for repairs on an estimate written by Provider, Provider agrees to the prices on the State Farm PDR Pricing Matrix for PDR services. Provider further agrees to restore any corrosion protection materials, caulking, or under panel adhesives if disturbed during the PDR process, and agrees that PDR repairs will be completed without drilling or otherwise creating access holes, or damaging or modifying structural components.

k. Judgment Times. When a repair operation is based on judgment time, Provider agrees the amount estimated will be reasonable and competitive based on industry and local market area practices. Provider further agrees to consider all additional or "conjunctive" repair items when estimating judgment time and will not demonstrate patterns of unsubstantiated or unsupported judgment time increases when the final repair bill is submitted.

l. Mechanical Operations. If a mechanical repair/replace operation is necessary, Provider agrees that any amounts charged will be competitive for the local market area.

m. Repair vs. Replace. When estimating vehicle damage, Provider agrees to consider the reparability of damaged components prior to replacing, and will maintain sufficient knowledge and understanding of industry accepted repair practices and techniques, which may include but is not limited to structural repairs, sectioning, plastics repair, Paintless Dent Repair, and refinishing processes.

n. Glass Replacement. Provider agrees that when glass is being replaced in conjunction with a claim being processed under this Agreement, pricing will be based on what is the most competitive for the market area and will not exceed prices charged to other insurers or vehicle owners directly.

o. Sublet Charges. Provider agrees not to charge amounts beyond what is competitive in the local market for operations it does not perform directly, either at or away from the Provider's facility. If it becomes necessary to transport the damaged vehicle to facilitate additional repairs, Provider agrees that any additional costs will be limited to what is reasonably necessary in the market area for such transportation.

p. Storage / Administrative Fees. As a participant in the program, Provider agrees not to charge State Farm any storage or administrative fees.

Section 5. General

a. Non-Disclosure. Provider agrees not to disclose, distribute, or reproduce any part or section of the Agreement to any other person or organization, unless required by law.

b. Term, Termination of Prior Agreements, Merger, Amendment. This Agreement shall become effective on the date it is signed by an authorized representative of State Farm and it shall remain in effect until such time as either Provider or State Farm delivers to the other party written notice of termination of the Agreement. It will replace, supersede and automatically terminate any prior or existing Select Service Agreement between State Farm and Provider. This Agreement (and any attachments, addenda, and supplements thereto) shall be the complete and exclusive statement of the agreement between the parties as to the subject matter of this Agreement, and shall be binding upon each of the parties hereto, their respective successors and to the extent permitted their assigns. This Agreement cannot be amended or otherwise modified, except as agreed to in writing by each of the parties hereto.

c. Provider Participation. Provider acknowledges that State Farm may adjust the number of participating Providers. Provider further acknowledges that State Farm will consider Provider's quality, efficiency, estimate competitiveness, and other business factors as adjustments are considered.

d. Ownership or Control of Multiple Locations. This Agreement applies on a "per location" basis, unless the Schedule of Provider Locations Addendum is attached, and except as otherwise provided in this subsection d. If Provider has multiple locations, only those locations owned or controlled by Provider that are listed in subsection 3 of the Schedule of Provider Locations Addendum are subject to this Agreement, provided however, that the pricing provisions contained in Section 4. Competitive Price, applies to all locations owned or controlled by Provider, even if not listed as a "participating" location in the Addendum. If Provider provides a price to any other insurer at a "non-participating" location that is lower than the prices charged State Farm at locations participating in this Agreement, such price must be given to State Farm, and in the manner set forth in Section 4. Competitive Price. If Provider buys or obtains control of additional facilities, Provider agrees to notify State Farm.

e. Termination of Agreement. If either party terminates this Agreement, Provider will allow State Farm designated personnel to access Provider's premises during regular business hours and, if necessary, will allow State Farm to pick-up and / or tow vehicles and any replacement parts already purchased to another location without any additional charges or fees. In the event of such pick-up, Provider shall be limited to receive from State Farm fair and reasonable reimbursement for Provider's documented costs for "in-progress" repairs for vehicles being repaired under the Agreement. State Farm or Provider can terminate the Agreement at any time and for any reason.

f. Independent Contractor Status. Provider and State Farm acknowledge that Provider is an independent contractor for all purposes in the performance of this Agreement and is neither an employee nor agent of State Farm. Neither Provider nor State Farm shall misrepresent this status to vehicle owners or any other persons or entities.

g. Business Ethics/Anti-Trust. Provider agrees to follow ethical and professional conduct in its business practices with State Farm and vehicle owners. Provider further agrees not to disclose, discuss, or share labor rate or pricing information with other repairers, and acknowledges this activity may be construed as illegal price fixing.

h. Gratuities. Provider agrees not to offer any gifts, gratuities, or other incentives including deductible discounts or waivers to State Farm agents, employees, or vehicle owners.

i. Use of State Farm Name and Trademarks. Provider acknowledges that "State Farm" and "Select Service" are registered trademarks of State Farm. Except as necessary in the performance of its duties under this Agreement, Provider agrees to refrain from using any State Farm registered trademark orally or in any form of advertising, marketing or related activity, including but not limited to: printed media, internet or web applications, radio or television ads. Provider further agrees State Farm may identify Provider as a Select Service facility in printed or electronic lists, or in other written or electronic formats, which may be available to vehicle owners and the general public, but State Farm is not required to create such lists.

j. Business to Business Site Use. Provider agrees to comply with the Terms of Use as outlined within the State Farm secured Business to Business (B2B) site. Provider also agrees to maintain current pricing and capacity information within the B2B site Auto Repair Facility Survey Form.

k. **Assignment.** Provider agrees that it may not assign this Agreement to any other entity, including an entity that affiliates with or merges with or acquires Provider, except when State Farm approves such assignment in advance in writing. State Farm may in its sole discretion grant or deny such approval.

l. **Payment.** State Farm agrees to issue payment directly to the Provider pursuant to the provisions set forth in this Agreement.

m. **Insurance.** Provider represents it is insured for loss of or damage to customer vehicles and other property while in the possession of Provider. In addition, Provider represents it has in force and will maintain business liability insurance with liability limits equal to or in excess of one million dollars per occurrence.

n. **Hold Harmless.** Anything in the Agreement to the contrary notwithstanding, each party (the "Indemnifying Party") shall indemnify and hold the other party (the "Indemnified Party") fully harmless against any loss, damages, claims, or expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligent or intentional acts or omissions of the Indemnifying Party and for which recovery is sought against the Indemnified Party by that third party. The Indemnifying Party also shall indemnify the Indemnified Party for any costs and reasonable attorneys' fees incurred in the Indemnified Party's defense of any such third party claim.

o. **Limitation of Liability.** EXCEPT FOR THE INDEMNIFICATION LANGUAGE IN SECTION 5.N (HOLD HARMLESS), PROVIDER AGREES THAT: (1) UNDER NO CIRCUMSTANCES SHALL EITHER PARTY'S TOTAL LIABILITY TO THE OTHER FOR ANY REASON WHATSOEVER EXCEED IN THE AGGREGATE THE SUM OF FIFTY THOUSAND DOLLARS (\$50,000.00); AND (2) UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY LOST PROFITS, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER.

p. **Non-Waiver.** Provider agrees that the failure of State Farm to insist on strict performance of any of the terms and conditions in this Agreement shall not be deemed a waiver of the rights or remedies that State Farm may have regarding that specific instance and shall not be deemed a waiver of any subsequent breach or default by Provider of any other term or condition of the Agreement.

q. **Survival.** Provider agrees that the following provisions shall survive termination of this Agreement: 1.b. Confidentiality/Privacy; 2.a. Workmanship/Warranty; 5.f. Independent Contractor Status; 5.i. Use of State Farm Name and Trademarks; 5.k. Assignment; 5.n. Hold Harmless; 5.o. Limitation of Liability and, 5.p. Non-Waiver.

Accepted and Agreed by

Name of Provider

State Farm Mutual Automobile Insurance Company
for itself and its subsidiary and affiliated companies

Street Address

Street Address

City, State, ZIP Code

City, State, ZIP Code

Phone Number

Fax Number

Phone Number

Fax Number

Signature of Authorized Repair Service Provider Representative

Signature of Authorized State Farm Representative

Printed Name of Authorized Representative

Printed Name of Authorized Representative

Date

Date

Redacted

Redacted



Facsimile Cover Sheet

Privileged and Confidential

State Farm®
Providing Insurance and Financial Services
Home Office, Bloomington, Illinois 61710

April 26, 2010
Date

Redacted

Redacted

To	Fax number	Telephone number
To	Fax number	Telephone number
To	Fax number	Telephone number
To	Fax number	Telephone number
To	Fax number	Telephone number
To	Fax number	Telephone number
To	Fax number	Telephone number
To	Fax number	Telephone number
Insured	Claim number	Total pages

Notice: Privileged and Confidential

The information contained in this facsimile message and any attachments contains privileged and confidential material intended for the sole use of the individual(s) named above. The sender wishes to preserve the attorney-client, work-product, and any other privilege, as applicable. If you are not an intended business recipient listed above, or an employee or agent of such recipient who is responsible for delivering this material to them, you are hereby notified that any disclosure,

duplication, distribution, or other use of this information, or the taking of any action in reliance on the contents of this transmission, without the express written consent of State Farm®, is STRICTLY PROHIBITED. If you have received this transmission in error, please notify the sender immediately by telephone, so the return of this material can be arranged at no cost to you. Receipt by anyone other than the intended recipients is not a waiver of any attorney-client, work-product, or other applicable privilege.

Redacted

Newly executed Select Service agreement (Houston market)

Redacted

Redacted

Telephone number

Fax number

For transmission difficulties, please contact

Message

Attached is the fully executed State Farm Select Service agreement for market. Redacted

Redacted

State Farm® Select Service® Agreement

This Select Service Agreement (hereinafter "Agreement"), and if applicable and attached, the Schedule of Provider Locations Addendum (hereinafter "Addendum") outlines the understanding between State Farm Mutual Automobile Insurance Company and its subsidiary and affiliated companies, (hereinafter "State Farm" or "we"), and Redacted (hereinafter "Provider"). In consideration of the mutual promises and representations contained herein, the parties agree to the following provisions:

Section 1. Customer Protections

a. **Freedom of Choice.** Provider acknowledges that vehicle owners have freedom of choice when selecting a repair facility.

b. **Confidentiality/Privacy.** Provider acknowledges it may learn or have access to confidential, proprietary, or private information (hereinafter "Information") of State Farm, State Farm's vendors, and vehicle owners. This information specifically includes, but is not limited to, customer names, addresses, phone numbers, and social security numbers, vehicle accident and repair history, vehicle images, date of loss, and vehicle identification numbers. Provider warrants that it will use such information for the limited purpose of repairing vehicles. Provider further warrants it will keep strictly confidential any such information that Provider may learn. A third party performing as a subcontractor for Provider to accomplish duties subject to this Agreement may be given access to pertinent information if that third party has agreed in writing with Provider to use such information solely for the purpose of repairing vehicles and otherwise to keep such information strictly confidential. Provider agrees it will not sell or share nor permit its third party vendors to sell or share information.

c. **Authorization.** Provider agrees to obtain the vehicle owner's authorization prior to dismantling or beginning repair of the damaged vehicle. Provider further agrees to obtain and retain the vehicle owner's authorization for State Farm to pay Provider directly for completed repair work.

Section 2. Quality

a. **Workmanship/Warranty.** Provider agrees to repair the vehicle including, as applicable, mechanical, electrical, vehicle restraint and safety systems, in a quality and workmanlike manner. Provider further agrees to provide the vehicle owner with a written national limited lifetime repair warranty for workmanship, including refinishing, for all completed repairs for as long as the customer owns the vehicle. If, following receipt and payment of the final repair bill, State Farm determines corrective repairs are needed, State Farm will give Provider notice of the need to perform such repairs. Provider agrees to promptly take reasonable steps to comply with its obligation under this provision, including performing such repairs upon State Farm's request, and at no additional cost. If corrective repairs are necessary and the vehicle owner is unable or unwilling to return to Provider's facility, Provider agrees, upon request, to reimburse State Farm for such repairs paid for by State Farm.

b. **Estimate Preparation.** Provider agrees to complete inspection of the vehicle and further agrees that the initial estimate will be completed in a thorough manner by a qualified individual. Provider agrees that its estimates and supplements will not include an "appearance allowance" credit or adjustment. Provider agrees to correctly label replacement parts when preparing damage estimates so vehicle owners and State Farm will be aware of the type of part used in the repair process. Further, prior damage and betterment will be clearly identified. Provider will supply the vehicle owner with a copy of the original estimate, any supplement, and a final repair bill. Provider will maintain documentation to verify delivery of all documents to the vehicle owner.

If Provider determines partial disassembly is necessary to prepare an estimate, Provider agrees to:

- 1) Obtain photos prior to disassembly.
- 2) Make all parts available for inspection.
- 3) Follow local State Farm management direction for retention of damaged parts, reattaching disassembled parts, and/or disposition of parts.
- 4) Obtain prior approval from State Farm for any fees relating to work performed on a total loss.

Provider also agrees to notify State Farm if a vehicle owner elects not to complete repairs as estimated.

c. **Electronic Images.** Provider agrees to transmit electronic images of vehicle damage to State Farm prior to preparing or when submitting any estimate and/or supplement that corresponds to the damage. This includes securing appropriate photographs prior to disassembly. Provider further agrees electronic images will be of sufficient quality to allow for effective review by State Farm personnel and support the amount of vehicle damage noted on the final repair bill. Provider also agrees to transmit any additional images when requested by State Farm.

Redacted

Accepted and Agreed by:

Redacted

Name of Provider

State Farm Mutual Automobile Insurance Company
for itself and its subsidiary and affiliated companies

Redacted

Street Address

Redacted

Street Address

Redacted

City, State, ZIP Code

Redacted

City, State, ZIP Code

Redacted

Phone Number

Redacted

Fax Number

Redacted

Redacted

Redacted

Signature of Authorized Repair Service Provider Representative

Redacted

Signature of Authorized State Farm Representative

Redacted

Printed Name of Authorized Representative

Redacted

Printed Name of Authorized Representative

Redacted

Date

Date

Redacted

State Farm® Select Service® Agreement Addendum - Schedule of Provider Locations

This Addendum to the State Farm Select Service Agreement between State Farm Mutual Automobile Insurance Company and its subsidiaries and affiliated companies (hereinafter "State Farm"), and **Redacted** (hereinafter "Provider") is incorporated into and a part of the State Farm Select Service Agreement.

Section 1. General

a. Multiple Locations. In order to implement this Agreement, and for other business reasons, State Farm defines specific geographic areas as a "market area" for collision repair. State Farm may change the geographic territory that constitutes a market area at any time. Provider acknowledges that it owns or controls more than one location that provides collision repair services in a market area. This Addendum lists those locations that State Farm and Provider agree, subject to **Section 5. Effective Date and Termination** of this Addendum are either participating, or non-participating, locations in the State Farm Select Service program in the market area where the facilities listed in this Addendum are located. Only those locations listed below in **Section 3. Participating Provider Locations** of this Addendum are participants in this Agreement, even if Provider owns or controls other locations in the same market area, provided however, Provider acknowledges and agrees that the prices offered by Provider at all facilities it owns or controls in this market area apply when determining application of the pricing provisions set forth in **Section 4. Competitive Price**, including those facilities not otherwise participating in this Agreement. A list of locations owned or controlled by Provider in this market area that are non-participating locations (except as to **Section 4. Competitive Price**, of the Agreement) is set forth in **Section 4. Non-Participating Provider Locations** of this Addendum.

Section 2. Modification of Participating Locations

a. Changes to Schedule. State Farm and Provider agree that any location may be removed from this list by either party at any time, with the removal to take effect immediately upon written notice from one party to the other. The parties agree to execute a new Addendum - **Schedule of Provider Locations**, listing those facilities still participating in this Agreement as soon as reasonably possible thereafter. If Provider buys or obtains control of additional facilities, Provider agrees to notify State Farm. Only State Farm may add a location to this list, and then only upon the execution by both parties of a replacement to this Addendum. Only one Addendum is a part of this Agreement at any time. In the event more than one Addendum has been executed by the parties, only the one with the most recent date shall be effective.

Redacted

Section 3. Participating Provider Locations

Location/facility name: Redacted
Location street address: Redacted
Location city, state and ZIP code: Redacted
Location phone number: Redacted

Location/facility name: Redacted
Location street address: Redacted
Location city, state and ZIP code: Redacted
Location phone number: Redacted

Location/facility name: Redacted
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Location city, state and ZIP code: _____
Location phone number: _____

Location/facility name: _____
Location street address: _____
Location city, state and ZIP code: _____
Location phone number: _____



Redacted

Section 4. Non-Participating Provider Locations

Location/facility name: Redacted
Location street address: Redacted
Location city, state and ZIP code: Redacted
Location phone number: Redacted

Location/facility name: Redacted
Location street address: Redacted
Location city, state and ZIP code: Redacted
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Location/facility name: _____
Location street address: _____
Location city, state and ZIP code: _____
Location phone number: _____

Redacted

Section 5. Effective Date and Termination

a. **Effective Date and Termination.** This Addendum is effective upon, and subject to, the acceptance of Provider as a participant in the State Farm Select Service program, as evidenced by Provider having signed, and State Farm having accepted, the State Farm Select Service Agreement. In the event of a termination of that Agreement by either party, this Addendum shall also terminate at the same time.

Accepted and Agreed by:

Redacted

Name of Provider

State Farm Mutual Automobile Insurance Co.
for itself and its subsidiary and affiliated companies

Redacted

Street Address

Redacted

Street Address

Redacted

City, State, ZIP Code

Redacted

City, State, ZIP Code

Redacted

Phone #

Redacted

Fax #

Redacted

Redacted

Redacted

Signature of Authorized Repair Service Provider Representative

Signature of Authorized State Farm Representative

Redacted

Printed Name of Authorized Representative

Printed Name of Authorized Representative

Redacted

Date

Date

State Farm® Select Service® Agreement Addendum - Schedule of Provider Locations

This Addendum to the State Farm Select Service Agreement between State Farm Mutual Automobile Insurance Company and its subsidiaries and affiliated companies (hereinafter "State Farm"), and _____ (hereinafter "Provider") is incorporated into and a part of the State Farm Select Service Agreement

Section 1. General

a. Multiple Locations. In order to implement this Agreement, and for other business reasons, State Farm defines specific geographic areas as a "market area" for collision repair. State Farm may change the geographic territory that constitutes a market area at any time. Provider acknowledges that it owns or controls more than one location that provides collision repair services in a market area. This Addendum lists those locations that State Farm and Provider agree, subject to **Section 5. Effective Date and Termination** of this Addendum are either participating, or non-participating, locations in the State Farm Select Service program in the market area where the facilities listed in this Addendum are located. Only those locations listed below in **Section 3. Participating Provider Locations** of this Addendum are participants in this Agreement, even if Provider owns or controls other locations in the same market area, provided however, Provider acknowledges and agrees that the prices offered by Provider at all facilities it owns or controls in this market area apply when determining application of the pricing provisions set forth in **Section 4. Competitive Price**, including those facilities not otherwise participating in this Agreement. A list of locations owned or controlled by Provider in this market area that are non-participating locations (except as to **Section 4. Competitive Price**, of the Agreement) is set forth in **Section 4. Non-Participating Provider Locations** of this Addendum.

Section 2. Modification of Participating Locations

a. Changes to Schedule. State Farm and Provider agree that any location may be removed from this list by either party at any time, with the removal to take effect immediately upon written notice from one party to the other. The parties agree to execute a new Addendum – **Schedule of Provider Locations**, listing those facilities still participating in this Agreement as soon as reasonably possible thereafter. If Provider buys or obtains control of additional facilities, Provider agrees to notify State Farm. Only State Farm may add a location to this list, and then only upon the execution by both parties of a replacement to this Addendum. Only one Addendum is a part of this Agreement at any time. In the event more than one Addendum has been executed by the parties, only the one with the most recent date shall be effective.

Section 3. Participating Provider Locations

Location/facility name: _____

Location street address: _____

Location city, state and ZIP code: _____

Location phone number: _____

Location/facility name: _____

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Location city, state and ZIP code: _____

Location phone number: _____

Location/facility name: _____

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Location city, state and ZIP code: _____

Location phone number: _____

Section 4. Non-Participating Provider Locations

Location/facility name _____

Location street address _____

Location city, state and ZIP code _____

Location phone number: _____

Location/facility name: _____

Location street address: _____

Location city, state and ZIP code _____

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Location city, state and ZIP code _____

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a. **Effective Date and Termination.** This Addendum is effective upon, and subject to, the acceptance of Provider as a participant in the State Farm Select Service program, as evidenced by Provider having signed, and State Farm having accepted, the State Farm Select Service Agreement. In the event of a termination of that Agreement by either party, this Addendum shall also terminate at the same time.

Accepted and Agreed by

Name of Provider

State Farm Mutual Automobile Insurance Co.
for itself and its subsidiary and affiliated companies

Street Address

Street Address

City, State, ZIP Code

City, State, ZIP Code

Phone #

Fax #

Phone #

Fax #

Signature of Authorized Repair Service Provider Representative

Signature of Authorized State Farm Representative

Printed Name of Authorized Representative

Printed Name of Authorized Representative

Date

Date

State Farm® Select Service® Agreement

This Select Service Agreement (hereinafter "Agreement"), and if applicable and attached, the **Schedule of Provider Locations Addendum** (hereinafter "Addendum") outlines the understanding between State Farm Mutual Automobile Insurance Company and its subsidiary and affiliated companies, (hereinafter "State Farm" or "we"), and **Redacted**, (hereinafter "Provider"). In consideration of the mutual promises and representations contained herein, the parties agree to the following provisions:

Section 1. Customer Protections

a. Freedom of Choice. Provider acknowledges that vehicle owners have freedom of choice when selecting a repair facility.

b. Confidentiality/Privacy. Provider acknowledges it may learn or have access to confidential, proprietary, or private information (hereinafter "Information") of State Farm, State Farm's vendors, and vehicle owners. This Information specifically includes, but is not limited to, customer names, addresses, phone numbers, and social security numbers, vehicle accident and repair history, vehicle images, date of loss, and vehicle identification numbers. Provider warrants that it will use such Information for the limited purpose of repairing vehicles. Provider further warrants it will keep strictly confidential any such Information that Provider may learn. A third party performing as a subcontractor for Provider to accomplish duties subject to this Agreement may be given access to pertinent Information if that third party has agreed in writing with Provider to use such Information solely for the purpose of repairing vehicles and otherwise to keep such Information strictly confidential. Provider agrees it will not sell or share nor permit its third party vendors to sell or share Information.

c. Authorization. Provider agrees to obtain the vehicle owner's authorization prior to dismantling or beginning repair of the damaged vehicle. Provider further agrees to obtain and retain the vehicle owner's authorization for State Farm to pay Provider directly for completed repair work.

Section 2. Quality

a. Workmanship/Warranty. Provider agrees to repair the vehicle including, as applicable, mechanical, electrical, vehicle restraint and safety systems, in a quality and workmanlike manner. Provider further agrees to provide the vehicle owner with a written national limited lifetime repair warranty for workmanship, including refinishing, for all completed repairs for as long as the customer owns the vehicle. If, following receipt and payment of the final repair bill, State Farm determines corrective repairs are needed, State Farm will give Provider notice of the need to perform such repairs. Provider agrees to promptly take reasonable steps to comply with its obligation under this provision, including performing such repairs upon State Farm's request, and at no additional cost. If corrective repairs are necessary and the vehicle owner is unable or unwilling to return to Provider's facility, Provider agrees, upon request, to reimburse State Farm for such repairs paid for by State Farm.

b. Estimate Preparation. Provider agrees to complete inspection of the vehicle and further agrees that the initial estimate will be completed in a thorough manner by a qualified individual. Provider agrees that its estimates and supplements will not include an "appearance allowance" credit or adjustment. Provider agrees to correctly label replacement parts when preparing damage estimates so vehicle owners and State Farm will be aware of the type of part used in the repair process. Further, prior damage and betterment will be clearly identified. Provider will supply the vehicle owner with a copy of the original estimate, any supplement, and a final repair bill. Provider will maintain documentation to verify delivery of all documents to the vehicle owner.

If Provider determines partial disassembly is necessary to prepare an estimate, Provider agrees to:

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- 3) Follow local State Farm management direction for retention of damaged parts, reattaching disassembled parts, and/or disposition of parts.
- 4) Obtain prior approval from State Farm for any fees relating to work performed on a total loss.

Provider also agrees to notify State Farm if a vehicle owner elects not to complete repairs as estimated.

c. Electronic Images. Provider agrees to transmit electronic images of vehicle damage to State Farm prior to preparing or when submitting any estimate and/or supplement that corresponds to the damage. This includes securing appropriate photographs prior to disassembly. Provider further agrees electronic images will be of sufficient quality to allow for effective review by State Farm personnel and support the amount of vehicle damage noted on the final repair bill. Provider also agrees to transmit any additional images when requested by State Farm.

Accepted and Agreed by:

Redacted
Name of Provider

Redacted
Street Address

Redacted
City, State, ZIP Code

Redacted
Phone Number

Redacted
Fax Number

Redacted
Signature of Authorized Repair Service Provider Representative

Redacted
Printed Name of Authorized Representative

Redacted
Date

State Farm Mutual Automobile Insurance Company
for itself and its subsidiary and affiliated companies

Redacted
Street Address

Redacted
City, State, ZIP Code

Redacted
Phone Number

Redacted
Fax Number

Redacted
Signature of Authorized State Farm Representative

Redacted
Printed Name of Authorized Representative

Redacted
Date

Leslie Hurley - RE: Insurer Survey - Auto Repair Facilities and Personal AutoClaim Payments

From: "Zeman, Robert (LAW)"
To: "Kim Zapalac" <Kim.Zapalac@tdi.state.tx.us>, "David Nardecchia" <David.Nardecchia@tdi.state.tx.us>
Date: 6/4/2010 4:15 PM
Subject: RE: Insurer Survey - Auto Repair Facilities and Personal AutoClaim Payments
CC: "Marilyn Hamilton" <Marilyn.Hamilton@tdi.state.tx.us>
Attachments: Texas Survey_ auto direct repair facilities final_DRP_May 19 2010.doc

PRIVILEGED AND CONFIDENTIAL

Attached you will find the responses on behalf of Allstate to the Insurer Survey on Auto Repair Facilities issued by the TDI on May 19, 2010. Please note Allstate requests that TDI keep the responses confidential and we hereby assert they are subject to all applicable statutory and common law privileges, especially those pertaining to trade secret and commercial information protections. If TDI contemplates release of any portion of our responses we respectfully request notice and opportunity to be heard in advance. If you have any questions or comments please let me know.

Very truly yours,

Bob Zeman

Corporate Counsel

Allstate Insurance Companies

(847) 402-2745

From: Kim Zapalac [mailto:Kim.Zapalac@tdi.state.tx.us]
Sent: Wednesday, May 19, 2010 4:05 PM
To: David Nardecchia
Cc: Marilyn Hamilton
Subject: Insurer Survey - Auto Repair Facilities and Personal AutoClaim Payments

The Texas Department of Insurance (Department) requests that your company provide responses to the attached survey for each company within your group that is writing personal auto insurance in Texas, unless the response is identical for each within the group. Your response to the survey is necessary for the Department to have current information relating to certain personal auto claim payments. This request is being made pursuant to Texas Insurance Code, §38.001. Your response to the survey must be in writing and is due by **June 2, 2010**.

If you have any questions, please let me know.

David Nardecchia, Deputy Commissioner
Personal and Commercial Lines Division
Phone (512) 305-7544

CONFIDENTIAL

Insurer Survey – Auto Repair Facilities and Personal Auto Claim Payments

The Texas Department of Insurance (Department) requests that your company provide responses to the following survey for each company in your group that is writing personal auto insurance in Texas, unless the response is identical for each company within your group. This information is necessary for the Department to have current information relating to personal auto claim payments, including claim payments relating to auto repair facilities that have contracts or agreements with your company. As used in this survey the terms "auto repair reimbursement rates" or "reimbursement rates" should be considered to include any other term that may be used by your company to mean the rate paid for auto repairs.

If your company does not have contracts or agreements with auto repair facilities, you may disregard Sections I and III.

This request is being made pursuant to Texas Insurance Code, §38.001. Please respond to this survey in writing by **June 2, 2010**.

Section I - Contracts/Agreements with Auto Repair Facilities

- 1) Please provide a sample copy of each contract(s) or agreement(s) your company may use to negotiate with auto repair facilities.**

Response:



PSA v4.doc (677 KB)



Exhibit A
Guidelines.doc

- 2) Please provide a copy of an actual contract or agreement between your company and an auto repair facility for each sample contract provided.**

Response:



Texas RFSA.pdf
(853 KB)

- 3) Please explain how often your company re-negotiates contracts or agreements with auto repair facilities.

Response:

Rates and terms of the contract agreement are subject to change at any time.

- 4) Please explain the criteria that must be met by an auto repair facility prior to your company agreeing to contract with the repair facility.

Response:

The Repair Facility Services Agreement (RFSA) signed by every participant includes an addendum, Exhibit A, that outlines requirements for participation in the program.

- 5) Please provide the number of the auto repair facilities in Texas where there is a contract or agreement between your company and the facility.

Response:

As of June 2nd, 2010 we have a total of 388 auto repair facilities which includes 15 Sterling Autobody Shops which participate in the Company direct repair program in Texas.

- 6) Please explain if your company provides a guarantee or warranty for the repairs made at a contracted auto repair facility.

Response:

Yes. A copy of the guarantee is attached.



GHRN Guarantee.pdf

- 7) Please advise how claimants are informed of auto repair facilities that have a contract or agreement with your company.

Response:

The attached scripting is used to provide information to customers relative to repair facilities that have agreements with Allstate. However, the customer is always free to choose any repair facility.



Contracted Shop
Scripting.doc

8) Please explain what information is provided to claimants who choose to have repairs made at an auto repair facility that does not have a contract with your company.

Response:

The attached scripting is used for scheduling a Drive In Claims Service appointment or a Field handled inspection. The information provided does not make reference to either contracted or non-contracted repair facilities. Typically in a Field handled inspection the customer's vehicle is already at a shop of the customer's choice. In the Drive In scenario, the licensed adjuster completing the inspection follows the same scripting as provided in the response to question 7 above if the customer has not chosen a repair facility at the time of inspection.



Texas Drive In and
Field Inspection Script

Section II - Reimbursement Rates for Auto Repair Facilities

Please provide a separate response to each item under this section for auto repair facilities that have a contract or agreement with your company and for auto repair facilities that do not have a contract or agreement with your company. If the response to an item under this section is the same for both types of facilities, please indicate that your response is for both types of facilities in the appropriate item(s).

1) Please explain how your company determines the auto repair reimbursement rates, including labor, services, parts and materials.

Response: Non-contracted repair facility

An estimating software application is used to assist our licensed staff adjusters determine estimated repair costs. Additionally, repair judgments are made by our licensed adjusters on a case by case basis via negotiation and agreement with the shop and/or customer.

Response: Contracted repair facility

Our contracted shops utilize the estimating guidelines established within their estimating system. Additionally, repair judgments are made by the repair shop estimator/manager.

- 2) Please explain if certain software is used by your company to determine auto repair reimbursement rates and/or any impact the software may have on the reimbursement rates. Your explanation should identify such software.

Response: Non-contracted repair facility

The Audatex Estimating system provides parts data, flat rate labor times and included operation logic to our licensed staff adjusters in Texas as a tool to assist in develop estimates for the repair of covered losses.

Response: Contracted repair facility

We utilize Open Platform estimating. Our shops may use any one of the 3 leading estimating platforms in the industry: Mitchell, CCC and ADP.

- 3) Are there situations where your company deviates from the auto repair reimbursement rate or software? If yes, please explain in detail those situations and how the final reimbursement rate is determined.

Response: Non-contracted repair facility

Yes. The situations in which deviations occur are based on the individual inspection on a case by case basis and agreement is negotiated with the repair shop and/or customer.

Response: Contracted repair facility

Yes. Deviations can occur on a case by case basis on individual vehicle repair estimates. Changes are made by the repair shop estimator/manager

- 4) a) Does your company set caps or limits on the reimbursement rates for certain labor, services, parts and/or materials when estimating auto repairs, e.g. paint? If yes, please explain.

Response: Non-contracted repair facility

Thresholds and pricing guidelines may be used for various services or labor operations. Additional costs are negotiated with the shop to arrive at an agreed repair cost.

Response: Contracted repair facility

Thresholds and pricing guidelines are negotiated individually with each shop contract.

- b) If your company sets caps or limits on items such as paint, please explain how the caps or limits are determined?

Response: Non-contracted repair facility

Thresholds and pricing guidelines are reflective of local market acceptance.

Response: Contracted repair facility

Thresholds and pricing guidelines are negotiated individually with each shop contract.

- 5) Please explain how your company determines the auto repair reimbursement rates for used, after-market or reconditioned parts and materials. Please include in your explanation how the reimbursement rate for labor is determined and impacted by the use of these parts and materials.

Response: Non-contracted repair facility

The estimating software used by our licensed auto adjusters provides labor allowances for various parts groups and materials. However, on a case by case basis allowances provided can be negotiated with the shop or customer to arrive at an agreed cost for repair.

Response: Contracted repair facility

The estimating software used by our repair facilities, provides labor allowances for various parts groups and materials. However, on a case by case basis allowances provided can be negotiated

- 6) a) Please explain how often your company re-evaluates auto repair reimbursement rates, caps and/or limits, including labor, services, parts and materials.

Response: Non-contracted repair facility

Rates are required to be reviewed by local Texas management a minimum of at least once annually. However, if market conditions dictate, rates are reviewed as needed.

Response: Contracted repair facility

Rates are required to be reviewed by local Texas management a minimum of at least once an annually. However, if market conditions dictate, rates are reviewed as needed.

- b) When did your company last adjust auto repair reimbursement rates, caps and/or limits for labor, services, parts and materials?

Response: Non-contracted repair facility
Adjustments were made throughout 2010.

Response: Contracted repair facility
Adjustments were made throughout 2010. See Section One -question #3.
Rates and terms of the contract agreement are subject to change at any time.

Section III - Personal Auto Claim Payments

- 1) For calendar year 2009, please provide the percentage of initial auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.

Response: Non-contracted repair facility
1st Party – 76.3%
3rd Party – 88. %

Response: Contracted repair facility
1st Party – 23.7%
3rd Party – 12.0%

- 2) For calendar year 2009, please provide the percentage of supplemental auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.

Response: Non-contracted repair facility
34.2%- Reflects supplements paid on estimates created by an Licensed Allstate Adjuster.

Response: Contracted repair facility
126.6%- Driven primarily by Contracted Repair Facility procedural, communication and oversight requirements.

Section IV - General Information

- 1) a) **Does your company require auto repair facilities to follow certain repair procedures in making repairs or for estimating the cost of repairs? If yes, please explain how these procedures are used to estimate the cost of repairs.**

Response:

No, we however do utilize repair industry data, repair industry organizations, e.g., I-Car and vehicle manufacturer repair procedures in connection with the preparation of estimates.

- b) **Please explain how the repair procedures will impact the amount that will be reimbursed to the auto repair facilities estimated cost for repairs. Does your company provide an explanation to the auto repair facility for repair procedures that will not be paid?**

Response:

Repair procedure costs are negotiated and agreed upon between our licensed adjuster and the repair shop. All repair procedures and costs are thoroughly discussed with the repair facility and/or customer.

- c) **Please provide a copy of your company's repair procedures.**

Response:

We do not have company repair procedures. As indicated in response 1 above, repair procedures used to estimate costs stem from the repair industry, industry organizations and vehicle manufacturers.

- 2) **Please explain how disagreements relating to the repair costs are resolved between your company and auto repair facilities and/or the claimant.**

Response:

Disagreements are negotiated with the shop and/or customer and if necessary disagreements are settled consistent with policy language.

- 3) a) Please explain how your company addresses possible manufacturer's warranty issues that may exist, e.g. certain auto manufacturer requires certain manufacturer approved or certified auto repair facilities to perform the repairs to maintain the warranty on the auto.

Response:

Allstate has a policy of customer choice relative to repair facilities. This policy would include claims involving vehicles required to be repaired by Auto Manufacturer approved or certified facilities.

- b) Does your company make payment based on the manufacturer requiring repairs to be made by an approved or certified auto repair facility? If yes, how is the actual payment amount determined?

Response:

Yes. Payment amount is determined by utilization of the estimating software in conjunction with repair shop and/or customer negotiation and agreement involving our licensed auto adjusters.

- 4) Will your company accept pictures and estimates from an auto repair facility in lieu of a company/adjuster inspection/estimate? If no, please explain.

Response:

Yes

- 5) Please explain how your company determines the number of days rental car expenses will be reimbursed.

Response:

The number of rental days is determined considering actual repair duration. In first party cases, rental payments will be determined by the policy terms and conditions.

EXPRESS REPAIR OPTION: **REQUIREMENTS FOR PARTICIPATION IN PROGRAM**

The Allstate Corporation (Allstate), the parent of Allstate Insurance Company, is the nation's largest publicly held personal lines insurance company. "Allstate" is defined as Allstate Insurance Company and all insurance subsidiaries and affiliates including but not limited to Encompass Insurance.

The following sets forth policies and procedures required for repair facilities providing services on behalf of Allstate under the Express Repair Option program. These policies and procedures may change (in whole or in part) at any time. However, if this occurs, Allstate will provide you with prior written notice of the change.

Repair Facility (hereinafter "Repair Facility")	
Address	
City, State Zip Code	
Owner	
Manager	
Asst. Manager	

I. OPERATING PROCEDURES

Repair Facility will comply with the following procedures:

A. Regulatory Compliance

1. Repair Facility will comply with all federal, state and local laws and regulations relating to the performance of its repair services, including but not limited to, all laws and regulations relating to employment, taxation and the health and safety of employees. Further, Repair Facility will demonstrate a concern for the environment by complying with all safety and environmental standards when disposing of toxic and hazardous waste materials.
2. Repair Facility agrees to prevent illegal and fraudulent practices by complying with all applicable regulations. Allstate may cancel its business relationship with Repair Facility if Allstate, a policyholder of Allstate, or another beneficiary under an insured's policy establishes reasonable grounds to believe that Repair Facility is fraudulent in its dealings with Allstate or the policyholder or other beneficiaries under an Allstate policy.

EXHIBIT A

3. Repair Facility will, at its own expense, provide and keep in full force and effect during the term of this Agreement the following kinds and minimum amounts of insurance:

- a. Garage Liability insurance with a limit of not less than \$1,000,000.00 per occurrence, or
- b. Garage Liability insurance with a limit of not less than \$500,000.00 per occurrence and Umbrella liability insurance policy of at least \$500,000.00 per occurrence.
- c. In addition, we ask that you contact your insurance broker and have Allstate Insurance Company listed as a Certificate Holder, so that we are informed of updated policy information. Our address is:

**Allstate Insurance Company
Vendor Selection Division
2775 Sanders Road E-6
Northbrook, IL 60062**

4. Repair Facility agrees to demonstrate a concern for preventing the use of stolen parts by complying with all state and federal anti-theft regulations.

B. Repair Processes

- 1. Repair Facility agrees to use an Allstate-approved scheduling system to make specific appointments for estimating, vehicle drop-off for repairs, and delivery purposes.
- 2. Repair Facility will take and retain photos of the damaged area on every vehicle estimated and provide photographs of the damaged vehicle. When requested by Allstate, Repair Facility will take additional photos. Allstate will explain the views, volume and quality of any special request on a case-by-case basis.
- 3. Prior damage will be noted on the estimate; prior damage will not be included as items for Allstate insurance-related repair, unless otherwise required by statute or regulation. Customer-requested repairs that exceed repair levels required to return the vehicle to its pre-accident condition will be noted as "Customer Requested" on the estimate. Additionally, these situations require immediate phone notification to Allstate.
- 4. Minor cosmetic damage to the vehicle where repair or replacement would not be required or expected, and a cash-out allowance is appropriate, will require a phone call to the Express Administrator. The Express Administrator will contact the customer or claimant, reach agreement with the customer or claimant as to the final disposition and any allowance amount, contact Repair Facility who will include the amount on the estimate. Repair Facility will transmit a final copy of the repair estimate by close of business day.
- 5. Based on geographical differences Allstate will employee a range of oversight options. With approval, on the day the vehicle arrives, Repair Facility will secure the owner's permission to tear down the vehicle to the extent necessary to prepare an itemized estimate that will include all damage that is visible and verifiable at the time of inspection. The repair estimate is to be completed on a priority basis and will contain all

EXHIBIT A

customer notices required by statute and regulation. As soon as the estimate is completed a final copy will be transmitted to Allstate by the end of the same business day. A copy of the estimate will be retained at Repair Facility and a copy of the estimate will be provided to the vehicle owner along with any verbal or written notices required by statute or regulation.

- a. If a major tear down is required to prepare a complete estimate, the Repair Facility will immediately notify the Damage evaluator (DE) for approval prior to any further teardown.
 - b. If the vehicle is believed to be a total loss, Repair Facility will immediately notify the appropriate Allstate total loss representative to request final authority to handle the vehicle as a total loss.
 - c. If the vehicle is repairable, the repair facility may begin the repairs upon the customer's authorization to do so.
 - d. If the vehicle is determined by Allstate to be a total loss, Allstate will advise the Repair Facility when and where the vehicle is to be moved for final processing.
6. If during the course of repairs, hidden damage is discovered or if significant changes in repair methodology are recommended, Repair Facility will obtain approval from the owner of the vehicle and, dependent on the oversight model employed, contact Allstate prior to initiating the repair. A supplemental estimate must be prepared stating the modifications in repair procedure and the cost. The supplement must be transmitted to Allstate by the close of the business day on which the needed change is identified. Any failure to comply with this procedure may result in the removal of Repair Facility from the Express Repair Option program.
7. At the conclusion of the repairs, Repair Facility will prepare a final, detailed invoice that reflects the actual vehicle repairs completed. A copy of the invoice will be provided to both the customer and Allstate prior to accepting payment.
 - a. The final detailed invoice, which is the estimate/supplement, will be transmitted electronically to Allstate.
 - b. The final detailed invoice, which is the estimate/supplement, to the customer will be a printed copy of the same invoice transmitted to Allstate.
8. Vehicles and estimates may be spot-checked by an Allstate representative or a third-party selected by Allstate. All Allstate-related bills and invoices must be available for immediate review by Allstate and in the event of a variance in the estimate, the loss may be readjusted and credit issued to either Allstate or Repair Facility. Failure to provide access to the vehicle or documentation may result in the removal of Repair Facility from the Express Repair Option program.
9. Repair Facility will adhere to the current Allstate Total Loss process. Repair Facility will be responsible for the content of the repair estimate and in setting the Total Loss threshold in the CCC system at ____ %. Each time this threshold is crossed, the Repair Facility must consult with the appropriate Allstate representative for a final decision on whether the vehicle is repairable or a total loss. The Repair Facility will be responsible for expenses incurred as a result of gross estimating errors resulting in an improper decision of reparability.

EXHIBIT A

C. Technology

1. As a condition of Repair Facility's participation in the Express Repair Program, you will be required to have a mechanized estimating system. In geographical areas defined by Allstate, the mechanized estimating system currently is CCC-Pathways.
2. Scheduling and Repair Status Messaging Technology:
 - a. Subject to geographical location or technological capabilities, you may be required to implement a software application for scheduling and repair status messaging ("Scheduling and Repair Status Messaging Technology"). This technology will assist in creating a web-based communication and transaction link to manage assignment and repair status messaging between Repair Facility and Allstate and is contingent upon your facility's continued participation in the Express Repair Option program. If you do implement such technology, Allstate or its agent will supply training and support for your facility.
 - b. Alternatively, Allstate has a proprietary (i.e., Allstate-owned) scheduling and repair status messaging technology. Upon request, Allstate will supply Repair Facility with this Allstate-owned technology, as well as related requirements and specifications for connectivity, security, and functionality. This will allow Repair Facility to develop a functionally equivalent technology solution for participation in the new Express Repair Option program. All costs involved in the development and installation of such technology will be borne by Repair Facility.
3. The preferred method for communicating between customers, Repair Facilities, and Allstate is through Web-based applications.
Please state your Internet Address: _____

D. Authorization/Payment

1. Unless Repair Facility has been advised of a pending coverage or liability issue, repairs may begin immediately after the repair estimate has been sent to Allstate and vehicle owner authorization is secured.
2. Upon receipt of a valid and final estimate and notification that the repairs are complete, Allstate will issue payment electronically to Repair Facility or by check payable to the customer and Repair Facility. Where payment requires issuing a check, a two-party check will be mailed directly to Repair Facility unless the customer requests otherwise. All payments will be less any applicable deductible.

E. General Administration

1. Repair Facility agrees to provide information from time to time as necessary for qualification under the terms of the Allstate Vendor Selection process. Vendor Selection approval is required for continued participation in the program. A copy of the Vendor Selection

EXHIBIT A

Application is attached as Exhibit B.

2. Allstate Insurance Company may employ a range of oversight options, including but not limited to: physical inspection (before, during, or after the repair); preparation of a repair plan (scope); electronic auditing; and third-party review of the estimate.
3. Repair Facility is required to provide timely electronic update messaging information on a consistent basis. Failure to adhere to this requirement may result in removal from the program.
4. Periodically, Allstate will assess its needs in the marketplace to properly serve its customers and claimants. This assessment will include facility performance results, competitive position, customer service results and the quality of the repairs. Based on this assessment, Allstate will determine if continued participation in the program is warranted.
5. Allstate reserves the right to review and revise the repair volume capability established for ERO shops based on past experience of the shop and the ability of the shop to handle Allstate business on a priority basis. In general, this means evaluating whether the Repair Facility can handle the number of cars which Allstate is sending for repairs.
6. Repair Facility is responsible for the quality of the repairs performed under the Express Repair Option program. All direct and consequential costs associated with the re-work necessary to correct the vehicle repair to meet an acceptable industry repair standard will be the responsibility of Repair Facility. The vehicle must be repaired to industry standards. If a shop cannot return a vehicle to industry standards, and the customer has become uncomfortable with returning the vehicle to that shop for additional repairs, the original shop agrees to re-reimburse Allstate reasonable charges paid to the third repair facility that was necessary to return the vehicle to industry standards.
7. Repair Facility agrees that it is bound by the terms of the attachments and all other applicable Allstate policies, procedures and requirements.

II. CUSTOMER SERVICE

- A. Repair Facility must utilize Allstate's customer service index (CSI), which currently is *AutocheX*. All costs associated with the use of *AutocheX* or a similarly Allstate-approved provider, are the responsibility of Repair Facility. In certain geographical locations approved by Allstate, Repair Facility may perform similar CSI indexing in house. In-house CSI indexing will be accomplished by Repair Facility utilizing and tracking the same CSI questions as Allstate's primary provider.
- B. At the time of delivery, Repair Facility will provide the customer with a final invoice showing all repairs completed on the vehicles. A copy of the Allstate written warranty will be attached to the final invoice.
- C. Repair Facility will assist the customer in the resolution of all parts or material manufacturer

EXHIBIT A

warranty claims.

- D. Repair Facility will give priority service to vehicles being repaired under the Express Repair Option program. A high level of service and communication to the customer will be provided.
- E. Repair Facility will contact the customer prior to beginning the repair process to explain the complete repair process, including methods of repair, parts selection, and the projected date of completion.
- F. Repair Facility will be required to provide repair progress updates as necessary to satisfy the customer. Where the customer does not express a time frame for progress updates, contact with the customer must be made at least once per week until the vehicle is repaired and delivered.
- G. Repair Facility will be required to commit to a guaranteed delivery date for all vehicles repaired under the Express Repair Option program. Repair Facility will be responsible for any and all costs caused by a failure to meet the guarantee delivery date, where the cause of the delay is within the control of Repair Facility,
- H. At customer's reasonable request, Repair Facility will provide extended hours of operation and extended pick-up and early delivery times for services related to customer's specific needs.
- I. A verifiable pre-delivery quality inspection process must be utilized and completed prior to delivery. Evidence of such process will be made available at Allstate's request.
- J. Repaired vehicles will be cleaned and returned to the customer for inspection before requesting payments.

III. REPAIR FACILITY PERSONNEL TRAINING

Repair Facility personnel are required to participate in I-CAR or ASE training related to their job functions, and achieve I-CAR Gold or ASE Blue Seal certification within one year of the shop's original ERO participation date. Repair Facility **must meet the requirements** that would allow it to be eligible for I-CAR Gold Class status or an ASE Blue Seal repair facility. Additional training available from manufacturers, distributors, and suppliers of motor vehicle, vehicle components, and repair equipment is also encouraged. Failure to achieve and maintain I-CAR or ASE certification standards, except for just cause, will be grounds for removal from the Express Repair Option program.

IV. FEES AND OTHER CHARGES

Labor Rate: Body \$ _____ Refinish \$ _____ Frame \$ _____

Mechanical/Electrical \$ _____ Paint & Materials \$ _____

EXHIBIT A

Unibody Set Up Charge: Yes _____ No _____ Amount \$ _____

Tax Rate: Parts _____ % Labor _____ %

Discounts on Domestic Parts: Yes _____ % _____ No _____

Discounts on Foreign Parts: Yes _____ % _____ No _____

Recycled Parts Mark up: _____ %

Use of Glass Network? Yes _____ No _____

If No above, Glass Discount: Windshield _____ % Side/Back _____ %

Refinish Thresholds – Paint and Materials: Single Stage: \$ _____

Two Stage: \$ _____ Three Stage: \$ _____ Clear Coat Labor: \$ _____

Towing charges:

- Flat rate – local \$ _____
- Mileage charge \$ _____
- Clean-up \$ _____
- Late-hours \$ _____
- List any other charges \$ _____
\$ _____

Sublet Charges:

- Any sublet charges with markup exceeding \$ _____ will require prior approval by an Allstate representative

Advance charges:

- Any advance charges costing over \$300.00 will require prior approval by an Allstate representative.

Misc. charges

- _____ \$ _____
- _____ \$ _____
- _____ \$ _____
- _____ \$ _____
- _____ \$ _____

GOOD HANDS® REPAIR GUARANTEE

Name

Claim No.

Allstate guarantees that the workmanship of covered repairs performed by the shop below will meet auto repair industry standards. Allstate's commitment under this guarantee will be to correct deviations from such standards.

Repair Shop Name

This guarantee applies to all repairs performed based on the attached estimate (or supplemental repairs related to this accident) for as long as you own your vehicle.

This guarantee applies only to this recommended shop.



Michael J. Rade

Vice President — Claims, Allstate Insurance Company



Allstate.
You're in good hands.

USING THE GOOD HANDS[®] REPAIR GUARANTEE

YOUR COMPLETE SATISFACTION IS OUR GOAL.

1

If you have a complaint about the workmanship of the repairs covered by the guarantee, please report it immediately to the nearest Allstate Claim Office.

2

Allstate will make arrangements to have your car inspected and your complaint investigated within five business days.

3

If you fail to reach an agreement with the Allstate Claim Office you may elect to have the matter resolved through the use of an informal dispute settlement procedure at Allstate's expense. An Allstate Claim Representative can provide you with further information on the dispute settlement procedure at your request.



Texas Sterling and Express Repair Option Scripting

Sterling Script

"I'd like to tell you about our Sterling Autobody Centers and the benefits they offer.

Sterling Autobody Centers, which is an affiliate of Allstate Insurance Company, provide excellent service, quality repairs and a lifetime guarantee on parts and labor as long as you own your vehicle.

Our Sterling Autobody Centers:

- Provide free pickup and delivery service
- Assist you with coordinating a rental vehicle on site
- Keep you updated on the progress of the repair work

And,

- Professionally clean your repaired vehicle.

Please keep in mind that you are always free to choose any repair shop and don't have to use a shop we recommend.

Would you like me to recommend a Sterling Autobody Center near your home or work?"

Express Repair Option Script

Script

" You're always free to choose any repair shop and don't have to use a shop we recommend; however, I'd like to tell you about our repair shop referral program. Allstate has selected repair shops for their excellent service and repair quality. If you use one of these shops, Allstate will give you our written guarantee on the workmanship of the repairs for as long as you own your vehicle. May I recommend a shop near your home or work? "

Talking Points

- You're always free to choose any shop and don't have to use a shop we recommend.
- Repair shops selected by Allstate for their excellent service and repair quality.
- Allstate written guarantee on the workmanship of the repairs for as long as you own your vehicle.

Texas Drive In and Field Inspection Scripting

Drive In Script

Based on the information you've provided me, I'd like to schedule an appointment to have one of our auto adjusters inspect your vehicle at one of our drive-in locations. During the appointment, our auto adjuster will provide you with:

- A repair estimate,
- An explanation of the repair process, and, in most cases,
- Repair authorization for your damages, as well as payment information.

Please keep in mind that we will subtract your deductible from the repair amount. You will be responsible to pay the deductible to the repair shop. I can schedule an appointment for a time and location that is convenient for you. The appointment will take about a ½ hour. Would you prefer a location closer to your home or work?

Note: Offer the insured/claimant the first available drive-in appointment. If the first available appointment is not accepted, schedule the insured/claimant for an appointment as soon as possible.

Note: When making a drive-in appointment using ERL, offer to e-mail the insured/claimant their appointment information using the "e-mail this assignment" feature.

Appointment Confirmation Script

I just want to quickly go over your appointment with you. You are scheduled to have your vehicle inspected at our _____ (name of drive-in), located at _____ (address), on (date of appointment) at _____ (time of appointment).

Would you like me to send you an e-mail reminder about your appointment? I can send one to you now.

Do you have any questions or need any additional information about your appointment?

Field Inspection Scripting

Use this when ... you need to explain the field assignment process to the insured or claimant.

We will arrange to have one of our auto adjusters inspect your vehicle.

Once the inspection is complete, the adjuster will discuss the damage estimate with you, go over the payment process and answer any questions you may have.

To ensure that we communicate important information as quickly as possible, I'd like to verify that the best phone number to reach you is [phone number]. *(Try to get cell phone numbers if available.)*

If the inspection timeframe I provide you changes, our local auto team will contact you to discuss any details



Allstate.
You're in good hands.

FAX

Date June 7, 2010

Number of Pages 22
(Including Cover Sheet)

To Kim Zapalac

Company Texas Department of Insurance

Department _____

Phone _____

Fax 512-490-1014

From Robert Zeman

Department Law & Regulation

Phone 847-402-2745

Fax 847-402-9757

Subject _____

Notes _____

Notice of Confidentiality. The document accompanying this facsimile transmission contains information which is confidential and/or legally privileged. The information is intended only for the individual or entity named on this transmission sheet. If you are not the intended recipient, be aware that any disclosure, copying, distribution or use of the contents of this information is prohibited. If you have received this facsimile in error, please notify us by telephone immediately so that we can arrange for the retrieval of the original document at no cost to you.

REPAIR FACILITY SERVICES AGREEMENT

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**Allstate.**

You're in good hands.

REPAIR FACILITY SERVICES AGREEMENT

This Repair Facility Services Agreement ("Agreement") is entered into by and between _____ of _____ ("Repair Facility") and Allstate Insurance Company of Northbrook, Illinois, an Illinois Insurance Company ("Allstate") and is effective on _____, 200_.

1. Services

(a) This is an agreement in which Allstate shall retain Repair Facility to provide automotive repair services under Allstate's Direct Repair Program ("Services"), subject to the terms and conditions set forth herein, including Exhibit A, "Direct Repair Program: Requirements For Participation In Program." For purposes of this Agreement and any attachment hereunder, the term "Allstate" includes its insurance subsidiaries and affiliates and the term "Repair Facility" includes its employees, representatives, agents and subcontractors.

(b) To the extent there is any conflict between the provisions of this Agreement and any exhibit or attachment, the terms of this Agreement shall control the rights and obligations of the parties, unless a properly executed Exhibit expressly amends and supercedes this Agreement.

2. Personnel and Staffing

(a) Repair Facility has sole discretion to provide all necessary personnel for each project under any Exhibit. If Allstate believes that the conduct of any individual selected by Repair Facility may or does result in a breach of this Agreement or a risk of liability to Allstate, then Allstate shall have the right, but not the obligation, to so notify Repair Facility. If Allstate does give such notice to Repair Facility, then Repair Facility shall immediately review the matter and promptly take such reasonable steps to remedy the situation, including, but not limited to, replacing one or more individuals assigned to the project.

(b) Repair Facility shall not bring upon Allstate premises, or assign Allstate work to, any personnel of Repair Facility whose background check revealed: (1) a felony conviction involving dishonesty or breach of trust; or (2) any other pertinent information indicating that the individual poses a significant risk to the health or safety of others.

(c) Repair Facility shall comply with the pre-existing Allstate Vendor Application requirements for owners, partners and equity officers. The Vendor Application, which has been completed and executed by the Repair Facility, is on file at Allstate's offices and is incorporated by reference herein.

3. Independent Contractor Status

(a) Repair Facility shall be an "independent contractor" hereunder. Neither Repair Facility nor any of its employees or other agents shall be deemed an "employee," "agent," "servant," or "joint employee" of Allstate. Allstate will have no control or influence over any of Repair Facility's employees or other agents. In that regard, Repair Facility shall have the sole discretion to hire and fire, discipline, evaluate, manage, train, maintain records of hours, handle payroll, provide insurance, and determine all other terms and conditions of employment for its employees.

Repair Facility's employees and other agents will not be eligible to participate in any Allstate employee or fringe benefit programs, including, but not limited to, any bonus, pension, profit sharing, stock option, vacation, disability, retirement, deferred compensation, or insurance which Allstate may maintain for its own employees.

(b) The administration of claims involving workplace injury to any of Repair Facility's employees or other agents while working on, or present at, Allstate premises will be the sole responsibility of, and will be handled solely by, Repair Facility.

(c) Repair Facility shall, in performing the services contemplated herein: (i) use its own equipment; and (ii) ensure that all of its employees are fully trained and/or certified on the equipment to be used. Certification and/or training shall incorporate all OSHA-related requirements.

4. Privacy and Data Protection

(a) Each party will comply with all applicable federal and state privacy and data protection laws and regulations established for the collection, storage, use and dissemination of personally identifiable consumer information.

(b) Individual consumer information will not be shared or made available to any other third party. Repair Facility may not use consumer data for any purposes other than as provided in this Agreement.

(c) Repair Facility represents and warrants that it has implemented and maintains reasonable security measures to protect against the loss, misuse and alteration of consumer information under its control. Allstate reserves the right to audit Repair Facility security measures upon reasonable notice.

5. Audits

Allstate shall, upon three (3) business days' prior written notice, or such other reasonable time-frame as mutually agreed by the parties, have full access to all billing records, Repair Facility invoices and payments, orders, data, etc. and all other relevant records in Repair Facility's custody that concern Repair Facility's relationship with Allstate. Allstate will not have access to any payroll information. Repair Facility shall supply all assistance reasonably necessary so that the Allstate auditors may complete any such audit.

6. Rates and Payment Terms

Fees and other charges, and payment terms are set forth in Exhibit A.

7. Warranties

(a) Repair Facility warrants that all Services provided hereunder will be performed in a good workmanlike manner, with that standard of care, skill, and diligence normally provided by a similar professional in the performance of similar services in accordance with applicable specifications and industry standards.

(b) Repair Facility warrants that its performance under this Agreement, including, but not limited to its production of tangible or intangible products, will not infringe upon or violate the rights of any third party, including property, contractual, employment, trade secrets, proprietary information and non-disclosure rights, or patent, copyright, trade secret or other proprietary rights.

8. Indemnification

Repair Facility agrees to indemnify, defend, and hold Allstate, including its officers, directors, employees, and other agents, harmless from any and all liability (including, without limitation, reasonable attorney's fees, costs and expenses) resulting from or related to any claim, complaint and/or judgment for:

(a) relief or damages obtained by any of Repair Facility's employees or other agents for any benefits offered by Allstate to its own employees;

(b) worker's compensation, unemployment compensation or disability insurance premiums or claims, employment taxes, insurance contributions (e.g., OASDI) and/or withholding taxes levied upon or attributable to the Services rendered by Repair Facility;

(c) relief asserted or brought against Allstate which arises from the negligent performance of or failure to perform any Services rendered, or tortious action taken by Repair Facility or its employees or agents, pursuant or related to this Agreement;

(d) relief asserted or brought against Allstate which arises from Repair Facility's failure to comply with the requirements set forth in paragraph (b) of Personnel and Staffing, pursuant or related to this Agreement;

(e) any breach or claimed breach of the warranties set forth in paragraph (b) of Warranties; or

(f) unauthorized use or disclosure of Confidential Data by Repair Facility.

9. Confidentiality

(a) Repair Facility acknowledges that during the course of this Agreement, Allstate may make confidential data available to Repair Facility or Repair Facility may otherwise learn of trade secret or confidential information of Allstate (collectively, hereinafter "Confidential Data"). Confidential Data includes all Allstate information not generally known or used by others and which gives, or may give, Allstate an advantage over its competitors or which could cause Allstate injury, loss of reputation or goodwill if disclosed. Such information includes, but is not necessarily limited to, data or information of Allstate which identifies or concerns past, current or potential customers, business practices, financial results, research, development, systems and plans; and/or certain information and material identified by Allstate as "Confidential"; and/or data Repair Facility furnishes to Allstate from Repair Facility's database or third party Repair Facilities; and/or data received from Allstate and enhanced by Repair Facility. Confidential Data may be written, oral,

recorded, or maintained on other forms of electronic media. Because of the sensitive nature of the information that Repair Facility and its employees or agents may become aware of as a result of this Agreement, the intent of the parties is that these provisions be interpreted as broadly as possible to protect Confidential Data.

(b) Repair Facility acknowledges that all Confidential Data furnished by Allstate is considered proprietary and strictly confidential. Repair Facility also acknowledges that the unauthorized use or disclosure of any Confidential Data will cause irreparable harm to Allstate. Accordingly, Repair Facility agrees that Allstate shall be entitled to equitable relief, including injunctive relief (without bond), in addition to all other remedies available at law for any threatened or actual breach of this Agreement or any threatened or actual unauthorized use or disclosure of Confidential Data.

(c) Repair Facility will employ commercially reasonable measures to protect Confidential Data received from Allstate, or which it becomes aware of about Allstate, that it would employ for its own comparable confidential information (but in no event less than a reasonable degree of care in handling Confidential Data). Without limiting the foregoing, Repair Facility further agrees that: (i) Confidential Data shall not be distributed, disclosed, or conveyed to any third party except by prior written approval of Allstate; (ii) no copies or reproductions shall be made of any Confidential Data, except to further the purposes of any assignment that Repair Facility may receive from Allstate; and (iii) Repair Facility shall not use any Confidential Data for its own benefit or for the benefit of any third party.

(d) Repair Facility agrees that, should third parties request Repair Facility or its contractors or subcontractors to submit Confidential Data to them pursuant to subpoena, summons, search warrant or other lawful process, Repair Facility will notify Allstate immediately upon receipt of such request. In no case shall such notice be received by Allstate later than five (5) business days after receipt by Repair Facility. If Allstate objects to the release of the Confidential Data, Repair Facility will permit counsel chosen by Allstate to represent Repair Facility in order to resist release of the Confidential Data. Provided that Repair Facility is otherwise in compliance with this Agreement, Allstate will indemnify Repair Facility for all reasonable expenses incurred by Repair Facility in connection with resisting the release of the Confidential Data.

(e) Repair Facility agrees that all Confidential Data shall at all times remain the sole property of Allstate and, if in tangible form such as (by way of example and not limitation), in writing or on tape, disk, or other electronic media, such tangible material and all copies shall be returned to Allstate within five(5) business days after termination of Repair Facility's assignment at Allstate or upon demand at any other time. No rights or licenses, express or implied, are granted by

Allstate to Repair Facility under any patents, copyrights, trade secrets, or other proprietary rights of Allstate as a result of or related to this Agreement.

(f) The obligations set forth in paragraphs (a) through (e) above shall not apply to:

(i) any disclosure specifically authorized in writing by Allstate; or

(ii) Confidential Data which:

(1) has become well known in the trade; or

(2) was disclosed to Repair Facility by a third party not under an obligation of confidentiality to Allstate; or

(3) was independently developed by Repair Facility not otherwise in violation or breach of this Agreement or any other obligation of Repair Facility to Allstate; or

(4) was rightfully known to Repair Facility prior to entering into this Agreement.

(g) The obligations of each party set forth in paragraphs (a) through (f) above shall survive the completion or termination of this Agreement.

10. Non-Publication of Allstate Name and Trademarks; Advertising Restraints

(a) Repair Facility agrees that without the prior written consent of Allstate, it will not

(i) use the name, logos, service marks, or trademarks of Allstate, or

(ii) reveal the terms and conditions of this Agreement.

(b) The provisions of this section apply to any disclosure to a third party, including but not limited to, advertising, publicity releases, sales presentations, marketing materials, publications, correspondence, and announcements. Requests for Allstate consent must be submitted pursuant to Notices herein. Allstate may revoke any consent given under this section at any time, upon notice to the Repair Facility.

Notwithstanding the preceding, upon prior written notice to Allstate, Repair Facility may make any disclosure specifically required by law or regulation. If Repair Facility is a publicly traded company, with regard to any disclosure by Repair Facility required for publicly traded companies under Item 601(b)(10) of Regulation S-K of the Securities and Exchange Commission (SEC) for publicly traded companies, a confidential treatment request in a form satisfactory to Allstate must be filed with the SEC, if requested by Allstate.

11. Termination

(a) Either party may cancel this Agreement without cause upon presentation of 30-days prior written notice to the other party. Upon such termination, Repair Facility shall complete all remaining services as quickly as is reasonably possible and Allstate shall pay all valid outstanding invoices for work

completed. All remaining services shall be performed with the same quality standards and obligations as set forth in Exhibit A.

(b) Allstate may immediately terminate this Agreement if Allstate receives information on its own or through information provided by an Allstate policyholder or another beneficiary under an Allstate policy, which establishes reasonable grounds for the belief that Repair Facility has been acting fraudulently in its dealings with Allstate, an Allstate policyholder or another beneficiary under Allstate policy(ies). In such event Repair Facility will assist Allstate in obtaining services from other repair facilities for affected Allstate customers. Further, Repair Facility will reimburse Allstate for payments made by Allstate for any unfinished work paid.

(c) In the event that either party shall cease conducting business in the normal course, become insolvent, admit in writing its inability to meet its debts as they mature, make a general assignment for the benefit of creditors, or is the subject of a petition in bankruptcy and such petition is not dismissed within sixty (60) days from its filing, then at the option of the other party, this Agreement shall terminate immediately and be of no further force and effect.

(d) Upon termination of this Agreement, each party shall return to the other, within five (5) business days, all papers, materials and other properties of the other held by each. Failure to comply with the provisions of this Section may result in payment to Repair Facility being withheld by Allstate until all papers, materials, equipment or other property is returned.

12. Notices

(a) Except as specifically provided elsewhere in this Agreement or any Exhibits, all notices required or permitted to be given by one party to the other under this Agreement shall be in writing and shall be sufficient if made to the parties at the respective addresses set forth below or to such other person or address as the party to receive the notice has designated by notice to the other party and by:

- (i) personal delivery (including delivery by any commercial delivery service);
- (ii) registered or certified mail, postage prepaid, return receipt requested;
- (iii) facsimile transmission ("Fax"); or
- (iv) e-mail transmission.

(b) The date of notice to the other party shall be, regardless of the date appearing on the notice: the date upon which such notice is actually delivered; or if the notice is given by registered or certified mail, the date upon which it is deposited in the mail; or if sent by Fax or e-mail transmission, the date on which the Fax or e-mail transmission was sent, provided an

original is received by the addressee by any commercial delivery service within one (1) business day of the Fax.

If to Repair Facility:

Fax: _____

If to Allstate:

_____, Damage Evaluator
Allstate Insurance Company

Fax: _____

With a copy to:

Allstate Insurance Co.
DRP Division
2775 Sanders Road, North Plaza B
Northbrook, IL 60062

13. Assignment

This is a personal services agreement between Repair Facility and Allstate and is not assignable by either party without prior written consent. It is understood, however, that Allstate may assign this Agreement to any subsidiary or affiliate without prior written consent, but with notice to Repair Facility. An assignee of either party, if authorized hereunder, shall have all of the rights and obligations of the assigning party set forth in this Agreement. This Agreement will inure to the benefit of and binding upon the successors of Allstate and Repair Facility.

14. Prohibition On Multiple Agreements

During the term of this Agreement, Repair Facility shall not enter into any other agreement of any type whatsoever, with the exception of Exhibits under this Agreement, with any company, business unit, department, division, organization, or employee of Allstate without the written consent of Allstate, the request for which shall be forwarded to, with a copy to the Corporate Governance and Business Transactions Division of the Law and Regulation Department. Such consent shall not be unreasonably withheld.

15. Complete Agreement

This Agreement is the complete and exclusive statement of the agreement between the parties, which supersedes all prior proposals or agreements, oral or written and all other communications between Repair Facility and Allstate relating to the subject matter of this Agreement. Any modification of the terms or conditions of this Agreement without the express

written consent of Allstate shall render this contract null and void. This Agreement may be amended or modified only in writing, as agreed to and signed by authorized representatives of both parties.

this Agreement on behalf of the party, and bind the party to each of the provisions of this Agreement.

16. Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Survival of Terms

The terms, provisions, representations and warranties contained in this Agreement shall survive completion or other termination of this Agreement unless otherwise provided.

18. Applicable Law

(a) This Agreement is entered into, governed by, and construed under applicable state laws, excluding that body of law applicable to conflicts of law.

19. Non-Waiver

No term, provision or breach shall be deemed waived, unless such waiver is in writing and signed by the waiving party. Any waiver, whether express or implied, shall not constitute a waiver of any different or subsequent term, condition or breach.

20. Equal Opportunity Employer

Allstate is an equal opportunity employer and complies with all federal and state employment laws and regulations. Accordingly, it is requested that Repair Facility make the same commitment.

21. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The individuals signing this Agreement represent and warrant that they are authorized to bind and do so bind the party on behalf of which they are executing this Agreement.

22. Authority

The person signing this Agreement on behalf of each party certifies that he or she is authorized by the party to execute

ACKNOWLEDGEMENT

THIS AGREEMENT SHALL BE CONSTRUED WITHOUT REGARD TO THE PARTY OR PARTIES RESPONSIBLE FOR ITS PREPARATION AND SHALL BE DEEMED AS PREPARED JOINTLY BY THE PARTIES. ANY AMBIGUITY OR UNCERTAINTY SHALL NOT BE INTERPRETED OR CONSTRUED AGAINST EITHER PARTY. EACH OF THE PARTIES UNDERSTANDS THE SAME AND UNDERSTANDS THE LEGAL OBLIGATIONS THEREBY CREATED.

Accepted by:

REPAIR FACILITY: _____

ALLSTATE INSURANCE COMPANY

BY: _____

BY: _____

TYPED/PRINTED NAME: _____

TYPED/PRINTED NAME: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

2775 Sanders Road,
Suite A7
Northbrook, IL 60062



Thursday, March 04, 2010

ACCESS FORD
3680 US HWY 77
CORPUS CHRISTI, TX 78410

Attn: CHARLEY MASSEY

Re: Repair Facility Services Agreement – PRO

CHARLEY MASSEY,

Thank you for choosing to participate in Allstate's direct repair program. Enclosed you will find an updated Repair Facility Services Agreement for PRO reflecting changes to the labor rate and material rate for your facility. Once we have received your signed agreement, the new rates will take effect. Please remember to keep a copy for your records and mail the original to:

**Allstate Insurance Company
2775 Sanders Rd
Suite A7
Northbrook, Illinois 60062**

Your timely attention to this matter is appreciated.

Regards,

Tracy Tramm

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Allstate.

You're in good hands.

REPAIR FACILITY SERVICES AGREEMENT

This Repair Facility Services Agreement ("Agreement") is entered into by and between Charley Massey of Access Ford ("Repair Facility") and Allstate Insurance Company of Northbrook, Illinois, an Illinois Insurance Company ("Allstate") and is effective on Thursday, March 04, 2010

1. Services

(a) This is an agreement in which Allstate shall retain Repair Facility to provide automotive repair services under Allstate's Express Repair Option program ("Services"), subject to the terms and conditions set forth herein, including Exhibit A, "Express Repair Option: Requirements For Participation In Program." For purposes of this Agreement and any attachment hereunder, the term "Allstate" includes its insurance subsidiaries and affiliates and the term "Repair Facility" includes its employees, representatives, agents and subcontractors.

(b) To the extent there is any conflict between the provisions of this Agreement and any exhibit or attachment, the terms of this Agreement shall control the rights and obligations of the parties, unless a properly executed Exhibit expressly amends and supercedes this Agreement.

2. Personnel and Staffing

(a) Repair Facility has sole discretion to provide all necessary personnel for each project under any Exhibit. If Allstate believes that the conduct of any individual selected by Repair Facility may or does result in a breach of this Agreement or a risk of liability to Allstate, then Allstate shall have the right, but not the obligation, to so notify Repair Facility. If Allstate does give such notice to Repair Facility, then Repair Facility shall immediately review the matter and promptly take such reasonable steps to remedy the situation, including, but not limited to, replacing one or more individuals assigned to the project.

(b) Repair Facility shall not bring upon Allstate premises, or assign Allstate work to, any personnel of Repair Facility whose background check revealed: (1) a felony conviction involving dishonesty or breach of trust; or (2) any other pertinent information indicating that the individual poses a significant risk to the health or safety of others.

(c) Repair Facility shall comply with the pre-existing Allstate Vendor Application requirements for owners, partners and equity officers. A copy of the Vendor Application is included with this agreement as Exhibit B.

3. Independent Contractor Status

(a) Repair Facility shall be an "independent contractor" hereunder. Neither Repair Facility nor any of its employees or other agents shall be deemed an "employee," "agent," "servant," or "joint employee" of Allstate. Allstate will have no control or influence over any of Repair Facility's employees or other agents. In that regard, Repair Facility shall have the sole discretion to hire and fire, discipline, evaluate, manage, train, maintain records of hours, handle payroll, provide insurance, and determine all other terms and conditions of employment for its employees.

Repair Facility's employees and other agents will not be eligible to participate in any Allstate employee or fringe benefit programs, including, but not limited to, any bonus, pension, profit sharing, stock option, vacation, disability, retirement, deferred compensation, or insurance which Allstate may maintain for its own employees.

(b) The administration of claims involving workplace injury to any of Repair Facility's employees or other agents while working on, or present at, Allstate premises will be the sole responsibility of, and will be handled solely by, Repair Facility.

(c) Repair Facility shall, in performing the services contemplated herein: (i) use its own equipment; and (ii) ensure that all of its employees are fully trained and/or certified on the equipment to be used. Certification and/or training shall incorporate all OSHA-related requirements.

4. Privacy and Data Protection

(a) Each party will comply with all applicable federal and state privacy and data protection laws and regulations established for the collection, storage, use and dissemination of personally identifiable consumer information.

(b) Individual consumer information will not be shared or made available to any other third party. Repair Facility may not use consumer data for any purposes other than as provided in this Agreement.

(c) Repair Facility represents and warrants that it has implemented and maintains reasonable security measures to protect against the loss, misuse and alteration of consumer information under its control. Allstate reserves the right to audit Repair Facility security measures upon reasonable notice.

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Allstate shall, upon three (3) business days' prior written notice, or such other reasonable time-frame as mutually agreed by the parties, have full access to all billing records, Repair Facility invoices and payments, orders, data, etc. and all other relevant records in Repair Facility's custody that concern Repair Facility's relationship with Allstate. Allstate will not have access to any payroll information. Repair Facility shall supply all assistance reasonably necessary so that the Allstate auditors may complete any such audit.

6. Rates and Payment Terms

Fees and other charges, and payment terms are set forth in Exhibit A.

7. Warranties

(a) Repair Facility warrants that all Services provided hereunder will be performed in a good workmanlike manner, with that standard of care, skill, and diligence normally provided by a similar professional in the performance of similar services in accordance with applicable specifications and industry standards.

(b) Repair Facility warrants that its performance under this Agreement, including, but not limited to its production of tangible or intangible products, will not infringe upon or violate the rights of any third party, including property, contractual, employment, trade secrets, proprietary information and non-disclosure rights, or patent, copyright, trade secret or other proprietary rights.

8. Indemnification

Repair Facility agrees to indemnify, defend, and hold Allstate, including its officers, directors, employees, and other agents, harmless from any and all liability (including, without limitation, reasonable attorney's fees, costs and expenses) resulting from or related to any claim, complaint and/or judgment for:

(a) relief or damages obtained by any of Repair Facility's employees or other agents for any benefits offered by Allstate to its own employees;

(b) worker's compensation, unemployment compensation or disability insurance premiums or claims, employment taxes, insurance contributions (e.g., OASDI) and/or withholding taxes levied upon or attributable to the Services rendered by Repair Facility;

(c) relief asserted or brought against Allstate which arises from the negligent performance of or failure to perform any Services rendered, or tortious action taken by Repair Facility or its employees or agents, pursuant or related to this Agreement;

(d) relief asserted or brought against Allstate which arises from Repair Facility's failure to comply with the requirements set forth in paragraph (b) of Personnel and Staffing, pursuant or related to this Agreement;

(e) any breach or claimed breach of the warranties set forth in paragraph (b) of Warranties; or

(f) unauthorized use or disclosure of Confidential Data by Repair Facility.

9. Confidentiality

(a) Repair Facility acknowledges that during the course of this Agreement, Allstate may make confidential data available to Repair Facility or Repair Facility may otherwise learn of trade secret or confidential information of Allstate (collectively, hereinafter "Confidential Data"). Confidential Data includes all Allstate information not generally known or used by others and which gives, or may give, Allstate an advantage over its competitors or which could cause Allstate injury, loss of reputation or goodwill if disclosed. Such information includes, but is not necessarily limited to, data or information of Allstate which identifies or concerns past, current or potential customers, business practices, financial results, research, development, systems and plans; and/or certain information and material identified by Allstate as "Confidential"; and/or data Repair Facility furnishes to Allstate from Repair Facility's database or third party Repair Facilities; and/or data received from Allstate and enhanced by Repair Facility. Confidential Data may be written, oral,

recorded, or maintained on other forms of electronic media. Because of the sensitive nature of the information that Repair Facility and its employees or agents may become aware of as a result of this Agreement, the intent of the parties is that these provisions be interpreted as broadly as possible to protect Confidential Data.

(b) Repair Facility acknowledges that all Confidential Data furnished by Allstate is considered proprietary and strictly confidential. Repair Facility also acknowledges that the unauthorized use or disclosure of any Confidential Data will cause irreparable harm to Allstate. Accordingly, Repair Facility agrees that Allstate shall be entitled to equitable relief, including injunctive relief (without bond), in addition to all other remedies available at law for any threatened or actual breach of this Agreement or any threatened or actual unauthorized use or disclosure of Confidential Data.

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(i) any disclosure specifically authorized in writing by Allstate; or

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(1) has become well known in the trade; or

(2) was disclosed to Repair Facility by a third party not under an obligation of confidentiality to Allstate; or

(3) was independently developed by Repair Facility not otherwise in violation or breach of this Agreement or any other obligation of Repair Facility to Allstate; or

(4) was rightfully known to Repair Facility prior to entering into this Agreement.

(g) The obligations of each party set forth in paragraphs (a) through (f) above shall survive the completion or termination of this Agreement.

10. Non-Publication of Allstate Name and Trademarks: Advertising Restraints

(a) Repair Facility agrees that without the prior written consent of Allstate, it will not

(i) use the name, logos, service marks, or trademarks of Allstate, or

(ii) reveal the terms and conditions of this Agreement.

(b) The provisions of this section apply to any disclosure to a third party, including but not limited to, advertising, publicity releases, sales presentations, marketing materials, publications, correspondence, and announcements. Requests for Allstate consent must be submitted pursuant to Notices herein. Allstate may revoke any consent given under this section at any time, upon notice to the Repair Facility.

Notwithstanding the preceding, upon prior written notice to Allstate, Repair Facility may make any disclosure specifically required by law or regulation. If Repair Facility is a publicly traded company, with regard to any disclosure by Repair Facility required for publicly traded companies under Item 601(b)(10) of Regulation S-K of the Securities and Exchange Commission (SEC) for publicly traded companies, a confidential treatment request in a form satisfactory to Allstate must be filed with the SEC, if requested by Allstate.

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(c) In the event that either party shall cease conducting business in the normal course, become insolvent, admit in writing its inability to meet its debts as they mature, make a general assignment for the benefit of creditors, or is the subject of a petition in bankruptcy and such petition is not dismissed within sixty (60) days from its filing, then at the option of the other party, this Agreement shall terminate immediately and be of no further force and effect.

(d) Upon termination of this Agreement, each party shall return to the other, within five (5) business days, all papers, materials and other properties of the other held by each. Failure to comply with the provisions of this Section may result in payment to Repair Facility being withheld by Allstate until all papers, materials, equipment or other property is returned.

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(a) Except as specifically provided elsewhere in this Agreement or any Exhibits, all notices required or permitted to be given by one party to the other under this Agreement shall be in writing and shall be sufficient if made to the parties at the respective addresses set forth below or to such other person or address as the party to receive the notice has designated by notice to the other party and by:

- (i) personal delivery (including delivery by any commercial delivery service);
- (ii) registered or certified mail, postage prepaid, return receipt requested;
- (iii) facsimile transmission ("Fax"); or
- (iv) e-mail transmission.

(b) The date of notice to the other party shall be, regardless of the date appearing on the notice: the date upon which such notice is actually delivered; or if the notice is given by registered or certified mail, the date upon which it is deposited in the mail; or if sent by Fax or e-mail transmission, the date on which the Fax or e-mail transmission was sent, provided an

original is received by the addressee by any commercial delivery service within one (1) business day of the Fax.

If to Repair Facility:

Access Ford

Fax: 361-698-3449

If to Allstate:

_____, Damage Evaluator
Allstate Insurance Company

Fax: _____

With a copy to:

Allstate Insurance Co.

Procurement Governance

2775 Sanders Road, Suite E-6

Northbrook, IL 60062

13. Assignment

This is a personal services agreement between Repair Facility and Allstate and is not assignable by either party without prior written consent. It is understood, however, that Allstate may assign this Agreement to any subsidiary or affiliate without prior written consent, but with notice to Repair Facility. An assignee of either party, if authorized hereunder, shall have all of the rights and obligations of the assigning party set forth in this Agreement. This Agreement will inure to the benefit of and binding upon the successors of Allstate and Repair Facility.

14. Prohibition On Multiple Agreements

During the term of this Agreement, Repair Facility shall not enter into any other agreement of any type whatsoever, with the exception of Exhibits under this Agreement, with any company, business unit, department, division, organization, or employee of Allstate without the written consent of Allstate, the request for which shall be forwarded to Procurement Governance, with a copy to the Corporate Governance and Business Transactions Division of the Law and Regulation Department. Such consent shall not be unreasonably withheld.

15. Complete Agreement

This Agreement is the complete and exclusive statement of the agreement between the parties, which supersedes all prior proposals or agreements, oral or written and all other communications between Repair Facility and Allstate relating to the subject matter of this Agreement. This Agreement may be amended or modified only in writing, as agreed to and signed by authorized representatives of both parties.

16. Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Survival of Terms

The terms, provisions, representations and warranties contained in this Agreement shall survive completion or other termination of this Agreement unless otherwise provided.

18. Applicable Law

(a) This Agreement is entered into, governed by, and construed under the laws of the State of Texas, excluding that body of law applicable to conflicts of law.

19. Non-Waiver

No term, provision or breach shall be deemed waived, unless such waiver is in writing and signed by the waiving party. Any waiver, whether express or implied, shall not constitute a waiver of any different or subsequent term, condition or breach.

20. Equal Opportunity Employer

Allstate is an equal opportunity employer and complies with all federal and state employment laws and regulations. Accordingly, it is requested that Repair Facility make the same commitment.

21. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The individuals signing this Agreement represent and warrant that they are authorized to bind and do so bind the party on behalf of which they are executing this Agreement.

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ACKNOWLEDGEMENT

THIS AGREEMENT SHALL BE CONSTRUED WITHOUT REGARD TO THE PARTY OR PARTIES RESPONSIBLE FOR ITS PREPARATION AND SHALL BE DEEMED AS PREPARED JOINTLY BY THE PARTIES. ANY AMBIGUITY OR UNCERTAINTY SHALL NOT BE INTERPRETED OR CONSTRUED AGAINST EITHER PARTY. EACH OF THE PARTIES UNDERSTANDS THE SAME AND UNDERSTANDS THE LEGAL OBLIGATIONS THEREBY CREATED.

Accepted by:

REPAIR FACILITY: ACCESS FORD

BY:

C.D. Massey

TYPED/PRINTED NAME:

TITLE:

Pres. - Comm. Director

DATE:

3-16-2010ALLSTATE INSURANCE COMPANY

BY:

Daniel L. Gibson

Daniel L. Gibson

TYPED/PRINTED NAME:

MAR 17 2010

TITLE:

Allstate

DATE:

PRO Data Coordinator

EXPRESS REPAIR OPTION:
REQUIREMENTS FOR PARTICIPATION IN PROGRAM

The Allstate Corporation (Allstate), the parent of Allstate Insurance Company, is the nation's largest publicly held personal lines insurance company. "Allstate" is defined as Allstate Insurance Company and all insurance subsidiaries and affiliates including but not limited to Encompass Insurance.

The following sets forth policies and procedures required for repair facilities providing services on behalf of Allstate under the Express Repair Option program. These policies and procedures may change (in whole or in part) at any time. However, if this occurs, Allstate will provide you with prior written notice of the change.

Repair Facility (hereinafter "Repair Facility")	ACCESS FORD
Address	3680 US Hwy 77
City, State Zip Code	CORPUS CHRISTI, TX 78410
Owner	CHARLEY MASSEY
Manager	CHRIS ESCOBAR
Asst. Manager	DUSTIN BLITCHER

I. OPERATING PROCEDURES

Repair Facility will comply with the following procedures:

A. Regulatory Compliance

1. Repair Facility will comply with all federal, state and local laws and regulations relating to the performance of its repair services, including but not limited to, all laws and regulations relating to employment, taxation and the health and safety of employees. Further, Repair Facility will demonstrate a concern for the environment by complying with all safety and environmental standards when disposing of toxic and hazardous waste materials.
2. Repair Facility agrees to prevent illegal and fraudulent practices by complying with all applicable regulations. Allstate may cancel its business relationship with Repair Facility if Allstate, a policyholder of Allstate, or another beneficiary under an insured's policy establishes reasonable grounds to believe that Repair Facility is fraudulent in its dealings with Allstate or the policyholder or other beneficiaries under an Allstate policy.
3. Repair Facility will, at its own expense, provide and keep in full force and effect during the term of this Agreement the following kinds and minimum amounts of insurance:
 - a. Garage Liability insurance with a limit of not less than \$1,000,000.00 per occurrence, or
 - b. Garage Liability insurance with a limit of not less than \$500,000.00 per occurrence and Umbrella liability insurance policy of at least \$500,000.00 per occurrence.
 - c. In addition, we ask that you contact your insurance broker and have Allstate Insurance Company listed as a Certificate Holder, so that we are informed of updated policy information. Our address is:

CWM

Allstate Insurance Company
Vendor Selection Division
2775 Sanders Road E-6
Northbrook, IL 60062

4. Repair Facility agrees to demonstrate a concern for preventing the use of stolen parts by complying with all state and federal anti-theft regulations.

B. Repair Processes

1. Repair Facility agrees to use an Allstate-approved scheduling system to make specific appointments for estimating, vehicle drop-off for repairs, and delivery purposes.
2. Repair Facility will take and retain photos of the damaged area on every vehicle estimated and provide photographs of the damaged vehicle. When requested by Allstate, Repair Facility will take additional photos. Allstate will explain the views, volume and quality of any special request on a case-by-case basis.
 3. Prior damage will be noted on the estimate; prior damage will not be included as items for Allstate insurance-related repair, unless otherwise required by statute or regulation. Customer-requested repairs that exceed repair levels required to return the vehicle to its pre-accident condition will be noted as "Customer Requested" on the estimate. Additionally, these situations require immediate phone notification to Allstate.
4. Minor cosmetic damage to the vehicle where repair or replacement would not be required or expected, and a cash-out allowance is appropriate, will require a phone call to the Express Administrator. The Express Administrator will contact the customer or claimant, reach agreement with the customer or claimant as to the final disposition and any allowance amount, contact Repair Facility who will include the amount on the estimate. Repair Facility will transmit a final copy of the repair estimate by close of business day.
5. Based on geographical differences Allstate will employ a range of overnight options. With approval, on the day the vehicle arrives, Repair Facility will secure the owner's permission to tear down the vehicle to the extent necessary to prepare an itemized estimate that will include all damage that is visible and verifiable at the time of inspection. The repair estimate is to be completed on a priority basis and will contain all customer notices required by statute and regulation. As soon as the estimate is completed a final copy will be transmitted to Allstate by the end of the same business day. A copy of the estimate will be retained at Repair Facility and a copy of the estimate will be provided to the vehicle owner along with any verbal or written notices required by statute or regulation.
 - a. If a major tear down is required to prepare a complete estimate, the Repair Facility will immediately notify the Damage evaluator (DE) for approval prior to any further teardown.
 - b. If the vehicle is believed to be a total loss, Repair Facility will immediately notify the appropriate Allstate total loss representative to request final authority to handle the vehicle as a total loss.
 - c. If the vehicle is repairable, the repair facility may begin the repairs upon the customer's authorization to do so.
 - d. If the vehicle is determined by Allstate to be a total loss, Allstate will advise the Repair Facility when and where the vehicle is to be moved for final processing.
6. If during the course of repairs, hidden damage is discovered or if significant changes in repair methodology are recommended, Repair Facility will obtain approval from the owner of the vehicle and, dependent on the oversight model employed, contact Allstate prior to initiating the repair. A supplemental estimate must be prepared stating the modifications in repair procedure and the cost. The supplement must be transmitted to Allstate by the close of the business day on which the needed change is identified. Any failure to comply with this procedure may result in the removal of Repair Facility from the Express Repair Option program.
7. At the conclusion of the repairs, Repair Facility will prepare a final, detailed invoice that reflects the actual vehicle repairs completed. A copy of the invoice will be provided to both the customer and Allstate prior to accepting payment.
 - a. The final detailed invoice, which is the estimate/supplement, will be transmitted electronically to Allstate.
 - b. The final detailed invoice, which is the estimate/supplement, to the customer will be a printed copy of the same invoice transmitted to Allstate.

8. Vehicles and estimates may be spot-checked by an Allstate representative or a third-party selected by Allstate. All Allstate-related bills and invoices must be available for immediate review by Allstate and in the event of a variance in the estimate, the loss may be readjusted and credit issued to either Allstate or Repair Facility. Failure to provide access to the vehicle or documentation may result in the removal of Repair Facility from the Express Repair Option program.

9. Repair Facility will adhere to the current Allstate Total Loss process. Repair Facility will be responsible for the content of the repair estimate and in setting the Total Loss threshold in the CCC system at 75 %. Each time this threshold is crossed, the Repair Facility must consult with the appropriate Allstate representative for a final decision on whether the vehicle is repairable or a total loss. The Repair Facility will be responsible for expenses incurred as a result of gross estimating errors resulting in an improper decision of reparability.

C. Technology

1. As a condition of Repair Facility's participation in the Express Repair Program, you will be required to have a mechanized estimating system. In geographical areas defined by Allstate, the mechanized estimating system currently is CCC-Pathways.
2. Scheduling and Repair Status Messaging Technology:
 - a. Subject to geographical location or technological capabilities, you may be required to implement a software application for scheduling and repair status messaging ("Scheduling and Repair Status Messaging Technology"). This technology will assist in creating a web-based communication and transaction link to manage assignment and repair status messaging between Repair Facility and Allstate and is contingent upon your facility's continued participation in the Express Repair Option program. If you do implement such technology, Allstate or its agent will supply training and support for your facility.
 - b. Alternatively, Allstate has a proprietary (i.e., Allstate-owned) scheduling and repair status messaging technology. Upon request, Allstate will supply Repair Facility with this Allstate-owned technology, as well as related requirements and specifications for connectivity, security, and functionality. This will allow Repair Facility to develop a functionally equivalent technology solution for participation in the new Express Repair Option program. All costs involved in the development and installation of such technology will be borne by Repair Facility.

3. The preferred method for communicating between customers, Repair Facilities, and Allstate is through Web-based applications.

Please state your Internet Address:

D. Authorization/Payment

1. Unless Repair Facility has been advised of a pending coverage or liability issue, repairs may begin immediately after the repair estimate has been sent to Allstate and vehicle owner authorization is secured.
2. Upon receipt of a valid and final estimate and notification that the repairs are complete, Allstate will issue payment electronically to Repair Facility or by check payable to the customer and Repair Facility. Where payment requires issuing a check, a two-party check will be mailed directly to Repair Facility unless the customer requests otherwise. All payments will be less any applicable deductible.

E. General Administration

1. Repair Facility agrees to provide information from time to time as necessary for qualification under the terms of the Allstate Vendor Selection process. Vendor Selection approval is required for continued participation in the program. A copy of the Vendor Selection Application is attached as Exhibit B.
2. Allstate Insurance Company may employ a range of oversight options, including but not limited to: physical inspection (before, during, or after the repair); preparation of a repair plan (scope); electronic auditing; and third-party review of the estimate.

3. Repair Facility is required to provide timely electronic update messaging information on a consistent basis. Failure to adhere to this requirement may result in removal from the program.
4. Periodically, Allstate will assess its needs in the marketplace to properly serve its customers and claimants. This assessment will include facility performance results, competitive position, customer service results and the quality of the repairs. Based on this assessment, Allstate will determine if continued participation in the program is warranted.
5. Allstate reserves the right to review and revise the repair volume capability established for ERO shops based on past experience of the shop and the ability of the shop to handle Allstate business on a priority basis. In general, this means evaluating whether the Repair Facility can handle the number of cars which Allstate is sending for repairs.
6. Repair Facility is responsible for the quality of the repairs performed under the Express Repair Option program. All direct and consequential costs associated with the re-work necessary to correct the vehicle repair to meet an acceptable industry repair standard will be the responsibility of Repair Facility. The vehicle must be repaired to industry standards. If a shop cannot return a vehicle to industry standards, and the customer has become uncomfortable with returning the vehicle to that shop for additional repairs, the original shop agrees to re-reimburse Allstate reasonable charges paid to the third repair facility that was necessary to return the vehicle to industry standards.
7. Repair Facility agrees that it is bound by the terms of the attachments and all other applicable Allstate policies, procedures and requirements.

II. CUSTOMER SERVICE

- A. Repair Facility must utilize Allstate's customer service index (CSI), which currently is *AutocheX*. All costs associated with the use of *AutocheX* or a similarly Allstate-approved provider, are the responsibility of Repair Facility. In certain geographical locations approved by Allstate, Repair Facility may perform similar CSI indexing in house. In-house CSI indexing will be accomplished by Repair Facility utilizing and tracking the same CSI questions as Allstate's primary provider.
- B. At the time of delivery, Repair Facility will provide the customer with a final invoice showing all repairs completed on the vehicles. A copy of the Allstate written warranty will be attached to the final invoice.
- C. Repair Facility will assist the customer in the resolution of all parts or material manufacturer warranty claims.
- D. Repair Facility will give priority service to vehicles being repaired under the Express Repair Option program. A high level of service and communication to the customer will be provided.
- E. Repair Facility will contact the customer prior to beginning the repair process to explain the complete repair process, including methods of repair, parts selection, and the projected date of completion.
- F. Repair Facility will be required to provide repair progress updates as necessary to satisfy the customer. Where the customer does not express a time frame for progress updates, contact with the customer must be made at least once per week until the vehicle is repaired and delivered.
- G. Repair Facility will be required to commit to a guaranteed delivery date for all vehicles repaired under the Express Repair Option program. Repair Facility will be responsible for any and all costs caused by a failure to meet the guarantee delivery date, where the cause of the delay is within the control of Repair Facility.
- H. At customer's reasonable request, Repair Facility will provide extended hours of operation and extended pick-up and early delivery times for services related to customer's specific needs.
- I. A verifiable pre-delivery quality inspection process must be utilized and completed prior to delivery. Evidence of such process will be made available at Allstate's request.
- J. Repaired vehicles will be cleaned and returned to the customer for inspection before requesting payments.

III. REPAIR FACILITY PERSONNEL TRAINING

Repair Facility personnel are required to participate in I-CAR or ASE training related to their job functions, and achieve I-CAR Gold or ASE Blue Seal certification within one year of the shop's original ERO participation date. Repair Facility must meet the requirements that would allow it to be eligible for I-CAR Gold Class status or an ASE Blue Seal repair facility. Additional training available from manufacturers, distributors, and suppliers of motor vehicle, vehicle components, and repair equipment is also encouraged. Failure to achieve and maintain I-CAR or ASE certification standards, except for just cause, will be grounds for removal from the Express Repair Option program.

IV. FEES AND OTHER CHARGES

Labor Rate: Body \$40 Refinish \$40 Frame \$47

Mechanical/Electrical \$68 Paint & Materials \$28

Unibody Set Up Charge: Yes ☒ No ☐ Amount: 1.5 hrs at body rate

Tax Rate: Parts 8.25% Labor

Discounts on Domestic Parts: Yes ☒ 5.0% No ☐

Discounts on Foreign Parts: Yes ☒ 0 No ☐

Recycled Parts Markup: 25

Use of Glass Network? Yes ☐ No ☐

If No above, Glass Discount: Windshield ☐ % Side/Back ☐ %

Refinish Thresholds - Paint and Materials:

Single Stage: 300

Two Stage: 425

Three Stage: 450

Clear Coat Labor: \$160

Towing charges:

- Flat rate - local \$
- Mileage charge \$
- Clean-up \$
- Late-hours \$
- List any other charges \$

Sublet Charges:

- Any sublet charges with markup exceeding \$150 will require prior approval by an Allstate representative

Advance charges:

- Any advance charges costing over \$300.00 will require prior approval by an Allstate representative.

REPAIR FACILITY: ACCESS FORD

Allstate Insurance Company

By: C.D. Massey Pres

C.D. Massey

TYPED/PRINTED NAME:

Title: President Gen Pl

Date: 3-16-2010

By: Daniel L. Gibson

Daniel L. Gibson

TYPED/PRINTED Name:

MAR 17 2010

Title: Allstate

PRO Data Coordinator

Date: _____

Leslie Hurley - Responses to Questions

From: Robert Ivy <
To: <David.Nardecchia@tdi.state.tx.us>
Date: 6/2/2010 4:47 PM
Subject: Responses to Questions
Attachments: TX Insurer Survey Progressive County Mutual Insurance Company FINAL 2 June 2010.pdf; Acrobat Document.pdf; Acrobat Document.pdf; Acrobat Document.pdf

Attorney Client Privilege - Work Product - Confidential - Proprietary

Mr. Nardecchia,

Please do not hesitate to contact me if you have any questions.

Below are the attachments referenced in the document

**CONFIDENTIAL – CONTAINS PROPRIETARY INFORMATION
AND INFORMATION PROTECTED BY PRIVACY LAWS**

June 2, 2010

VIA EMAIL David.Nardecchia@tdi.state.tx.us

MR. DAVID NARDECCHIA
Deputy Commissioner, Texas Department of Insurance
Personal and Commercial Lines Division

**RE: INSURER SURVEY – AUTO REPAIR FACILITIES AND PERSONAL AUTO CLAIM
PAYMENTS**

Dear Mr.Nardecchia :

Progressive County Mutual Insurance Company ("County Mutual") and Progressive Direct Insurance Company ("Direct") (collectively referred to as "Progressive") hereby respond to your May 19, 2010 email requesting information relating to certain personal auto claim payments.

As an initial matter, it is Progressive's position that the responses and supporting documents are privileged, confidential, proprietary and involve trade secrets because, among other reasons, they contain sensitive, competitive information about the manner in which Progressive conducts its business. Progressive asks that the Department treat the responses and documents as privileged, confidential, proprietary and/or a trade secret and that it not release any of those materials to third-parties, including any competitors, or the public, particularly any personal/private information protected by any privacy laws. Progressive would also request that the Department notify it of any intent to distribute any of the responses or documents outside of the Department. Progressive does not waive any defenses it may have relating to the distribution of the responses or documents. We appreciate the Department's sensitivity to these issues.

Also, we wanted to note at the outset that we are unclear as to the intended meaning of certain of the terms included in the request. For instance, we are unsure of the intended meaning of "auto repair reimbursement rates" and "reimbursement rates.", as well as "the rate paid for auto repairs". Still, County Mutual and Direct attempted to respond to the requests.

Insurer Survey – Auto Repair Facilities and Personal Auto Claim Payments

The Texas Department of Insurance (Department) requests that your company provide responses to the following survey for each company in your group that is writing personal auto insurance in Texas, unless the response is identical for each company within your group. This information is necessary for the Department to have current information relating to personal auto claim payments, including claim payments relating to auto repair facilities that have contracts or agreements with your company. As used in this survey the terms "auto repair reimbursement rates" or "reimbursement rates" should be considered to include any other term that may be used by your company to mean the rate paid for auto repairs.

If your company does not have contracts or agreements with auto repair facilities, you may disregard Sections I and III.

This request is being made pursuant to Texas Insurance Code, §38.001. Please respond to this survey in writing by **June 2, 2010**.

Section I - Contracts/Agreements with Auto Repair Facilities

- 1) Please provide a sample copy of each contract(s) or agreement(s) your company may use to negotiate with auto repair facilities.**

Please find attached below a sample copy of Progressive's Repair Shop Program Agreement.



- 2) Please provide a copy of an actual contract or agreement between your company and an auto repair facility for each sample contract provided.**

Please find attached below a redacted copy of an actual Repair Shop Program Agreement.



TX Shop Agreement

3) Please explain how often your company re-negotiates contracts or agreements with auto repair facilities.

Progressive generally does not re-negotiate the Repair Shop Program Agreement. It is important to note that Labor Rates are not a part of the Agreement. Progressive pays the prevailing competitive labor rate regardless of whether a repair shop is part of the Network or not.

4) Please explain the criteria that must be met by an auto repair facility prior to your company agreeing to contract with the repair facility.

Any Texas repair shop can apply to become part of Progressive's Network of repair shops. The repair shop completes an on-line application and submits it to Progressive for consideration. Each application is considered individually, taking into consideration locality and customer need, as well as certain repair equipment related to frame/unibody repair, auto refinishing, and other operations.

5) Please provide the number of the auto repair facilities in Texas where there is a contract or agreement between your company and the facility.

As of May 31, 2010, Progressive had an Agreement relationship with 277 repair shops in Texas.

6) Please explain if your company provides a guarantee or warranty for the repairs made at a contracted auto repair facility.

When a customer chooses to use a Network repair shop, the customer receives a Limited Lifetime Guarantee of the Covered Repair for as long as the customer owns or leases the vehicle.

7) Please advise how claimants are informed of auto repair facilities that have a contract or agreement with your company.

Progressive is focused on providing the very best service to our customers. Progressive claims representatives are trained to inform customers that repairs done by a Network repair shop include a Limited Lifetime Guarantee from Progressive in addition to any guarantee from the repair shop. The choice of repair options always belongs to the customer. These choices include whether to have their vehicle repaired at a non-network repair shop or to have the repairs done by a Progressive Network repair shop. Attached is Progressive's expectation about Preserving Customer Choice:



Customer Choice

Progressive also provides written notice to claimants for motor vehicle repairs.

8) Please explain what information is provided to claimants who choose to have repairs made at an auto repair facility that does not have a contract with your company.

Progressive is focused on providing the very best service to our customers. Progressive claims representatives are trained to inform customers that repairs done by a Network repair shop include a Limited Lifetime Guarantee from Progressive in addition to any guarantee from the repair shop. The choice of repair options always belongs to the customer. These choices include whether to have their vehicle repaired at a non-network repair shop or to have the repairs done by a Progressive Network repair shop. Attached is Progressive's expectation about Preserving Customer Choice:



Customer Choice

Progressive also provides written notice to claimants for motor vehicle repairs.

Section II - Reimbursement Rates for Auto Repair Facilities

Please provide a separate response to each item under this section for auto repair facilities that have a contract or agreement with your company and for auto repair facilities that do not have a contract or agreement with your company. If the response to an item under this section is the same for both types of facilities, please indicate that your response is for both types of facilities in the appropriate item(s).

- 1) **Please explain how your company determines the auto repair reimbursement rates, including labor, services, parts and materials.**

This response is for both types of facilities.

Progressive does not have parts or labor discounts for Network repair shops. The labor and material rates used in estimates to determine the amount necessary to repair a vehicle to pre-loss condition are based on the prevailing labor and material rates in geographic areas. Progressive allows the marketplace to determine what the prevailing rate is as indicated by our ability to reach agreed prices for repair with shops in the marketplace, as generally explained below.

Labor and material rates fluctuate over time so we constantly monitor them. One of the primary ways we do this is through our work with repair shops on estimating and repairing damaged vehicles. In this process, we estimate how much it will cost to bring a vehicle back to its pre-loss condition, taking into account several factors, including parts prices, the amount of time necessary to perform certain repairs, as well as labor and material rates. If our estimate is different from a shop's estimate, we discuss the difference with the shop and work to reach an agreed price for repairs. Our ability to routinely reach agreement with shops on labor and material rates is an indication to us that our labor and material rates are competitive and in line with prevailing rates. If we find we are not able to reach an agreed price, that indicates to us that we may need to review and/or adjust our rates, which we do on a regular basis.

- 2) **Please explain if certain software is used by your company to determine auto repair reimbursement rates and/or any impact the software may have on the reimbursement rates. Your explanation should identify such software.**

This response is for both types of facilities.

Progressive does not use certain software to determine auto repair reimbursement rates.

- 3) **Are there situations where your company deviates from the auto repair reimbursement rate or software? If yes, please explain in detail those situations and how the final reimbursement rate is determined.**

This response is for both types of facilities.

Progressive does not use certain software to determine auto repair reimbursement rates.

- 4) a) **Does your company set caps or limits on the reimbursement rates for certain labor, services, parts and/or materials when estimating auto repairs, e.g. paint? If yes, please explain.**

This response is for both types of facilities.

Progressive has a local payment authority limit for claim representatives on paint and materials. However, this is not a "cap" and does not represent the maximum we'll pay on a per vehicle basis. This amount is sufficient for the vast majority of estimates. In the rare instances where the amount requested exceeds the payment authority limit, the claim representative should investigate further as to any additional amount that may be needed. Claim Representatives should ask for any supporting documentation of the amount and may also reference Mitchell's Paint & Material calculator to confirm or negotiate any differing amounts. Also, please see the Response to Question 1 above.

- b) **If your company sets caps or limits on items such as paint, please explain how the caps or limits are determined?**

This response is for both types of facilities.

Please see the Response to Question 4a above.

- 5) **Please explain how your company determines the auto repair reimbursement rates for used, after-market or reconditioned parts and materials. Please include in your explanation how the reimbursement rate for labor is determined and impacted by the use of these parts and materials.**

This response is for both types of facilities.

Progressive uses Mitchell International estimatic software and labor guides to determine labor time.

- 6) a) **Please explain how often your company re-evaluates auto repair reimbursement rates, caps and/or limits, including labor, services, parts and materials.**

This response is for both types of facilities.

Progressive re-evaluates labor and material rates on a periodic basis. Please see the Response to Questions 1 and in 4a above.

- b) **When did your company last adjust auto repair reimbursement rates, caps and/or limits for labor, services, parts and materials?**

This response is for both types of facilities.

Progressive last adjusted labor and/or material rates on April 30, 2010 in the Longview / Tyler market area.

Section III - Personal Auto Claim Payments

- 1) **For calendar year 2009, please provide the percentage of initial auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.**

Progressive will supplement this Response with the requested information.

- 2) **For calendar year 2009, please provide the percentage of supplemental auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.**

Progressive will supplement this Response with the requested information.

Section IV - General Information

- 1) a) **Does your company require auto repair facilities to follow certain repair procedures in making repairs or for estimating the cost of repairs? If yes, please explain how these procedures are used to estimate the cost of repairs.**

Progressive claim representatives write estimates that reflect an amount to restore the damaged vehicle to pre-loss condition. Progressive does not require certain repair procedures in making repairs. Progressive expects that repair shops repair damaged vehicles to pre-loss condition.

- b) **Please explain how the repair procedures will impact the amount that will be reimbursed to the auto repair facilities estimated cost for repairs. Does your company provide an**

explanation to the auto repair facility for repair procedures that will not be paid?

Progressive claim representatives write estimates that reflect an amount to restore the damaged vehicle to pre-loss condition. Progressive does not require certain repair procedures in making repairs. Progressive expects that repair shops repair damaged vehicles to pre-loss condition. If there are items that are not required to restore the vehicle to pre-loss condition, the claim representative provides an explanation to the repair shop.

c) Please provide a copy of your company's repair procedures.

Progressive claim representatives write estimates that reflect an amount to restore the damaged vehicle to pre-loss condition. Progressive does not require certain repair procedures in making repairs. Progressive expects that repair shops repair damaged vehicles to pre-loss condition.

2) Please explain how disagreements relating to the repair costs are resolved between your company and auto repair facilities and/or the claimant.

Progressive attempts to negotiate with the repair shop to obtain an agreed cost of the repairs.

3) a) Please explain how your company addresses possible manufacturer's warranty issues that may exist, e.g. certain auto manufacturer requires certain manufacturer approved or certified auto repair facilities to perform the repairs to maintain the warranty on the auto.

Generally, Progressive attempts to accommodate the customer if a certain auto manufacturer requires certain manufacturer approved or certain auto repair facilities to perform the repairs.

b) Does your company make payment based on the manufacturer requiring repairs to be made by an approved or certified auto repair facility? If yes, how is the actual payment amount determined?

Generally, yes. Progressive attempts to accommodate the customer if a certain auto manufacturer requires certain manufacturer approved or

certain auto repair facilities to perform the repairs. Additionally, Progressive attempts to reach an agreed price with the repair shop for the cost of of repairs.

- 4) Will your company accept pictures and estimates from an auto repair facility in lieu of a company/adjuster inspection/estimate? If no, please explain.**

Generally, Progressive's practice is to have claim representatives complete damage estimates. A manager may have discretion to consider reviewing available pictures and estimates from a repair shop. Additionally, Progressive is performing a limited test in Dallas where repair shops write estimates and take photos on some damaged vehicles. This is only a test at this time.

- 5) Please explain how your company determines the number of days rental car expenses will be reimbursed.**

Progressive pays the reasonable amount of rental expense necessary while the vehicle is being repaired, subject to any policy terms and conditions.

Robert J. Ivy
Claim Business Leader, on behalf of Progressive County Mutual Insurance Company

Leslie Hurley - GEICO - Response to Auto Repair Survey

From: "Hanson, Don" .
To: <david.nardecchia@tdi.state.tx.us>
Date: 6/2/2010 3:45 PM
Subject: GEICO - Response to Auto Repair Survey
Attachments: _0602101735_001.pdf

David,

I have attached GEICO's response to the Auto Repair Survey. Should you have any questions or need further information, please do not hesitate to contact me.

Best Regards,

Don
512-218-1979

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This email/fax message is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution of this email/fax is prohibited. If you are not the intended recipient, please destroy all paper and electronic copies of the original message.

**Response of GEICO General Insurance Company, GEICO Indemnity
Company, and Government Employees Insurance Company
(collectively, "GEICO") to Texas Department of Insurance
Insurer Survey – Auto Repair Facilities
and
Personal Auto Claims Payments**

June 2, 2010

*Note: The Following Information and Attached Documents are Submitted to the Texas
Department of Insurance Pursuant to and Expressly Subject to the Confidentiality
Provisions of Section 38.001 of the Texas Insurance Code.*

Submitted Via Electronic Mail To:

Mr. David Nardecchia
Texas Department of Insurance
Mail Code 105-5G
333 Guadalupe Street
Austin, Texas 78701

Submitted By:

Don Hanson
GEICO
Office of the Legislative Counsel
One GEICO Plaza
Washington, D.C. 20076

**RESPONSES OF GEICO TO TEXAS DEPARTMENT OF INSURANCE
Insurer Survey – Auto Repair Facilities and Personal Claims Payments
§ 38.001 INQUIRY**

NOTE: The Following Information and Attached Documents are Submitted to the Texas Department of Insurance, Pursuant to and Expressly Subject to the Confidentiality Provisions of Section 38.001 of the Texas Insurance Code.

SECTION I – Contracts/Agreements with Auto Repair Facilities

REQUEST NUMBER 1:

Please provide a sample copy of each contract(s) or agreement(s) your company may use to negotiate with auto repair facilities.

RESPONSE:

GEICO does not enter into contracts or agreements with auto repair facilities. However, GEICO does maintain a list of “preferred” auto repair facilities. When GEICO selects a preferred repair facility, we provide the facility owner/manager with a Notice of Vendor Expectations which sets out our company’s ethical requirements and standards for the level of service which we expect the shop to provide to our customers. In addition, GEICO requires preferred repair facilities to sign a Confidentiality and Non-Disclosure Agreement.

REQUEST NUMBER 2:

Please provide a copy of an actual contract or agreement between your company and an auto repair facility for each sample contract provided.

RESPONSE:

A copy of GEICO’s Notice of Vendor Expectations is attached as Exhibit A and the Confidentiality and Non-Disclosure Agreement is attached as Exhibit B.

REQUEST NUMBER 3:

Please explain how often your company renegotiates contracts or agreements with auto repair facilities.

RESPONSE:

GEICO’s Notice of Vendor Expectations and Confidentiality and Non-Disclosure Agreement are not negotiable. Repair facilities that fail to meet these expectations are removed from the list of preferred repair facilities. The Notice of Vendor Expectations is renewed biennially.

REQUEST NUMBER 4:

Please explain the criteria that must be met by an auto repair facility prior to your company agreeing to contract with the repair facility.

RESPONSE:

GEICO selects a preferred repair facility based upon the quality of service and repairs, location, appearance, reputation, proper equipment to repair today's cars, the need in a given geographic area, our prior experience with the repair facility, convenience to our customers and shop capacity.

REQUEST NUMBER 5:

Please provide the number of the auto repair facilities in Texas where there is a contract or agreement between your company and the facility.

RESPONSE:

GEICO currently maintains a list of 56 preferred repair facilities in Texas.

REQUEST NUMBER 6:

Please explain if your company provides a guarantee or warranty for the repairs made at a contracted auto repair facility.

RESPONSE:

GEICO will guarantee any repair work that is completed by a preferred repair shop for as long as the customer owns the car.

REQUEST NUMBER 7:

Please advise how claimants are informed of auto repair facilities that have a contract or agreement with your company.

RESPONSE:

When a claimant contacts GEICO to inform us of a loss, the GEICO claims representative will inquire if the claimant has a repair facility in mind. If not, we inform the customer they have the right to choose their own shop for repairs and provide them with information on our preferred repair facilities. Each claimant receives a copy of the Required Notice to Insurance Claimants for Motor Vehicle Repairs as specified by 28 T.A.C. §5.501.

REQUEST NUMBER 8:

Please explain what information is provided to claimants who choose to have repairs made at an auto repair facility that does not have a contract with your company.

RESPONSE:

For claimants that select a repair facility that is not a GEICO preferred repair facility, the GEICO's claims representatives will schedule an appointment for the customer's car to be inspected and issue payment for the damages. Each claimant receives a copy of the Required Notice to Insurance Claimants for Motor Vehicle Repairs as specified by 28 T.A.C. §5.501.

SECTION II – Reimbursement Rates for Auto Repair Facilities

Please provide a separate response to each item under this section for auto repair facilities that have a contract or agreement with your company and for auto repair facilities that do not have a contract or agreement with your company. If the response to an item under this section is the same for both types of facilities, please indicate that your response is for both types of facilities in the appropriate item(s).

REQUEST NUMBER 1:

Please explain how your company determines the auto repair reimbursement rates, including labor, services, parts and materials.

RESPONSE:

GEICO strives to reach an agreed price with all shops in order to effectuate a quality repair. The prevailing "labor rate" in any area is determined by the body shops and the marketplace in that area. GEICO, through its adjusters in the field, obtains feedback from the body shops on the price at which they are able and willing to perform repair work.

We are confident that our process ensures that we pay a competitive prevailing rate and secures an agreed price in each marketplace.

GEICO utilizes this same process for both preferred and non-preferred repair facilities.

REQUEST NUMBER 2:

Please explain if certain software is used by your company to determine auto repair reimbursement rates and/or any impact the software may have on the reimbursement rates. Your explanation should identify such software.

RESPONSE:

GEICO Adjusters utilize CCC estimating software. CCC is a guide used to estimate for labor operations such as repair, replace, remove and install, various paint operations, mechanical operations, etc. GEICO, through its adjusters in the field, obtains feedback from the body shops on the price at which they are able and willing to perform repair work.

REQUEST NUMBER 3:

Are there situations where your company deviates from the auto repair reimbursement rate or software? If yes, please explain in detail those situations and how the final reimbursement rate is determined.

RESPONSE:

Each auto repair is fact specific and there are circumstances that can arise which require an auto damage adjuster to deviate from a prevailing rate in order to effectuate a quality and timely repair for our customers. GEICO's processes are set up in such a manner that the adjuster has the flexibility to negotiate with a repair facility on a case-by-case basis to obtain the highest quality repair possible under the given circumstances.

GEICO utilizes this same process for both preferred and non-preferred repair facilities.

REQUEST NUMBER 4:

- a) Does your company set caps or limits on the reimbursement rates for certain labor, services, parts and/or materials when estimating auto repairs, e.g. paint? If yes, please explain.
- b) If your company sets caps or limits on items such as paint, please explain how the caps or limits are determined?

RESPONSE:

a) GEICO does not set a cap on labor, service, parts or materials. However, in an effort to maintain an appropriate level of oversight on repair costs, GEICO adjusters have an authorization level for materials that will alert the adjuster to review any repair facility charges that appear abnormal in order to determine the appropriateness of such charges.

b) Not Applicable.

GEICO utilizes this same process for both preferred and non-preferred repair facilities.

REQUEST NUMBER 5:

Please explain how your company determines the auto repair reimbursement rates for used, after-market or reconditioned parts and materials. Please include in your explanation how the reimbursement rate for labor is determined and impacted by the use of these parts and materials.

RESPONSE:

Please see the response to Section II, Request Number 1 and Request Number 2 above.

REQUEST NUMBER 6:

- a) Please explain how often your company re-evaluates auto repair reimbursement rates, caps and/or limits, including labor, services, parts and materials.
- b) When did your company last adjust auto repair reimbursement rates, caps and/or limits for labor, services, parts and materials?

RESPONSE:

a) As set out in detail above, GEICO's auto damage adjusters respond to the prevailing market conditions and have the authority to use their own discretion, knowledge, education and experience in writing claims estimates to ensure quality automobile repair operations on behalf of GEICO claimants.

b) Labor and material rates were adjusted approximately 12 months ago.

GEICO utilizes this same process for both preferred and non-preferred repair facilities.

SECTION III – Personal Auto Claim Payments

REQUEST NUMBER 1:

For calendar year 2009, please provide the percentage of initial auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities. .

RESPONSE:

The percentage of initial claim payments for repairs made by GEICO preferred repair facilities in calendar year 2009 is 35.2%.

The percentage of initial claim payments for repairs made by non-preferred repair facilities in calendar year 2009 is 64.8%.

REQUEST NUMBER 2:

For calendar year 2009, please provide the percentage of supplemental auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.

RESPONSE:

The percentage of supplemental repair claim payments for repairs made by GEICO preferred repair facilities in calendar year 2009 is 20%.

The percentage of supplemental repair claim payments for repairs made by non-preferred repair facilities in calendar year 2009 is 52.4%.

SECTION IV – General Information

REQUEST NUMBER 1:

- a) Does your company require auto repair facilities to follow certain repair procedures in making repairs or for estimating the cost of repairs? If yes, please explain how these procedures are used to estimate the cost of repairs.
- b) Please explain how the repair procedures will impact the amount that will be reimbursed to the auto repair facilities estimated cost for repairs. Does your company provide an explanation to the auto repair facility for repair procedures that will not be paid?
- c) Please provide a copy of your company's repair procedures.

RESPONSE:

- a) GEICO does not require repair facilities to follow certain repair procedures.
- b) Not applicable
- c) Not applicable

REQUEST NUMBER 2:

Please explain how disagreements relating to the repair costs are resolved between your company and auto repair facilities and/or the claimant.

RESPONSE:

GEICO claim adjusters handle these situations on a case-by-case basis with an emphasis on providing the highest quality customer service possible. If the adjuster is unable to resolve a disagreement, the issue will be addressed by a GEICO claims manager.

REQUEST NUMBER 3:

- a) Please explain how your company addresses possible manufacturer's warranty issues that may exist, e.g. certain auto manufacturer requires certain manufacturer approved or certified auto repair facilities to perform the repairs to maintain the warranty on the auto.
- b) Does your company make payment based on the manufacturer requiring repairs to be made by an approved or certified auto repair facility? If yes, how is the actual payment amount determined?

RESPONSE:

a) Each auto repair is fact specific and is handled on a case-by-case basis. As such, there are circumstances that can arise which require an auto damage adjuster to address certain manufacturer warranty issues. For items that require specialized repair equipment or techniques, GEICO will include payment for such procedures if necessary to effectuate a quality repair the auto. If the auto is being repaired by a GEICO preferred repair facility, GEICO will guarantee the repairs.

b) Payment amounts for items that require specialized repair equipment or techniques are negotiated with the service provider.

REQUEST NUMBER 4:

Will your company accept pictures and estimates from an auto repair facility in lieu of a company/adjuster inspection/estimate? If no, please explain.

RESPONSE:

In remote areas of the state or when a GEICO staff adjuster is not available to immediately inspect an auto and write a repair estimate, GEICO will accept an estimate from an auto repair facility.

REQUEST NUMBER 5:

Please explain how your company determines the number of days rental car expenses will be reimbursed.

RESPONSE:

As a general rule, GEICO estimates one rental day for every five labor hours. Additional rental days may be allowed based on other criteria including parts availability, the need for subcontracted repair work, etc. GEICO's auto damage adjusters coordinate the rental vehicle and any need for an extension. The adjusters work closely with the repair facilities and monitor the repair process and timelines and they are expected to communicate with the customer and keep them advised on the progress of the repair.

From: <
To: <David.Nardecchia@tdi.state.tx.us>
CC: .
Date: 6/2/2010 12:53 PM
Subject: Farmers Insurance: Auto Repair Facilities and Personal Auto Claims PaymentSurvey
Attachments: TX Auto Survey (Responses).xls

David,

Per our previous discussion, we will not be reporting on this survey under the Zurich NAIC Group code 0212. We struggle with both the Zurich Insurance Companies and Farmers Exchanges being combined under the group code and are in the process of trying to split those codes with the NAIC. The Farmers Insurance Exchanges are prepared to respond to the survey but the Zurich entities have limited policies that would be responsive to this request and as such we requested an exemption from a Zurich response.

Our Circle of Dependability (COD) operation and Auto Physical Damage (APD) operation have been placed on call as of the request date of May 20th. They have been unable to provide much of the required information due to the time line involved. These teams have the data requests in process will be able to produce the requested information by Wednesday, June 9th.

You had asked that we supply as much information as we could by the June 2nd date, with a target date for the remaining data. I do apologize for the delay in completion; however, we are utilizing all of our resources to produce and validate this survey request to the best of our abilities.

Please feel free to contact me if you should have any questions or concerns on this matter.

JoAnna

JoAnna Benko, CPCU, CIC
Legislative and Regulatory Affairs
Farmers Insurance
512/740-0995

(See attached file: TX Auto Survey (Responses).xls)

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Insurer Survey – Auto Repair Facilities and Personal Auto Claim Payments

<p>1) Please provide a sample copy of each contract(s) or agreement(s) your company may use to negotiate with auto repair facilities.</p>	<p>We are working with our Circle of Dependability (COD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>2) Please provide a copy of an actual contract or agreement between your company and an auto repair facility for each sample contract provided.</p>	<p>We are working with our Circle of Dependability (COD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>3) Please explain how often your company re-negotiates contracts or agreements with auto repair facilities.</p>	<p>We are working with our Circle of Dependability (COD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>4) Please explain the criteria that must be met by an auto repair facility prior to your company agreeing to contract with the repair facility.</p>	<p>We are working with our Circle of Dependability (COD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>5) Please provide the number of the auto repair facilities in Texas where there is a contract or agreement between your company and the facility.</p>	<p>We are working with our Circle of Dependability (COD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>6) Please explain if your company provides a guarantee or warranty for the repairs made at a contracted auto repair facility.</p>	<p>The contracted auto repair facility provides a life time workmanship warranty for their repairs. Farmers Insurance will stand behind the repairs for as long as the vehicle is owned by the customer</p>
<p>7) Please advise how claimants are informed of auto repair facilities that have a contract or agreement with your company.</p>	<p>We are working with our Circle of Dependability (COD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>8) Please explain what information is provided to claimants who choose to have repairs made at an auto repair facility that does not have a contract with your company.</p>	<p>We do not provide any information concerning facilities with which Farmers does not have a contract.</p>
<p>Section II - Reimbursement Rates for Auto Repair Facilities</p>	
<p>Please provide a separate response to each item under this section for auto repair facilities that have a contract or agreement with your company and for auto repair facilities that do not have a contract or agreement with your company. If the response to an item under this section is the same for both types of facilities, please indicate that your response is for both types of facilities in the appropriate item(s).</p>	
<p>1) Please explain how your company determines the auto repair reimbursement rates, including labor, services, parts and materials.</p>	<p>We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>
<p>2) Please explain if certain software is used by your company to determine auto repair reimbursement rates and/or any impact the software may have on the reimbursement rates. Your explanation should identify such software.</p>	<p>We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.</p>

3) Are there situations where your company deviates from the auto repair reimbursement rate or software? If yes, please explain in detail those situations and how the final reimbursement rate is determined.	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
4) a) Does your company set caps or limits on the reimbursement rates for certain labor, services, parts and/or materials when estimating auto repairs, e.g. paint? If yes, please explain.	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
b) If your company sets caps or limits on items such as paint, please explain how the caps or limits are determined?	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
5) Please explain how your company determines the auto repair reimbursement rates for used, after-market or reconditioned parts and materials. Please include in your explanation how the reimbursement rate for labor is determined and impacted by the use of these parts and materials.	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
6) a) Please explain how often your company re-evaluates auto repair reimbursement rates, caps and/or limits, including labor, services, parts and materials.	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
b) When did your company last adjust auto repair reimbursement rates, caps and/or limits for labor, services, parts and materials?	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
<u>Section III - Personal Auto Claim Payments</u>	
1) For calendar year 2009, please provide the percentage of initial auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.	We are working with our Circle of Dependability (COD) and Auto Physical Damage (APD) Operations to obtain this information and expect to have this to you by June 9, 2010.
2) For calendar year 2009, please provide the percentage of supplemental auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.	We are working with our Circle of Dependability (COD) and Auto Physical Damage (APD) Operations to obtain this information and expect to have this to you by June 9, 2010.
<u>Section IV - General Information</u>	
1) a) Does your company require auto repair facilities to follow certain repair procedures in making repairs or for estimating the cost of repairs? If yes, please explain how these procedures are used to estimate the cost of repairs.	We are working with our Circle of Dependability (COD) and Auto Physical Damage (APD) Operations to obtain this information and expect to have this to you by June 9, 2010.
b) Please explain how the repair procedures will impact the amount that will be reimbursed to the auto repair facilities estimated cost for repairs. Does your company provide an explanation to the auto repair facility for repair procedures that will not be paid?	We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.

c) Please provide a copy of your company's repair procedures.		We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
2) Please explain how disagreements relating to the repair costs are resolved between your company and auto repair facilities and/or the claimant.		We are working with our Auto Physical Damage (APD) Operation to obtain this information and expect to have this to you by June 9, 2010.
3) a) Please explain how your company addresses possible manufacturer's warranty issues that may exist, e.g. certain auto manufacturer requires certain manufacturer approved or certified auto repair facilities to perform the repairs to maintain the warranty on the auto.		We are working with our Circle of Dependability (COD) and Auto Physical Damage (APD) Operations to obtain this information and expect to have this to you by June 9, 2010.
b) Does your company make payment based on the manufacturer requiring repairs to be made by an approved or certified auto repair facility? If yes, how is the actual payment amount determined?		We are working with our Circle of Dependability (COD) and Auto Physical Damage (APD) Operations to obtain this information and expect to have this to you by June 9, 2010.
4) Will your company accept pictures and estimates from an auto repair facility in lieu of a company/adjuster inspection/estimate? If no, please explain.		Yes, the Company will accept pictures and estimates from an auto repair facility in lieu of company/adjuster inspection/estimates when certain criteria are met.
5) Please explain how your company determines the number of days rental car expenses will be reimbursed.		We are working with our Circle of Dependability (COD) and Auto Physical Damage (APD) Operations to obtain this information and expect to have this to you by June 9, 2010.

From: <
To: <David.Nardecchia@tdi.state.tx.us>
CC: <
Date: 6/10/2010 12:19 PM
Subject: RE: Farmers Insurance: Auto Repair Facilities and Personal Auto ClaimsPayment Survey (issue # 325)
Attachments: Insurer Survey.doc; RF Agreement.pdf

David,

Attached is our completed response to the Auto Repair Facilities Survey.
I do apologize for the delay in completion.

Please feel free to contact me if you should have any questions or concerns on this matter.

Joanna

JoAnna Benko, CPCU, CIC
Legislative and Regulatory Affairs
Farmers Insurance
512/740-0995

(See attached file: Insurer Survey.doc)(See attached file: RF Agreement.pdf)

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Insurer Survey – Auto Repair Facilities and Personal Auto Claim Payments

The Texas Department of Insurance (Department) requests that your company provide responses to the following survey for each company in your group that is writing personal auto insurance in Texas, unless the response is identical for each company within your group. This information is necessary for the Department to have current information relating to personal auto claim payments, including claim payments relating to auto repair facilities that have contracts or agreements with your company. As used in this survey the terms “auto repair reimbursement rates” or “reimbursement rates” should be considered to include any other term that may be used by your company to mean the rate paid for auto repairs.

If your company does not have contracts or agreements with auto repair facilities, you may disregard Sections I and III.

This request is being made pursuant to Texas Insurance Code, §38.001. Please respond to this survey in writing by **June 2, 2010**.

Section I - Contracts/Agreements with Auto Repair Facilities

- 1) Please provide a sample copy of each contract(s) or agreement(s) your company may use to negotiate with auto repair facilities.** – Sample copy of repair facility agreement attached.
- 2) Please provide a copy of an actual contract or agreement between your company and an auto repair facility for each sample contract provided.** – There is no difference between a blank agreement and a signed agreement; however, both parties must agree to release a copy of the signed agreement. We do not have approval from any of the repair facilities at this time to release a copy of an executed agreement.

- 3) **Please explain how often your company re-negotiates contracts or agreements with auto repair facilities.** – There is no set re-negotiation time frame for an agreement. Either side can terminate the agreement at any time.
- 4) **Please explain the criteria that must be met by an auto repair facility prior to your company agreeing to contract with the repair facility.** – The requirements of the program are described in the attached repair facility agreement.
- 5) **Please provide the number of the auto repair facilities in Texas where there is a contract or agreement between your company and the facility.** – 285.
- 6) **Please explain if your company provides a guarantee or warranty for the repairs made at a contracted auto repair facility.** – The repair of a vehicle can involve guarantees from a number of sources including original equipment manufacturers, after-market parts manufacturers, and the Circle of Dependability Repair Facility that completed the repairs. We stand behind all parts and repair techniques specified in the estimate provided by the Circle of Dependability Repair facility. The parts may be after-market, original equipment, remanufactured, or recycled depending on the kind of repair. If a supplier of a part listed in the estimate, or the Circle of Dependability Repair Facility completing the repairs is unable to resolve a legitimate complaint about the quality of parts, workmanship and/or the repairs, we will make every effort to see that the problem is corrected.
- 7) **Please advise how claimants are informed of auto repair facilities that have a contract or agreement with your company.** – Third party claimants are informed of their option to utilize our direct repair program once liability has been accepted and the claim process is explained to them. First party claimants are informed of their option to utilize our direct repair program once coverage has been accepted and the claims process is explained to them. All customers are informed, both verbally and via state mandated letters, of their

right to choose any shop to complete the repairs of their vehicle.

- 8) **Please explain what information is provided to claimants who choose to have repairs made at an auto repair facility that does not have a contract with your company.** – Claimants are provided all information mandated by state law and Texas Department of Insurance Regulations.

Section II - Reimbursement Rates for Auto Repair Facilities

Please provide a separate response to each item under this section for auto repair facilities that have a contract or agreement with your company and for auto repair facilities that do not have a contract or agreement with your company. If the response to an item under this section is the same for both types of facilities, please indicate that your response is for both types of facilities in the appropriate item(s).

- 1) **Please explain how your company determines the auto repair reimbursement rates, including labor, services, parts and materials.** – We pay the predominate labor and material rates in the market. These rates are determined by the labor rates accepted / charged by the repair facilities in a given market. This applies to both program and non-program facilities.
- 2) **Please explain if certain software is used by your company to determine auto repair reimbursement rates and/or any impact the software may have on the reimbursement rates. Your explanation should identify such software.** – We do not use software that impacts labor rates.
- 3) **Are there situations where your company deviates from the auto repair reimbursement rate or software? If yes, please explain in detail those situations and how the final reimbursement rate is determined.** – Certain services and/or operations have local-area usual and customary charges that are acknowledged and accepted by repair facilities in each

market. In those circumstances, there may be deviation from auto repair reimbursement rates.

- 4) a) **Does your company set caps or limits on the reimbursement rates for certain labor, services, parts and/or materials when estimating auto repairs, e.g. paint? If yes, please explain. – No.**
- b) **If your company sets caps or limits on items such as paint, please explain how the caps or limits are determined? – Not applicable.**
- 5) **Please explain how your company determines the auto repair reimbursement rates for used, after-market or reconditioned parts and materials. Please include in your explanation how the reimbursement rate for labor is determined and impacted by the use of these parts and materials. – We pay the predominate labor rate accepted / charged by repair facilities in a given market regarding the installation of used, after-market, or reconditioned parts.**
- 6) a) **Please explain how often your company re-evaluates auto repair reimbursement rates, caps and/or limits, including labor, services, parts and materials. – Rates are re-evaluated when communication from a given market's repair facility population indicates that an adjustment in the predominate rates is warranted. If so, the adjustments are made accordingly in that market.**
- b) **When did your company last adjust auto repair reimbursement rates, caps and/or limits for labor, services, parts and materials? – In 2010.**

Section III - Personal Auto Claim Payments

- 1) For calendar year 2009, please provide the percentage of initial auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities. – The Farmers direct repair program is known as The Circle of Dependability Program (COD.) Field-staff handled claims will be referred to as “Non-COD”.

COD – 32%

Non-COD – 68%

- 2) For calendar year 2009, please provide the percentage of supplemental auto repair claim payments for repairs made by contracting auto repair facilities and for non-contracting auto repair facilities.

COD – 52% (Estimate supplement rate)

Non-COD – 49% (Estimate supplement rate)

Section IV - General Information

- 1) a) Does your company require auto repair facilities to follow certain repair procedures in making repairs or for estimating the cost of repairs? If yes, please explain how these procedures are used to estimate the cost of repairs. – We expect auto repair facilities to complete repairs in accordance with generally accepted industry standards.
- b) Please explain how the repair procedures will impact the amount that will be reimbursed to the auto repair facilities estimated cost for repairs. Does your company provide an explanation to the auto repair facility for repair procedures that will not be paid? –

We pay the amount that allows repairs to be completed in accordance with generally accepted industry standards for all loss related damage.

- c) **Please provide a copy of your company's repair procedures.** – Not applicable.
- 2) **Please explain how disagreements relating to the repair costs are resolved between your company and auto repair facilities and/or the claimant.** – We conduct any necessary research on the specific issue and discuss the situation in order to reach an agreeable solution.
- 3) a) **Please explain how your company addresses possible manufacturer's warranty issues that may exist, e.g. certain auto manufacturer requires certain manufacturer approved or certified auto repair facilities to perform the repairs to maintain the warranty on the auto.** – Federal legislation such as the Magnuson-Moss Act prohibits manufacturers from engaging in the above referenced action. Consumers are free to choose the repair facility of their choice, thus allowing them to elect to have their repairs completed at manufacturer approved or certified repair facilities.
- b) **Does your company make payment based on the manufacturer requiring repairs to be made by an approved or certified auto repair facility? If yes, how is the actual payment amount determined?** – See above. We issue payments based on the cost to repair the loss related damage in accordance with generally accepted industry standards.
- 4) **Will your company accept pictures and estimates from an auto repair facility in lieu of a company/adjuster inspection/estimate? If no, please explain.** – Yes. This is done at our discretion.
- 5) **Please explain how your company determines the number of days rental car expenses will be reimbursed.** – Rental

days are estimated at the time of claim evaluation and are based on the reasonable time necessary to complete loss related repairs in accordance with generally accepted industry standards. While each claim's rental reimbursement is determined based upon its own merits, generally the total labor hours in the repair estimate is divided by 4 to determine the number of repair days a rental will be required. Holidays and weekend days are taken into account in this determination, depending on when the repair process begins and if the repair will take longer than 5 business days. Additionally, supplemental damage, parts back-orders, and other extenuating circumstances will be factored into the determination and the number of days increased as appropriate.

