

Mike Orso Launches \$3 Million Suit Against Three Insurers, Citing Capping and Shorting

by Kyle Mallory

Leif's Auto Collision Centers, Oregon

A long-established New York auto body shop owner who has successfully won over \$1 million from insurance companies announced recently lawsuits seeking nearly \$3 million from the trio of State Farm, Allstate and Adirondack Insurance.

Mike Orso, the president of Nick Orso's Body Shop of Syracuse, New York, is suing the insurers for a variety of reasons, including shorting the shop on payments and the continued battle of OEM (original equipment manufacturer) vs. aftermarket parts.

"In a few words I can sum of these suits," Mike said in a press release. "Capping and short payments," before adding "the longer version, by and large, they consist of 'shorting' or 'capping' of labor rate, paint materials per itemized PaintEx, 'Data base P-page' denials, omissions, and a host

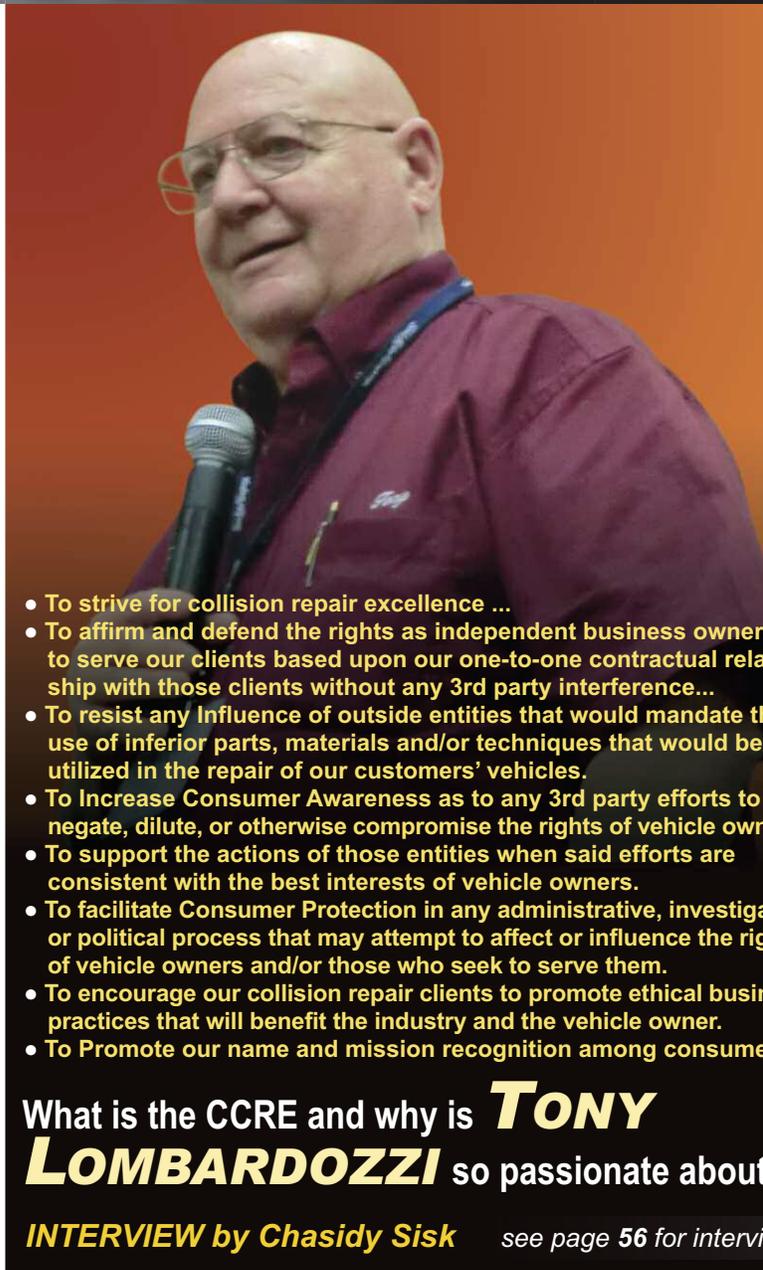
of arbitrary caps. Some of the caps are related to clear coat labor and materials or refusal of necessary body shop materials. Some itemized deficiencies are for parts cost, OEM vs aftermarket and used parts that we refuse for relevant reasons."

The tactics Mike is suing over, unfortunately, aren't dissimilar from what Leif's Auto Collision Centers sees in its Oregon shops. Both Orso and Leif Hansen see the same "deny, delay, defend" protocol from a myriad of insurance companies.

Like Orso, Leif sees a problem with some insurers refusing to pay certain labor rates, which is why he recently had an independent survey conducted to verify his prices were well within the market. Indeed they are.

Orso is fed up with seeing these same tactics over and over again and isn't afraid to head to court seeking

See Orso Sues, Page 8



- To strive for collision repair excellence ...
- To affirm and defend the rights as independent business owners to serve our clients based upon our one-to-one contractual relationship with those clients without any 3rd party interference...
- To resist any Influence of outside entities that would mandate the use of inferior parts, materials and/or techniques that would be utilized in the repair of our customers' vehicles.
- To Increase Consumer Awareness as to any 3rd party efforts to negate, dilute, or otherwise compromise the rights of vehicle owners
- To support the actions of those entities when said efforts are consistent with the best interests of vehicle owners.
- To facilitate Consumer Protection in any administrative, investigative or political process that may attempt to affect or influence the rights of vehicle owners and/or those who seek to serve them.
- To encourage our collision repair clients to promote ethical business practices that will benefit the industry and the vehicle owner.
- To Promote our name and mission recognition among consumers

What is the CCRE and why is **TONY LOMBARDOZZI** so passionate about

INTERVIEW by Chasidy Sisk see page 56 for interview

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Sharing the Message with CCRE President Tony Lombardozi

If you're in the collision industry and are not familiar with the Coalition for Collision Repair Excellence (the CCRE), and you consider yourself a truly independent operator in the business, you need to look them up (theccre.com.)

During CCRE's legal seminar in Philadelphia on March 30 and 31, 2012, CCRE President Tony Lombardozi repeatedly demonstrated himself to be a dedicated proponent for



Chasidy Rae Sisk

independence in the collision repair industry and a valuable source of information. Fortunately, he took the time to chat with me so that I might have the opportunity to share some of his wisdom with a wider audience of *Autobody News* readers. See my column on p. 22 of this issue for more on the CCRE.

I was curious about how Tony originally got involved with CCRE. Back in 1996, Tony felt that the national collision associations were not looking out for the consumers' best interest or the benefit of the collision repair industry as a whole. So, he researched CCRE and attended a meeting. Tony was impressed with the organization because they represent the portion of the industry that says they should be able to operate without third-party influence, and also, the shops involved with CCRE are fiercely consumer-oriented.

CCRE helps member shops and other shops across the country through education. Their legal seminars focus on helping repairers understand what an insurance policy entails compared to a repairer's contract with the consumer, and that there is no correlation between these two contracts. They also hold seminars on business management where they teach collision repair facilities about the cost of doing business, property business management and how to operate a profitable shop in an ethical manner. Additionally, CCRE helps independent shops learn about marketing tactics so that they can compete in the industry.

In regards to CCRE's legal seminar in Philadelphia on March 30 and 31, Tony notes that this seminar

yielded more positive feedback than any other seminar CCRE has held, increasing their organization by several new members.



Tony Lombardozi

Tony believes that the information presented at the seminar is important because "the majority of this industry has a misconception about who the real customer is." He goes on to clarify that many repairers have been trained to believe that they are just an extension of the insurance industry and will not be able to survive without allowing insurers to dictate the shops' business practices. But that is not true.

The collision repair industry is a separate entity that has nothing to do with the business of insurance unless a repair facility signs a DRP contract. Otherwise, there is no relationship. Tony notes that without pressure from insurance companies to accept their methodology of how this industry should work, "we wouldn't be in the situation we're in. Instead of understanding that we should be doing business as independent business owners with no influence by a third party, we allow insurers to dictate how we're going to do business, and that's a real problem."

Tony cites many collision repair conferences as part of the problem because the majority of guest speakers are from the insurance industry and the conferences are heavily influenced by this third-party presence. Collision repairers should not go to an event for the collision industry and be told by insurance companies how the shops will need to do business in the future.

When asked about the most important message of the CCRE seminar, Tony stresses "basically what they should realize is no one else is going to take this industry back, except the repair shop owners themselves." The

insurance companies definitely will not volunteer to relinquish control, so the best thing that repairers can do is step outside the box, understand the CCRE concept, compare it to what they are doing now and see if the shops are happy with the status quo. If they are okay, there is no reason to complain. Unfortunately, many collision repairers are afraid to look at the issues because they fear what they may find.

According to Tony, "I don't know if we have enough time to recover the industry that we gave away because it took thirty years to give it away and you're not going to take it back in one year... The industry remains in a hole because of the fact—I mean, we're stagnant, but fees paid to body shops have been stagnant for years—the reason we can't get out of stagnation is because we're allowing ourselves to be governed by a third party that has no interest in making us successful... People in this business are beginning

to see that there's no way out of the box unless they make changes. Fully, they'll realize that a change in pace than they have in the industry, you'll see a big turnaround in the industry."

Tony believes that a shift in the collision repair industry is needed in the system the way CCRE operates and he hopes that those who attend CCRE's seminars will take the information they learn, study it, and network with other repairers to encourage them to look at the CCRE Philosophy because it's a better way to do business. He hopes by following the methods presented at the seminar, repairers can become more profitable while still maintaining production output.

The problem is that the collision repair industry as a whole has been brainwashed by insurers but not by such as "making things last longer" and "rental days." Insurers have influenced the industry into using



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that are supposed to increase the shops' accuracy and efficiency, but all of that money saved in efficiency ends up going to the insurers in the form of underpaid services. Collision repair facilities never see that added profit.

Meanwhile, shops continue to bill at the same rates that they have been billing for quite some time. If a repair shop adds a \$50,000 piece of equipment to their overhead to enable them to be more efficient and repair more cars, the insurer reaps the benefit of those savings by forcing the shop to accept a lesser value for their services. Usually in business, the business owner makes an investment and gets a return on that investment, yet that is frequently not the way things work in this industry due to third-party interference; however, without this influence, collision repair shops can work on less cars and increase profitability.

When I questioned Tony about why many shops seem indifferent or unaware of these issues, he told me "what's happened is, most of the younger people in this business have come up through the ranks believing the insurance industry is their partner. They don't know there's another side

to this business." Frequently, industry events and meetings discuss making business decisions with their "insurance partners", propagating this incorrect attitude toward the repairers' relationships with insurance companies. Many collision repairers are never made aware that there is another side to this industry and a better way to do business which is removing the third-party influence from the equation.

Through their direct repair programs, insurers teach repairers that they will always have work and never need to advertise which makes it seem like the insurance company has a right to be involved since the shop has an agreement with them; however, these repairers are never exposed to the other side of the collision repair industry, and when they try to learn about shop independence, they are threatened with losing their place in the program. "That's called big business intimidation," Tony points out.

Too often, repair shops do not explore the option of independence because fear is the largest thing driving the collision repair industry. Shops fear that they will be blackballed or steered

against if they take a stand toward independence. They fear losing work or going out of business completely, but Tony insists that there will always be work and these shops are failing to realize that their services are needed. They are taught by insurers that they will be rewarded for behaving as they are told and punished for going against the grain. The most important thing that independent shops have to learn is that they need another way to market their business.

Tony believes that collision repair facilities across the country should be concerned with redirecting the way the industry is run because if they look at how bad this industry is compared to how it was fifteen years ago, they will see a major and disturbing difference. Instead of asking about the past, present and future of the industry, many repairers only ask what the insurance company wants them to do so they will continue to receive work, but at this rate, all that many shop owners will be left with is the real estate that they own. Tony recommends researching manufacturing industry statistics and looking at the collision repair industry which is at the bottom.

With inflation, the money value of a repair has decreased over the years and no one accounted for the different causes. Many repairers believe that they cannot raise their rates because of the insurance companies will not raise theirs. Tony warns, "If inflation continues and begins to escalate, you will see a lot of body shops go out of business because we're too far behind the times to beat economics." This is why Tony advises repairers to do their own business plan ahead.

Though the CCRE would like to fund consumer education programs in the future to inform consumers about the issues in the industry and their own rights, Tony refuses to be influenced by the insurance industry. The insurance industry has influenced every aspect of the collision repair industry, he laments. "The insurance industry has got their hands in our pockets except us."



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