



Nebraska Autobody Association

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News Capsule

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A jittery economy was blamed for increasing Nebraska unemployment claims by nearly 42 percent in October compared with the same month a year ago. Despite the increase Nebraska's unemployment rate is a modest 3.5 percent compared to the U.S. rate of 6.1 percent. Rates for the Lincoln area were 3.0 in September, slightly lower than Omaha's rate of 3.5 percent.

The Federal Trade Commission has filed suit to block the merger of CCC Information Services and Mitchell, saying that the merger would hinder competition in the market for a) systems used to estimate the cost of collision repairs commonly known as "estimates," and, b) software systems used to value passenger vehicles that have been totaled, known as total loss valuation (TLV) systems. The FTC's administrative complaint alleges that the merger, which is valued at \$1.4 billion, would harm insurers, repair shops and U.S. car owners by reducing from three to two the number of competitors. "These estimating and valuation solutions are key tools in the auto insurance and collision repair industries," says David P. Wales acting bureau of competition director. "There is no doubt that this merger would reduce competition that benefits auto insurers and auto body shops and ultimately would lead to higher prices and less innovation for consumers." CCC and Mitchell said they would challenge the Federal Trade Commission's ruling.

The Nebraska Department of Insurance has reportedly fined two insurers for allegedly denying, overlooking and excessively delaying claims. Washington National has paid a \$5,000 fine and Consec Health Insurance has paid a \$25,000 fine, which has been reported to rank among the biggest penalty to date. Neither fine appears sufficient to provide a genuine deterrent. Consec had been previously fined in Nebraska in the amounts of \$1,000 and \$2,000.

Despite a recent wave of natural catastrophes insurers continue to be highly profitable while also appearing to be less profitable. The inconsistency may be clarified in the manner insurers can adjust the books by including investment losses in underwriting calculations, a practice that could leave policyholders on the hook for the unprofitable investment decisions of insurers. To protect policyholders and claimants from absorbing unrelated losses, investment deficits should not be commingled with underwriting expenses and legitimate claims expenses.

Questions remain over a proposed bailout of Detroit's Big Three automakers, which have until Tuesday to propose how they would use \$25 billion of taxpayer funds. The proposal may be a tough sell with some lawmakers, many of whom remain skeptical that the troubled automakers can become competitive under the current business structure. But failure to act is not an option, according to economists. Representatives from the unions and auto companies are making the rounds in congress to gather support for the plan that could keep carmakers solvent. Congress is expected to act on the stimulus package in December.

The Nebraska legislature is still reeling from neglecting to place age limits in a law that allowed parents to leave unwanted children at Nebraska hospitals. After a special legislative session, the loophole that resulted in the lawful abandonment of infants as well as teenagers was closed. The national attention to this problem may have sensitized the legislature, which may be more cautious in reviewing and passing new laws during the 2009 legislative session.

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