

WIN Presenter Discusses Insurance and the Collision Repair Industry

In a presentation at the Women's Industry Network (WIN) conference, Matthew Ohrnstein of Symphony Advisors discussed trends in the collision repair industry.

The major growers in the insurance industry over the last five years, he said, have been GEICO and Progressive. GEICO had a 4.7% share of the market in 2002, but is up to 7% now. Progressive, which had 5.8% of the market in 2002, now has 7.4%. Ohrnstein pointed out that for GEICO and Progressive, 84% and 81% of their business respectively is in the auto sector.

Ohrnstein said insurers have dramatically increased their advertising over the past 10 years to the point where they spent \$3.5 billion on advertising last year. GEICO alone spent \$631 million on advertising in 2006. Ohrnstein said claims frequency is currently decreasing due, in part, to higher fuel prices, safety technologies such as ABS and electronic stability control, and consumers raising their deductibles to reduce their premiums.

He added that severity is increasing as a result of more airbags in vehicles, as well as higher costs for parts, paint, and labor.

"And total losses have really taken off," he said. "We talk about our industry being a \$29.2 billion industry. How about \$22 billion paid out by insurance companies on total losses?"

Ohrnstein said non-OEM crash parts usage, which dropped from 13% to 9% after the Avery case, has rebounded and is nearly back up to 12%. Ohrnstein discussed several insurers' repair programs, including GEICO's ARX program and Progressive's concierge centers.

He believes that insurers are "disintermediating" collision repair shops from the process. He compared shops to dairy farms, which used to deliver directly to consumers-until supermarkets came along. "The dairy business is disintermediated from the dairy transaction," he said.

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