



**COLLISION
INDUSTRY
CONFERENCE**

How businesses are managing rising costs of parts and materials

Parts & Materials Committee

Presented by:

Aaron Schulenburg + Panel





Introductions

Braxton Ewing

Performance Group Manager

BASF





Introductions

Tim Ronak

Senior Services Consultant

AkzoNobel Performance Coatings





Introductions

Dan Tessadri

APD Business Consultant

CSAA Insurance Group





Introductions

John Strong

Manager of Database Development

Mitchell International

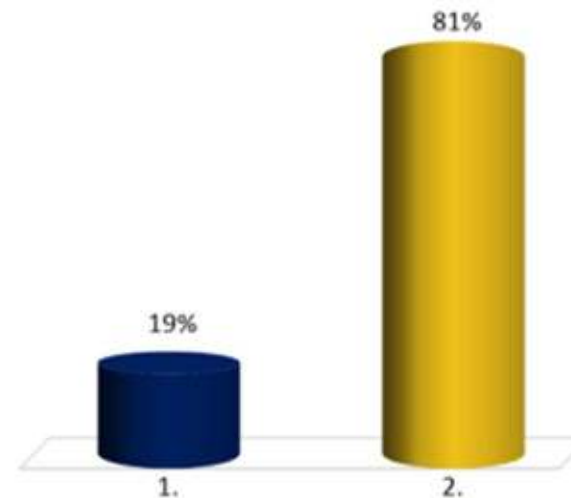




REPAIRER Response Question:

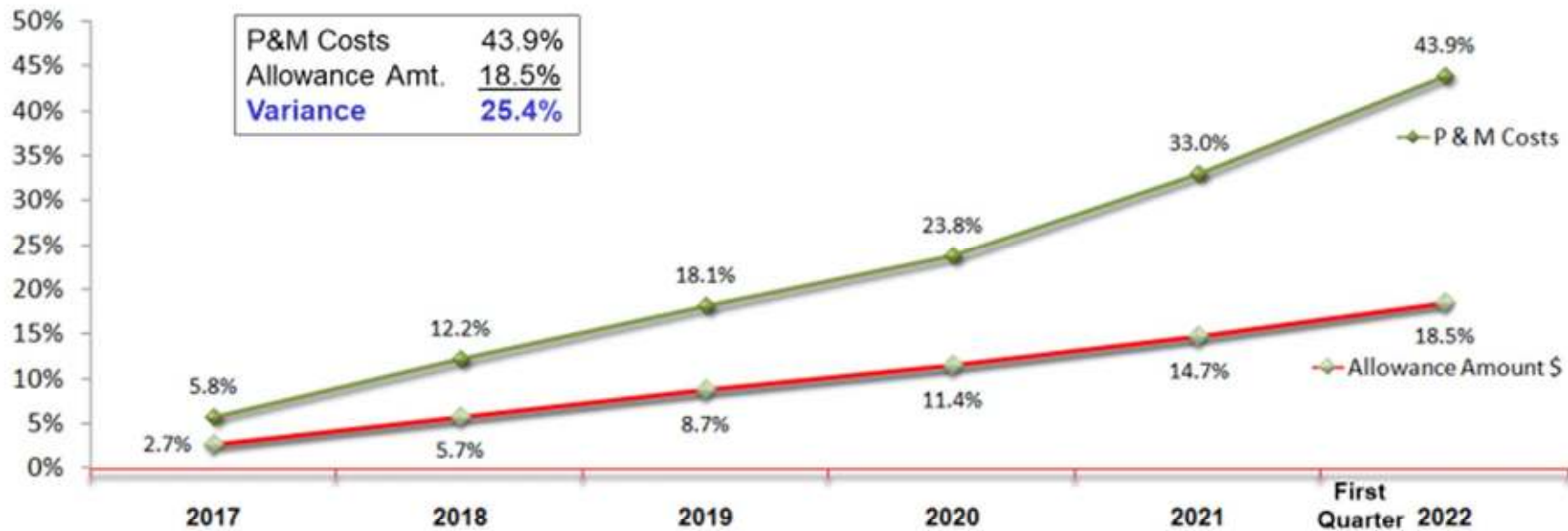
Are rates and reimbursements adjusting accordingly to your costs?

1. Yes
2. No





2017-2022: 'P&M Costs' vs. 'Allowance Amount' % Increase Variance





The Cost of Making Paint Has Risen



SHERWIN-WILLIAMS.



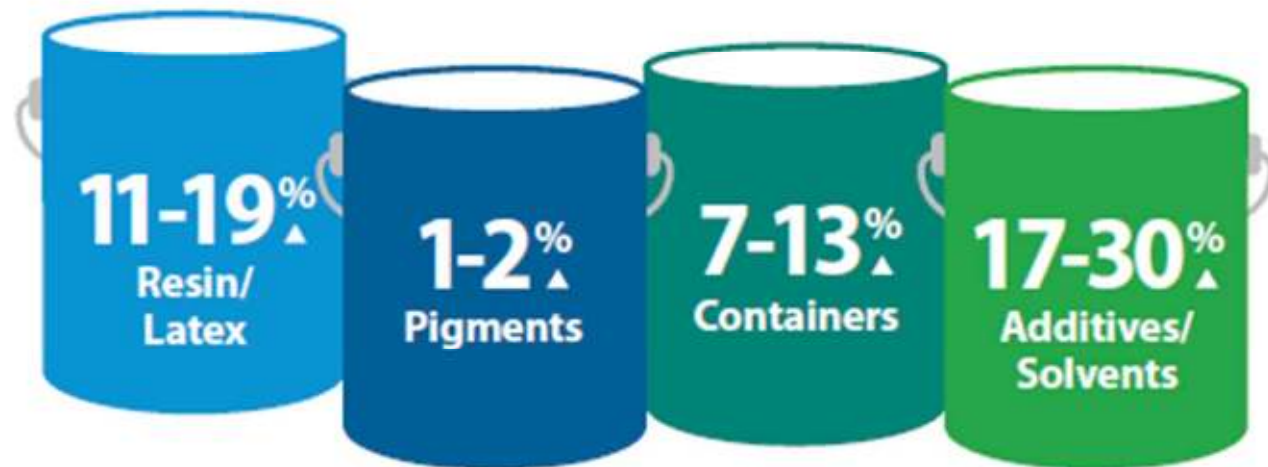
% Cost Inflation of Paint Components (2021 est. vs. 2020)*

A can of paint includes these key ingredients:

- Resin/latex (41%)
- Pigments (29%)
- Containers (15%)
- Additives/solvents (15%)

The prices of these materials have a significant impact on manufacturing costs — and costs are increasing.

*This represents the average cost range for the coatings industry. It does not reflect the cost for an individual coatings company. This cost could be lower or higher based upon company size or other variables that impact cost.





It's not just paints and coatings

Shortages and rising costs of raw materials impact many industries across the globe. See resources for these statistics below.†



The cost of building a new single-family home is up nearly

\$36,000+

Lumber prices are up

250% ▲



PVC costs
are at an all-time high.

Due to a global microchip shortage, automobile production slowed by nearly



1.3M vehicles ▼
causing consumer costs to rise.

Frequently asked questions

What's causing shortages and paint costs to increase?

- Consistent raw material price increases
- Ongoing raw material shortages due to impact of Uri, trade conflicts, and of course the pandemic
- Increased labour shortages

Is this limited to the coatings industry?

No, production and distribution issues have increased prices across many industries including:

- Housing and lumber
- Automotive
- Electronics

†Industry resources to learn more:

- "NAHB Says Material Shortages Are Widespread" <https://www.homesides.com/nahb-says-material-shortages-are-widespread>
- "Why We're in the Midst of a Global Semiconductor Shortage" <https://nbc.org/2021/02/why-we-re-in-the-midst-of-a-global-semiconductor-shortage>
- "Ask an Expert: Why Is There a Lumber Shortage?" <https://cex.ncsu.edu/news/2021/05/lumber-shortage/>

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2017-2022: 'Allowance Amount' \$\$ Variance

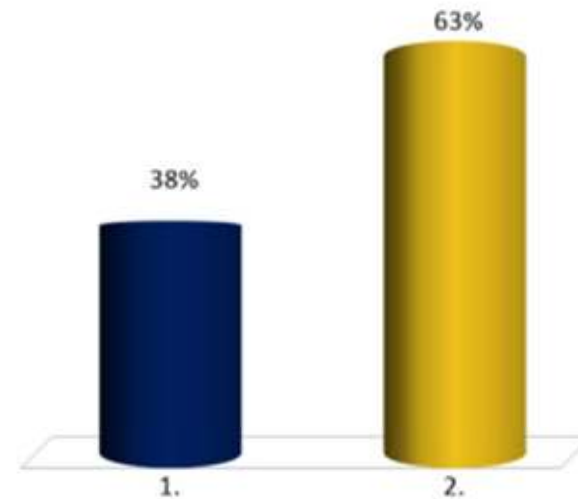




INSURER Response Question:

Are settlement practices changing in accordance with costs?

1. Yes
2. No





Paint Supplies or **Paint Materials** is the actual paint, or clear coat, and the tapes, gap filling materials, masking paper, sandpaper, cleaners, thinners, and additives used during the refinish process. For most of our customers, this is also billed by the hour. This is because one can reasonably describe the amount of materials used in any particular refinish job, and break it down to an hourly average. Needless to say, this is also usually inaccurate. In California, for example, estimators are required to itemize these materials per job. The critical thing to note here is that this describes hard goods. In the example above, where the shop agrees to only charge two hours to refinish the fender, they cannot afford to take the same hit to paint supplies. It's will cost a fixed amount of materials to refinish the fender, and this is normally non-negotiable.

Using Estimate Review with
CCC® Estimating

Documenting Prior Damage on
a Vehicle

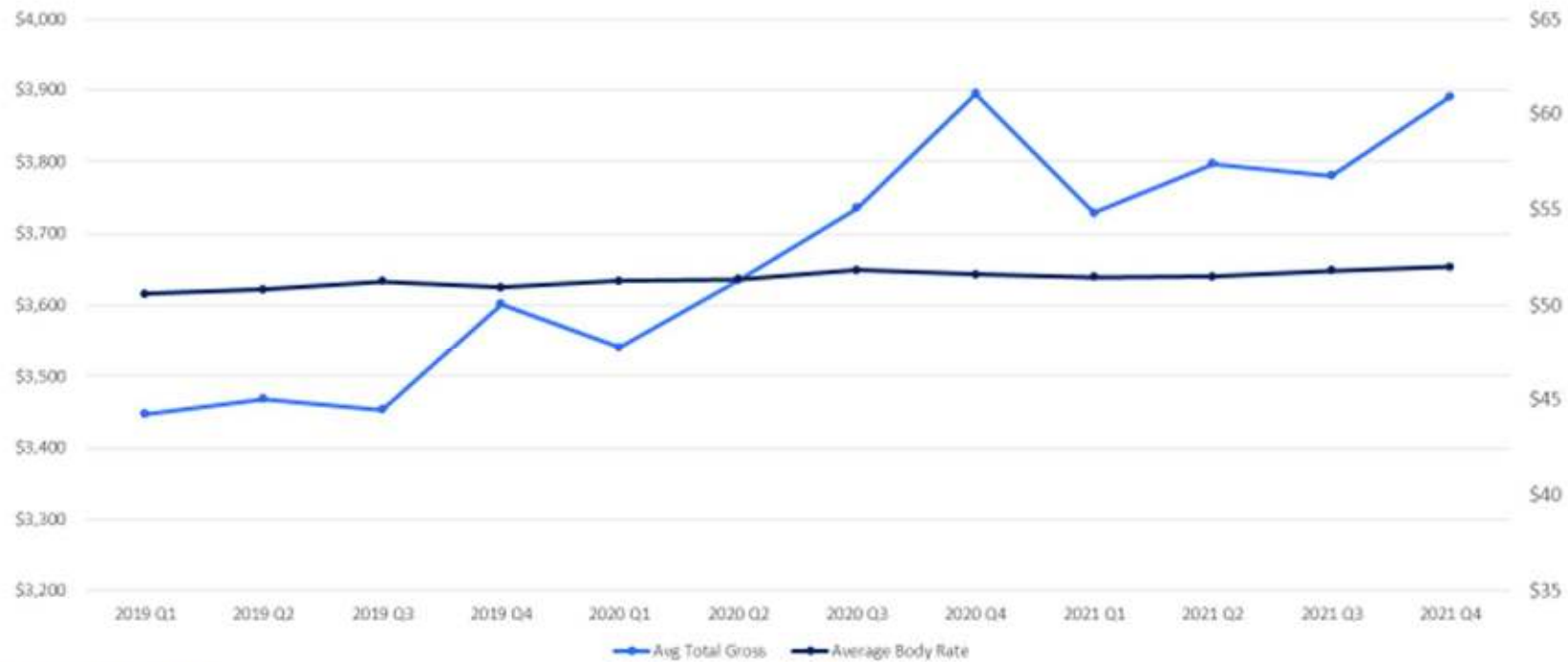
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Average Gross Estimate & Average Body Rate

2019-2021





Auto insurers 'understand the need for' higher rates, Boyd CEO tells investors

– May 12, 2022

Boyd Group, the parent company of Gerber Collision, is continuing to obtain rate increases from auto insurers as it responds to the challenges of a...



Special commission supports legislative solutions to Massachusetts' stagnant labor rates

– April 26, 2022

Declaring that the state's auto body labor rates "must be addressed" after more than three decades of inaction by auto insurers, a Massachusetts commission has...





**Motor vehicle insurance CPI rises 4.5% while overall
CPI increases 8.6%**

P&C
specialist

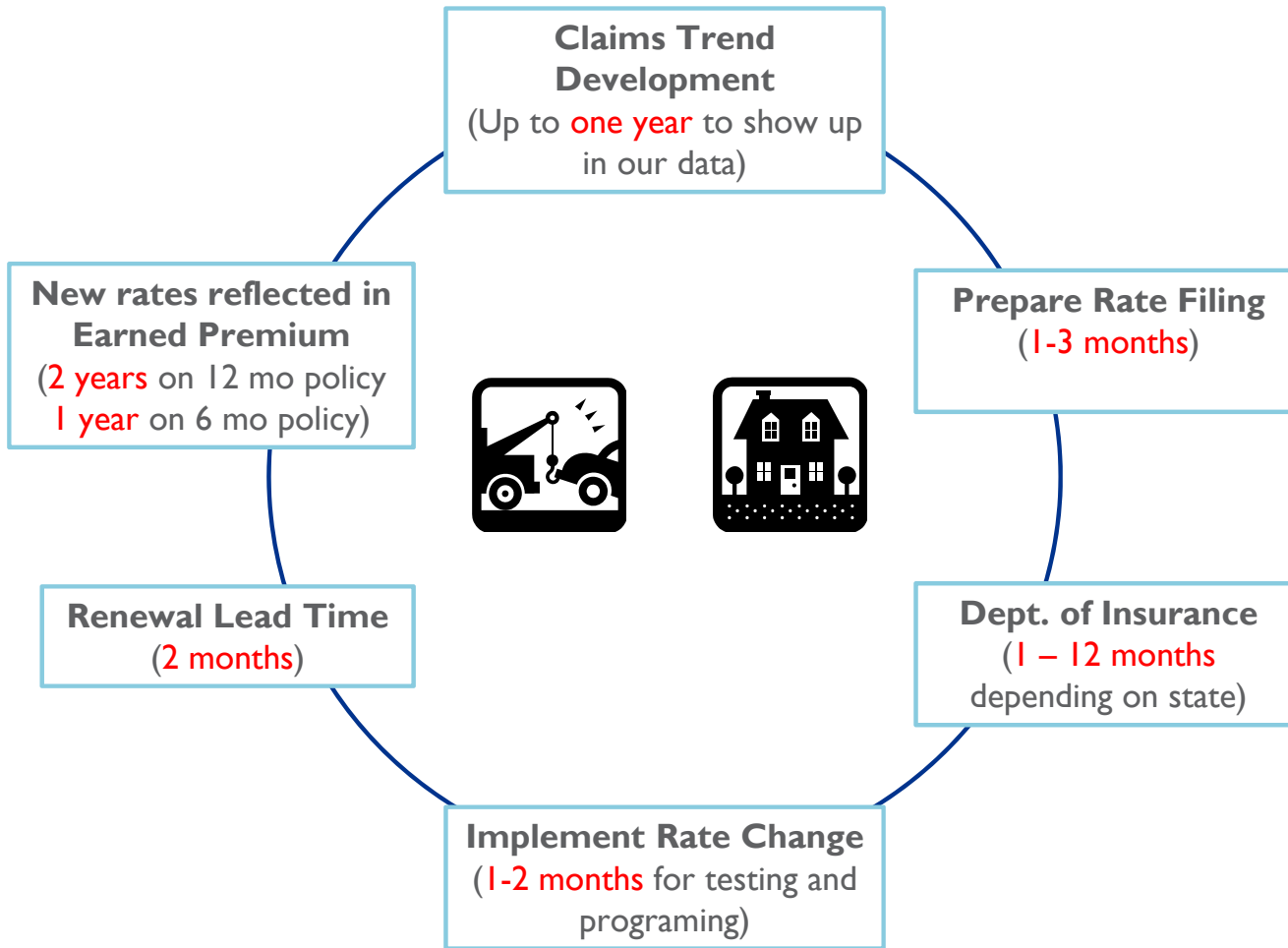
Auto Carriers See No End to Supply Disruptions, Inflation Pains at Midyear

The latest business guidance from General Motors suggests there's no respite in sight for auto carriers impacted by pandemic-era supply disruptions.

July 1, 2022

Consumer motor vehicle insurance prices in May rose at a 4.5% annual pace, a modest uptick on the 4.4% annual pace in April and 4.2% in March, as insurers ramp up rating action in an attempt to catch up with runaway loss costs.







PANEL DISCUSSION

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SCRS

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- **What is working, to adjust for inflation and rising costs?**
- **What leads to better communication and acceptance?**

