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May 26, 1995

VIA U.S. MAIL

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U.S. Department of Justice
Antitrust Division
1401 H Street, N.W.
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Rec'd
MAY 31 1995
J. J. M

**Re: Application of Independent Automobile Damage
Appraisers Association for Business Review Letter**

Dear Mr. Melillo:

Enclosed is the additional material that you requested with regard to the submission made by the Independent Automobile Damage Appraisers Association ("IADAA"). As you will recall, IADAA's original presentation explains that the association wishes to establish a network of participating members, so that the independent appraisers can compete for insurance appraisal work.

IADAA's members are independent automobile damage appraisers. They are not employees of body shops. They are not employees of insurance companies. They are not employees of franchise organizations. They are truly independent experts who give the consumer a fair appraisal of the cost, and the work needed, to repair an automobile.

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In almost every instance, a consumer who needs to have damage appraisal done on an automobile is dealing with a situation where his or her automobile has suffered significant damage and the loss is covered by insurance. It is in the insurance company's interest to get the car repaired and back on the road at the lowest possible cost. By contrast, it is in the repair shop's interest to do as much work as possible at the highest cost possible so as to maximize profit. Both the repair shop and the insurance company have high levels of expertise regarding what is involved in repairing automobiles. The repair shop and, in many instances, the insurance company, have employees who are automobile damage appraisers. But these employees often have a large gap in levels of skills. Further, the interests of the repair shop and the interests of the insurance company are often contrary to the interests of the consumer.

The consumer is the least knowledgeable of the parties in the transaction. The consumer's automobile is being repaired, but the consumer has no way of actually verifying whether a certain part needs to be repaired or replaced. The consumer also has no way of knowing or evaluating what brand of replacement parts will be used and whether that brand provides acceptable quality.

In recent years, there have been repeated concerns expressed by consumer groups with regard to the nature of automotive repairs. Articles have appeared criticizing repair shops that do unnecessary work and charge high prices. Articles have appeared that have questioned the practices of certain insurance companies in insisting on rebuilt parts rather than new parts for replacement purposes.

In this context, IADAA is a small organization of independent automobile damage appraisers. It is estimated that there are 30-40,000 automotive damage appraisers in this country. IADAA has fewer than 150 members nationwide. IADAA's market share is obviously so minuscule as to not have any significant effect. IADAA members, individually or collectively, have no market power. These companies could not fix, control or affect prices in any market in which they operate.

The local independent automobile appraiser is facing major competitive pressures from national appraisal companies. Attached as Exhibit A are lists of five national companies that provide insurance companies with nationwide coverage for their appraisal work. Often, when an independent agent, such as an IADAA member, contacts the local office of an insurance company seeking referral work, he or she is told that in order to get such work, he or she must be on an approved list of insurance appraisers. Insurance companies have traditionally chosen to deal with national appraisal organizations which offer uniform services on a nationwide basis.

Faced with a shrinking market, IADAA would like to engage in a joint marketing effort to promote the collective services of its members. IADAA intends to employ an independent contractor

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to negotiate contracts with various insurance companies and other mass buyers of appraisal services. Each IADAA member will then have the option of either participating in the program offered or not participating.

With regard to market share in any trade area, it would be clear that the market share of IADAA members in any trade area is less than 20% of the insurance appraisal market. In fact, excepting several very small communities where there may only be a few appraisers, IADAA's typical share in any geographic market would be less than 10%.

Of the five major national companies offering automotive appraisal services, data developed by publications and contacts with these companies show that in 1994:

- a. The five companies operated over 2,400 service locations in 50 states.
- b. The five companies handled approximately 20,265,000 claims.

By contrast, IADAA total membership has only 110 service locations in 41 states -- less than 5% of the total number of offices of the five major companies. From its 110 service locations, IADAA members handled approximately 400,000 assignments. This is less than 2% of the number of assignments reported by the top five companies. In addition to the top five companies, there are many other larger organizations of appraisers and franchise organizations that compete with IADAA members.

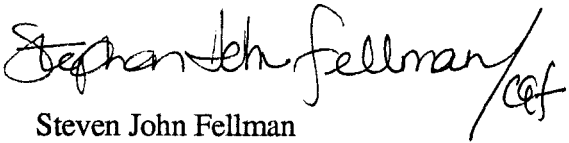
We believe that these numbers speak for themselves. The IADAA program is a voluntary program that will be administered by an independent third party. It will enable IADAA members to compete more efficiently. It will offer direct benefits to consumers.

Attached as Exhibits B through E are the additional materials that you requested from us. As to your inquiry regarding licensing procedures, it is IADAA's understanding that Massachusetts, Pennsylvania and Wyoming have licensing procedures relating to automobile damage appraisal. IADAA is not aware of any state or local regulations requiring automotive damage appraisers to belong to organizations such as IADAA.

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We apologize for our delay in responding to your request for information, but we had some difficulty obtaining information regarding the largest companies in the industry. We would appreciate your handling our business review request on an expedited basis.

Very truly yours,

Handwritten signature of Steven John Fellman in cursive script, followed by a slash and the initials 'cf'.

Steven John Fellman

Enclosures