

NEWS BULLETIN

Maine Automobile Dealers Association

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2013-13

2013 ANNUAL MEETING SUMMARY

Your Association's 69th Annual Meeting and Convention was held June 20-23 in Bar Harbor with over 260 Maine dealers, managers, family members and associated industry representatives participating in all or part of the convention weekend. Fortunately, the rain held off until Sunday's departure, so those who wanted to participate in the multitude of activities in and around Bar Harbor enjoyed the opportunity to do so. Given the tremendous experiences of MADA convention attendees over the past few years, your MADA Board has voted to return to the Harborside Hotel and Marina in Bar Harbor for our 2014 Annual Meeting and Convention (June 19-22).

Governor Paul LePage highlighted the educational opportunities on Friday afternoon with a presentation which focused on the then-current status of Maine's biennial budget. In addition, Governor LePage reviewed other legislation and agency activity. The Governor's remarks covered a wide variety of state government issues, and were very candid in his usual fashion. The Governor welcomed questions following his presentation, and overall the visit highlighted some important issues of Maine state government: tax levels, education funding, healthcare, hospital reimbursements, social services programs, cooperative services among Maine's municipalities as a means of reducing expense, energy issues, and economic development opportunities. Governor LePage also helped MADA recognize the seventeen years of service to MADA and NADA leadership by his friend Charlie Gaunce of Central Maine Motors Auto Group in Waterville.

Workshops at the Convention reviewed the current status of ObamaCare's impact on health insurance in general, and specifically on future programs available to the MADA Insurance Trust. Your Trust is well positioned to handle the myriad of administrative and benefit obligations of federal healthcare, with regional meetings to be scheduled in late Summer and early Fall to further the understanding of dealers and their personnel as to health insurance in 2014. Your Trust has begun the 2013 -2014 program year with lower than expected claims volume, and has just about completed the administrative and financial preparations to handle the future obligations of ObamaCare.

Workers Compensation was another issue on which presentations were made, with your Board of Trustees announcing a \$500,000 premium return for late July of this year due to good claims experience in the prior few years. Much work continues to be necessary to keep workers compensation claims in moderation, and dealerships and their employees have been working hard at this oversight. Enclosed is a memo which was distributed to participants at the Annual Meeting. This memo touches on Trust activities over the last few years as well as on some issues which will affect future Trust claims and administrative operations.

Maine Secretary of State Matt Dunlap discussed current and future operations at the Bureau of Motor Vehicles (BMV), one of the departments which Secretary Dunlap oversees. Mr. Dunlap announced that electronic lien release options were now available to financial institutions, a program which is designed to speed up the process of moving titles on used vehicles. Mr. Dunlap also discussed future electronic data transfer plans for BMV and dealerships, and offered suggestions on issues such as vehicle registration. Statistics as to title submissions and processing, as well as the recognition of delays in that system for a variety of reasons outlined by the Secretary, was part of the presentation. Secretary Dunlap participated in a healthy question and answer period, and remained for quite a while to hold individual and small group discussions on issues affecting dealers and his department. It is very likely that there will be considerable future discussion involving MADA members and the Secretary, as well as BMV personnel, to review issues surrounding the payoff of loans and the appropriate timing of title transfer documentation. As events occur, MADA will keep members informed.

Property and Casualty insurance was the topic of yet another educational workshop Saturday morning, with distribution and discussion of a summary of subjects to review in dealership renewal processes, including newer subjects which are finding their way into the forefront of dealership concerns about their overall insurance protections. More information will be provided in a future MADA bulletin.

Issues which arise in the Finance and Insurance operations at dealerships, and the increased scrutiny which federal regulators are applying to these subjects, was briefly reviewed for attendees. The Federal Consumer Finance Protection Board determinations on dealer reserve, service contracts, and other F & I activities were discussed. In addition, dealers and their personnel were reminded of the need for written privacy, safeguards, and red flags policies as required by federal law. With the Maine Legislature and a variety of governmental agencies really focused on privacy issues, dealerships were reminded of their obligations in the collection and transmission, not to mention filing, of customers personal protected information.

MADA attorney Bruce Gerrity presented an overview of a multitude of activities conducted on behalf of Maine's Franchised New Car and Truck Dealers. Much of this presentation related to issues discussed at the 2013 session of the Maine Legislature. Once the Legislature completes its work next week starting July 9, MADA will summarize, in a Legislative News bulletin, all of the issues followed by your Association at this year's session. There are some issues being carried over to the 2014 session, including amendments to Maine's Dealer-Manufacturer Franchise Law as well as Right-To-Know legislation. These issues and others will be the subject of not only the forthcoming Legislative News Bulletin but also discussion at MADA's Fall Regional Meetings.

A great weekend on the coast of Maine was enjoyed by all. MADA thanks the multitude of associated industry organizations who help sponsor the various events of the weekend, and we will distribute a listing of those companies with our next bulletin.

MADA OFFICERS AND DIRECTORS FOR 2013-2014

Please find enclosed with this News Bulletin a listing of the current Officers and Directors of your Association. Please feel free to contact individuals on your Board, or the Association office, should you have a subject which your Board should address.

FAME TO ISSUE LETTERS REGARDING WASTE OIL SITES

The Finance Authority of Maine (FAME) will be issuing letters to Potentially Responsible Parties (PRPs) at the Ellsworth, Casco and Presque Isle waste oil sites now that the new motor oil fee is generating sufficient revenue to cover the cost of clean-up and remediation at these three sites. It is MADA's understanding that these letters will state the elimination of any future liability for those dealers at these sites. This potential liability has hung over many current and former MADA members for nearly two decades, yet the end is in sight. These letters releasing PRPs from liability at the George West waste oil sites will be welcome news and enable dealerships to eliminate that concern from their Balance Sheets. While the PRP list for the Presque Isle site is likely incomplete, liability for that site is also being eliminated due to the collection of sufficient funds to handle that clean-up.

OBAMACARE OBLIGATIONS POSTPONED

This morning your MADA Insurance Trust office was notified that some administrative and penalty provisions of ObamaCare are being postponed into 2015, after mid-term Congressional elections (makes one wonder about the timing). Federal agencies charged with implementing ObamaCare will be issuing revised guidelines in the next few weeks. These delays will impact W-2 reporting, separate individual business filing of information about health plans offered in their business, as well as proposed penalties for non-compliance relating to affordability by employees. Your MADA Insurance Trust will write participating dealerships once the revised rules are announced.

To: MADA Workers Compensation Trust Members
From: Marc Jobin
Date: 2013 MADA Convention
Re: Claim Trends and Data

The preliminary number of reported claims by Trust members for the claim year 6-1-12 through 5-31-13 is 372, **down 5%** from the 392 reported in the previous year. Conversely, there was a 9% increase in exertion claims.

As the dealership workforce ages, there is the increasing potential of exertion injuries if employees are not diligent in how they perform manual work. Among all age groups in the workforce, there seems to be situations when employees forego proper safety procedures in order to expedite work. Time spent on utilizing proper body mechanics and adhering to safe practices would reduce the potential for injury.

I. Injuries due to exertion/back injuries. Trust data clearly shows that **exertion injuries** (back strains, disc injuries, shoulder strains, etc.) are the most frequent and the most costly. Exertion resulting in back injury is the most frequent and costly, but shoulders and knees are rising.

Exertion-related injuries can be greatly reduced by educating employees on proper lifting techniques, monitoring to see that these techniques are used, and appropriate use of helpful equipment.

Exertion Injuries	<u>Claim year /(total # claims)</u>	<u># exertion claims</u>	<u>Total cost</u>	<u>Actuarial Est.</u>
	'10-'11 / 475	152-32%	\$ 548,201	\$1,096,402
	'11-'12 / 392	130-33%	\$ 510,577	\$1,021,154
	'12-'13 / 372	157-42%	\$ 820,915	\$1,641,830
Back Injuries	<u>Claim year /(total # claims)</u>	<u># back claims</u>	<u>Total cost</u>	<u>Actuarial Est.</u>
	'10-'11 / 475	57-12%	\$129,029	\$ 258,058
	'11-'12 / 392	63-16%	\$ 83,132	\$ 166,264
	'12-'13 / 372	57-15%	\$299,075	\$598,150

II. Slips, Trips and Falls. Trust data shows that slips, trips and falls account for 39 claims, up 2 from 37 in the prior year. This is holding with the 50% reduction in the prior year. Your winter maintenance is working.

Proper care of employee parking areas, proper footwear, and floor maintenance would decrease injuries. Consideration might be given to using independent outside sources to clear snow and maintain lots.

III. Eye injuries.

Eye injuries over the last year have been reduced by 29%, from 63 to 45, most of which are preventable. Protective eyewear should be mandatory for all persons working or visiting the parts, service, recon, and body shop areas. If proper protective eyewear is used at all times in designated areas, and if proper hygiene is followed when touching eyes after removing protective eyewear, eye injuries could be virtually eliminated. All grinders must have appropriate safety shields.

COSTS

The following are the aggregate workers compensation benefits paid for the most recent three calendar years. The medical costs include payments for which the Trust applied the workers compensation fee schedule as well as those for which the fee schedule is not applicable.

	2010	2011	2012
Total claim benefits paid	\$2,518,522.59	\$2,419,187.82	\$2,270,981.13
Medical benefits paid	\$1,418,376.30	\$1,301,256.00	\$1,119,336.75
% of medical benefits to total	57%	54%	49%

6/1/12 through 5/31/13 MEDICAL/PHYSICIAN FEE SCHEDULE REDUCTIONS

Period	Charges Submitted	Dollar Reduction	Amount Paid	% Reduction
6/1/12-5/31/13	\$1,415,970.04	\$362,143.84	\$1,053,826.20	26%

As of 12/11/2011 the Maine Workers Compensation Board has established new rules to incorporate hospital fees into the existing fee schedule. Prior to this date there was only a 5% "early pay" reduction allowed for hospital facilities. The new rules involve a more complex series of calculations which take into account payers other than workers compensation insurers. NCCI estimates that this may result in approximately 2% less in payments made to hospital facilities. The Trust will be monitoring the results of this activity to calculate actual savings. On the other hand, with January 2013 updates to the new provider fee schedule, NCCI estimates that fees paid to providers will increase as much as 7%.

MAINE WORKERS COMPENSATION OUTLOOK

1. The Maine Workers Compensation Board (WCB) is more aggressive than ever in monitoring claim reporting and follow-up filings. The WCB is assessing penalties for failure to meet the filing timelines required by law. Late reports of injury create a domino-effect, making all required filings late. It is critical that dealership personnel in charge of reporting claims advise MADA **immediately** following a work-related injury. It is equally critical that all subsequent lost time from work being claimed is reported **immediately**. All employees and management should be advised on the need for timeliness as well as the dealership protocol for reporting injury. The Trust needs your assistance to remain in high compliance, and thus mitigate claim costs.
2. The WCB requires that a wage statement (this form is located on the MADA website) must be filed on all lost time cases, even if the employee loses only one day of work. The WCB is also taking a very close look at these filings. They need to be completely filled out for 52 weeks, **including the week the injury took place**. The wage statements must also be totaled accurately.
3. The current maximum weekly workers compensation rate for any injuries occurring prior to 1/1/13 is \$645.38. Beginning 1/1/13 and extending through 6/30/13 the weekly maximum will be \$717.09. As of 7/1/13 the maximum weekly rate for injuries prior to 1/1/13 will be \$655.77, and for injuries occurring after 1/1/13 the maximum weekly rate will be \$728.63. These increases in the maximum weekly rate affect paid indemnity amounts, as many dealership employees have reached, or will exceed, the maximum weekly rate.
4. For all claims with dates of injury on or after 1/1/13, the weekly indemnity benefit will go back to being calculated at 2/3 of the injured employee's average weekly wage, the same method that was used prior to the 1991 statutory change.

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