



VIA Email: HouseCorporations@rilegislature.gov

May 20, 2021

Representative Joseph J. Solomon, Jr.
Chair, House Committee On Corporations
Rhode Island State House
Providence, RI 02903

Re: House 6324 – An Act Relating To Insurance – Unfair Claims Settlement Practices Act
House 6325 - An Act Relating To Insurance – Motor Vehicle Replacement Parts

Dear Mr. Chairman:

This statement in strong opposition to both H. 6324 and H 6325 is submitted by the American Property Casualty Insurance Association (APCIA).¹

- Groundhog Day

For over twenty years, the final weeks of the Rhode Island legislative session have seen pitched battles between insurers and the autobody industry with only an occasional respite. This year looks no different, but this Groundhog Day may be even more difficult than most given the contents of these bills and the two others pending before the committee.² What is not different, however, is the background upon which these bills play out.

First, it costs more to repair a car in Rhode Island than anywhere else.

At an average of \$4548, Rhode Island is \$200 higher than #2 New York (\$4242). Rhode Island has had the highest average autobody repair costs for the last 5 years running, increasing by 26% since 2016, from \$3596 in 2016 to \$4548 in 2020.³

¹ Representing nearly 60% of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Rhode Island and many more do business here. Together, APCIA members write almost 67% of auto insurance sold in the state.

² House 6052 was heard by the committee on March 29 and APCIA submitted written and oral testimony in opposition. It should be noted that prior versions of H.6052 were vetoed by the governor. House 6065 was heard by the committee on April 5 with APCIA testifying in support. Unlike H. 6052, 6324, and 6325, H 6065 seeks to restore some level of cost awareness and stability to the auto collision repair marketplace in Rhode Island.

³ APCIA Greenbook, CCC Average Repair Costs By Vehicle Owner State, February 2021.

Rhode Island has passed more auto body repair legislation than any other state and has more restrictions in place than any other state – so is it a surprise autobody repair costs are higher than any other state?⁴

Second, Rhode Island drivers pay a lot for their auto insurance.

Given that Rhode Island has the highest repair costs, it should also come as no surprise that Rhode Island has some of the highest auto insurance rates. Depending on the source doing the ranking and coverage choices, Rhode Island is always in the top 10 - anywhere from 10th to 3rd most expensive and generally 50% to 70% higher than the national average.⁵

This has real world consequences. Here in Rhode Island one of the most troubling is an increase in the number of uninsured drivers on the state's roads. According to the Insurance Research Council, 16.5% of the drivers on our roads are uninsured.

This is the highest number in New England – by far – and the 11th highest in the country. The rate had been dropping, due in no small part by some of the measures passed by this committee, but it is climbing again, and the cost of insurance is a key driver.⁶

You simply cannot keep adding costs to a system like these two bills will and the previous two-dozen before them have, and not expect there to be consequences.

It is not nefarious. It is not price gouging. It is common sense. High costs generally result in higher prices whether it be for widgets or auto insurance. Bad weather, bad roads, bad accidents, congestion, and the high cost of repair all mean higher insurance costs for good Rhode Island drivers.

Now the autobody industry is back for more – again!

⁴ Since 2003 Rhode Island has passed 24 autobody related bills – more than any other state legislature. This has produced in an overly intrusive oversight scheme harms to consumers through higher costs and less innovation. APCIA has provided a running list to this committee in the past, but in the interest of brevity is happy to do so again under separate cover.

⁵ See Bankrate.com “Car insurance rates by state for 2021”, May 19, 2021 (Listing Rhode island as the 8th most expensive) <https://www.bankrate.com/insurance/car/states/>; Insure.com “What states have the cheapest car insurance rates?”, May 17, 2020 (Listing Rhode island as the 7th most expensive) <https://www.insure.com/car-insurance/car-insurance-rates.html#car-insurance-rates-by-state-2021>; Valuepenguin.com “How much car insurance rates vary by state”, February 11, 2021 (Listing Rhode island as the 3rd most expensive and 70% higher than the national average) <https://www.valuepenguin.com/car-insurance-by-state>; Coverage.com “car insurance rates by state for 2021”, January 29, 2021 (Listing Rhode island as the 5th most expensive) This website also notes the following: “The reason why Rhode Islanders pay so much for car insurance might surprise you—it’s because the state has very high auto body costs. As of 2016, the average cost of repair parts and labor in the state was \$405.83. That puts Rhode Island in the top four most expensive states for car repairs.” <https://www.coverage.com/insurance/auto/states/>. Numerous other websites produce similar results. It is also worth noting that Rhode Island was the most expensive state in New England for auto insurance on each one of these sites.

⁶ Rhode Island compares unfavorably with Massachusetts (3.5%) and Maine (4.9%) who have some of the fewest uninsured motorists in the country. Connecticut (6.3%) and Vermont (8.8%) are also lower. See “Uninsured motorist statistics and facts 2021, Bankrate May 13, 2021 at: <https://www.bankrate.com/insurance/car/uninsured-motorist-statistics/>

- House 6324 – A Blank Check

House 6324 makes three changes to the plethora of autobody related provisions in the unfair claims settlement practices act. APCIA opposes the changes to two of the subsections.⁷

The proposed changes to subsection (21) makes changes in the areas of estimates and materials, and most egregious, adds something referred to as an “automotive industry standard markup”⁸. The proposal would effectively allow the autobody industry to use whatever paint invoicing system, they want, including several known to be open to potential manipulation, and an insurer would be required to pay it as long as an invoice is produced. Adding insult to injury, insurers would be prohibited from negotiating and required to pay a mark-up.

The proposed addition of a new subsection (27) is even more concerning. It creates an unbalanced loophole one could drive a Brink’s armored car through. Dealing with sublet services, it includes a broad, but ambiguous list of services an autobody facility must be compensated for, and then, on top of it all, another “industry standard markup”. Sublet services for such things as collision system recalibrations are a growing concern as such services are required more often and can cost upwards of \$1000. Adding another 25% or more to this bill through some sort of statutorily blessed hocus pocus will potentially make costs explode.

Together both changes constitute nothing less than a blank check allowing the autobody industry to add additional costs to the system. This will further drive-up costs in Rhode Island for all customers over and above what a typical competitive marketplace would support.⁹

Finally, Rhode Island would be an outlier. No other state has this. These two provisions go much, much too far. The autobody industry will reap the benefits and the good drivers in Rhode Island will reap the consequences – squarely in the wallet.

- House 6325 – Part of the Bill Bans Certain Parts

House 6325 essentially bans the use of recycled parts – a key tool to keep costs down. It would also significantly harm several small businesses located in Rhode Island that supply recycled parts to repairers and the general public.

⁷ APCIA does not necessarily support the proposed changes in the retained salvage notice provisions in subsection (25)(v), but suggests that instead of the General Assembly seeking to wordsmith the required notice via a statute, a better approach would be to require the Department of Business Regulation to work with the Department of Motor Vehicles to produce an acceptable notice document via a regulatory process. Otherwise, APCIA is concerned that confusion will continue and the legislature will be forced to revisit this issue.

⁸ “Automotive industry standard markup” is not a defined term in the bill. Nor is there a process articulated in the bill regarding who determines (beyond the shop itself) it and how it is to be determined. Conversations with APCIA members elicited a wide range of opinion on the subject with many suggesting such a mark-up could be 25% or higher. No other state has such a provision.

⁹ -It is already a violation for an insurer to refuse to compensate a shop for charges documented by industry recognized systems to calculate paint body and refinishing materials. This adds a bunch of example systems, but this would specify that it is only what the shop documents, and not one that an insurer might use to calculate the same thing, eliminating any negotiation effectively.

While most of the provisions regarding fit and finish are fairly consistent with the requirements regarding aftermarket parts, and thus livable with a few changes, the delivery restrictions as well as the vehicle mileage and year requirements defy common sense and complicate things to a fair-the-well. They add costs and could even delay the completion of repairs. It is these two later provisions that are the key reasons for our opposition to the bill.

As was the case with H.6324, passage of H.6325 would make Rhode Island an outlier. No other state does this. No other state would consider a bill that harms consumers, harms several existing small businesses in Rhode Island -- all for the benefit of the auto body industry.

- Conclusion

House 6324 and 6325 adds costs related to parts, materials, sublet services, and a new "industry standard markup" loophole.

Both bills allow the autobody industry to charge even more than they do now. Potentially a lot more.

No other state has this. Neither bill has an equivalent on the books in any other state.

These bills do not reduce costs, they increase them. History has shown that higher repair costs can lead to higher insurance costs. It is common sense – the more costs you add to a system, the more things cost. Both bills add to a long list of restrictions that limit flexibility, often defy common sense, and make Rhode Islanders wait longer for their vehicles to be repaired.

It is time to tell the auto body industry– enough is enough.

For all of these reasons, APCIA opposes H 6324 and H 6325 and urges the committee to hold them for further study.

Very truly yours,

A handwritten signature in black ink that reads "Francis C. O'Brien". The signature is written in a cursive style with a large initial 'F' and a distinct 'O'Brien'.

Francis C. O'Brien
Vice President, State Gov't. Relations

CC Members of the House Corporations Committee