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

**Re: Oppose House Bills 6324 and 6325**

Dear Representative Solomon and Members of the House Corporations Committee:

Thank you for the opportunity to provide comments regarding **House Bills 6324 and 6325**. Allstate respectfully opposes both bills.

Both proposals come from the Auto Body Association of Rhode Island (ABARI) and are designed to increase their bottom line. The bills are not consumer focused but rather are designed to allow the shops to charge maximum rates for parts and services regardless of whether those parts or services are warranted. And while auto insurance companies initially pay such costs, it is the Rhode Island consumer who ultimately bears the burden of these anti-consumer pieces of legislation.

According to published industry data, thanks to the aggressive body shop legislative agenda and bills like **House Bills 6324 and 6325**, Rhode Island leads all New England states in the average cost to repair vehicles. In fact, the next nearest state is \$900 below Rhode Island according to one leading industry data source. (CCC comparison for collision severity in New England) Passing these bills will only increase that disparity.

**House Bill 6324**

**House Bill 6324** would define a used Original Equipment Manufacturer (OEM) part and create standards for use of such parts in physically damaged motor vehicles upon the

insurance company and the automobile body shop. It is important to note that Rhode Island already is among a small handful of states across the country that mandates the use of new OEM parts on any vehicle that is 48 months or newer. So, **HB 6324** mandates only apply to vehicles that are 4 years and older. **We believe House Bill 6324's real purpose is to practically eliminate the use of used OEM parts in Rhode Island.**

Specifically, the bill would mandate that only such used parts that were the same model year or newer of the damaged vehicle, with less or equal mileage, be used. Such a standard would have a significant fiscal impact on current repair processes. Allstate already has procedures in place that limit the use of such parts to the current model year minus three years because we recognize the need to replace parts that are of like, kind and quality.

However, it is important to note that House **Bill 6324's** used part standard does not make any allowance for the type of part being replaced. For instance, Allstate takes the mileage of the donor vehicle into consideration for mechanical parts. But other non-mechanical parts that are not affected by mileage are also subject to the bill's standard.

In addition, **House Bill 6324** seeks to implement a standard that limits the sourced used part to a radius of 50 miles. There is no reason at all to make this a statutory standard. In fact, this standard contradicts the same paragraph in the bill that statutorily discourages the use of multiple parts dealers in the same repair. One must ask whether mandating the use of one parts dealer is helped or hurt by limiting the search for such a dealer to 50 miles.

There are literally hundreds of shippable parts that can be obtained from a far greater distance than 50 miles, and there is no reason to limit the search for quality used parts to such a small area in 2021. A consumer deserves the right to have quality used parts placed in their vehicle, and it makes little sense to confine the search for such parts to 50 miles from Rhode Island. Further, a 50-mile search radius only exacerbates the issue of obtaining parts from multiple dealers – a situation this bill seeks to discourage. Unfortunately, this proposed requirement perfectly illustrates ABARI's myopic view of the auto repair industry. Rhode Island is a lonely bastion for this type of anti-consumer legislation that only limits the choices Rhode Islanders have, and increases the prices charged by Rhode Island's auto body repair industry.

### **House Bill 6325**

**House Bill 6325** seeks to make several changes to the Rhode Island Unfair Claims Settlement Practices Act. What the bill does practically is to raise the costs of auto repair in Rhode Island by choosing body shop interests in maximizing profits over the Rhode Island auto insurance consumer.

**House Bill 6325** would amend three sections of the Act. First, it would amend a current section of the Act that requires insurers to compensate an auto body shop for their documented charges as identified through the most current version of automotive industry-recognized software programs or systems. **House Bill 6325** lists acceptable systems and programs and mandates that an insurer shall not discount documented charges by failing to use a system in its entirety.

Next, it would change the procedures to secure salvage titles by requiring the car owner's written consent and acknowledgement that the insurer is not retaining the salvage and include a statement of the owner's obligation and potential costs to dispose of or otherwise retain the salvage title.

Finally, the bill would prohibit insurers from refusing to pay an auto body repair shop for "sublet services" paid out to vendors or incurred by the auto body repair shop, for specialty or unique services performed in the overall repair process. These services would include costs and labor incurred to research, coordinate, administrate or facilitate the sublet service, and an automotive industry standard markup.

**House Bill 6325's** changes all attempt to mandate maximum charges on insurers for work prescribed on all repairs. It is worth mentioning that Allstate writes thousands of estimates to repair vehicles annually in Rhode Island, the vast majority of which are agreed to through the appraisal process. Repair procedure requirements vary widely and that is why Rhode Island has strict rules on the need for in-person inspections.

However, all three proposed changes dictate terms of the repair process and add costs without appreciable consumer benefit. Already insurers must pay repairs that are based on software repair programs or systems – **House Bill 6325** mandates that such programs must be used in their entirety on every repair. In addition, insurers would now be responsible for the industry-determined markup on such repairs.

The salvage title process after a total loss is already a convoluted and costly process. Under current Rhode Island law insurers must notify the owner of the vehicle in writing of the requirements of obtaining both a salvage title and a reconstructed title from the Department of Motor Vehicles. **House Bill 6325** would mandate that an insurer must obtain a claimant's consent if that insurer is not retaining the salvage. The insurer would also be expected to provide the consumer a statement of the owner's obligation and potential costs to dispose of or otherwise retain the salvage vehicle.

Allstate is not aware of any other state that mandates that we must receive a car owner's consent **not** to take title to their vehicle. We work with consumers to understand their wishes as regards their totaled vehicle, but it is incomprehensible to us that we be made to take title to that vehicle unless its owner consents. Adding this requirement to the

salvage process would further complicate an already difficult process – a process that is taking place at an extremely difficult time for consumers. Reform in the salvage process should come in making the process more user friendly for all parties involved.

Finally, **House Bill 6325** mandates that insurers pay for what it terms “sublet services.” These services are described as specialty or unique that are performed during the repair process. In reality, many of the services listed in the bill are already customary and usual charges that are already being reimbursed on a regular basis by insurers. To list all these services as somehow unique and therefore automatically reimbursed fixes costs in the appraisal process that are supposed to be negotiated.

Our obligation is to provide reimbursement for procedures and services that put a vehicle back to its pre-accident condition on a car-by-car basis. **House Bill 6325**'s goal is simply to take any proposed charge on any potential repair and make its reimbursement mandatory. Such a result will only add to the costs of repair to Rhode Island auto insurance consumers – costs they already bear in disproportionate share.

The other impact of both **House Bills 6324 and 6325**, in addition to raising costs for repaired vehicles, is that both bills will mean that more cars will be deemed total losses in Rhode Island. We believe that it is no coincidence that **House Bill 6325** places the burden of **not** taking ownership of a total loss vehicle on the insurer. The costs of towing, storing and disposing of such vehicles would fall increasingly on auto insurers under this proposal, who would be billed by the same repair shops that are championing this legislation.

For these reasons, Allstate respectfully requests that you oppose **House Bills 6324 and 6325**. Thank you for your consideration.

Respectfully submitted,

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