

CollisionWeek Feature

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Small State Wins Big Insurance Law Changes

Rhode Island law now requires and describes how insurers are to conduct labor rate surveys. First state-designed surveys in the mail to shops now.

California may often lead the way when introducing new legislation pertaining to the collision repair industry, but on October 2, the Rhode Island Department of Business Regulation (DBR) adopted the final version of a new regulation that sets precise guidelines for how insurance companies must survey collision repair facilities when determining the prevailing labor rate for market areas in the state, including the exact survey form they must use.

The Rhode Island Auto Body Shop Association was instrumental in passing the legislation this summer ([RI HB 7167](#)) which required the creation of the new Insurance Regulation 108.

According to John Petrarca, president of Providence Auto Body and the Rhode Island Auto Body Shop Association, the legislative efforts of the association started back in 1997. "In 1999, through the efforts of the association, the Rhode Island House of Representatives set up a commission to start studying the auto body industry," explained Petrarca. "Because of that, the legislators started realizing there was a problem."

Under the new law, insurance companies are to conduct annual surveys under specific guidelines set out by the state. The rules will require insurers to survey all licensed shops, excluding only those that they have a DRP relationship with.

The regulation requires insurers to provide in their report to the Department, "a description of the formula or manner in which the insurer has calculated or determined the prevailing labor rate." Insurers had requested that this requirement be removed from the final regulations, but the Department declined their request explaining that it is required by the statute.

Insurers had also requested changes to the regulations that would allow for "surveying" techniques outside of the actual submission of a questionnaire to an auto body shop. The Department declined this request as well because, "the Department believes the intent of the statute is to provide for a standard method which receives actual data from auto body shops." In addition, the Department added terms that require the insurers to use the exact survey form provided by the state, with only formatting changes allowed.

On October 6, the DBR issued a [bulletin](#) to every insurer in the state required to comply

with the new law- all insurers with greater than 1 percent market share. The bulletin set the deadlines for compliance with the new law as, prior to February 1, 2007 send questionnaires to all licensed Facilities as determined by the state; by June 1, 2007 insurers must file a report on their findings with the DBR; beginning in 2008, insurers must survey and file their reports annually by September 1.

Petrarca explained, "This new bill requires the insurers to conduct the survey and disclose the results." Petrarca said the surveys are already in the mail to repair facilities and the Association will hold a meeting on November 1 to help shops understand the new survey process. The Association has invited economist Frederick B. Jennings, Jr., Ph.D., of EconoLogistics, to address the group. Jennings has conducted research projects for several associations including "The Economic Study of the Auto Body Repair Industry," commissioned by the New York State Auto Collision Technician's Association. The NYSACTA study illustrates the effects of a profit squeeze by insurers on independent auto body repair shops in New York and elsewhere.

Consumer disclosure

In addition to the new bill on labor rate studies, the Rhode Island Auto Body Shop Association also worked to get bills passed recently requiring notification of a consumer's right to choose an auto body repair facility under Rhode Island Insurance Law.

One bill requires Rhode Island auto body shops to display a sign notifying consumers that insurance companies may not interfere with the consumer's choice of an auto repairer. Another requires appraisers to include on their appraisals a notice, in boldface type, informing consumers that they have the right to choose the repair facility they want to fix their vehicle.

"The law requires every repairer and every insurance company drive in claim center to have a sign explaining a consumers rights to have repair work done at any shop. Insurers must also put a disclosure statement of every insurance identification card," said Petrarca. "When a consumer looks at their insurance card to find the 800 number to report a claim, they also see the statement about their right to choose a repair shop. We believe this has been a big help for repairers in the state."

Future legislation

The Association is looking to work with legislators to get some additional bills passed that they believe will be beneficial to both consumers and repair facilities, "Unlike Massachusetts, every car in Rhode Island doesn't have to be looked at by an appraiser," stated Petrarca. "We believe that requiring this would be beneficial to consumers. We will propose that any car worth over \$500 has to be looked at by an appraiser."

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