RHODE ISLAND SPECIAL REPORT
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Creating a Higher Cost Environment for Rhode Island Consumers

PCI
Property Casualty Insurers Association of America
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Overview

Since 2003, Rhode Island has passed a staggering number of laws favorable to and promoted by the Auto Body Association of Rhode Island (ABARI). Overall, these laws have increased the amount paid for auto body repairs while limiting the role of auto insurers in the claims process. The overall effect has been detrimental to auto insurance policyholders, who have seen both increased liability and collision rates. Additional legislative proposals, that could harm consumers, are expected this year.

A Notable Increase in Labor Costs

Just 3 years after ABARI supported body shop legislation began passing, Rhode Island’s average auto body repair labor costs were on the rise. In 2006, body shop labor rates in Rhode Island were on par with neighboring states. Rhode Island averaged $39.15 while neighboring states averaged $39.06. From 2006 to 2017, average auto body repair labor costs in Rhode Island have increased an incredible 19.6% to $46.82, while neighboring states increased 11.2% to $43.44. The average auto body repair labor rate is now 7.8% higher in Rhode Island than neighboring states.

Further dissection of labor rates and wages shows that these increases are not directly tied to increasing wages. In fact, the shop-owners’ margins, measure by the auto body repair labor rate less the average hourly wage, increased 11.2% in Rhode Island. This is far higher than the average 0.9% increase seen across neighboring states.

1 Mitchell 2017 Average Labor Rates Data

2 BLS QCEW 2017 Q3 Data – NAICS 81112 Automotive body, interior, and glass repair

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Rising Insurance Costs
The average costs of property damage liability and collision claims in Rhode Island increased significantly over the past five years. The average claim rose from $3,347 to $4,130, a 23.4% increase. Moreover, the average claim in Rhode Island is 26.0% higher than in neighboring states.

Higher Collision & Property Damage Liability Severity
Rhode Island’s average claim rose 23%; it’s now 26% higher than neighboring states
Ultimately, this impacts the consumers’ wallets in the form of higher insurance premiums. Rhode Island has the second highest average property damage liability premiums and the fourth highest average collision premiums in the country\(^4\).

**ABARI Further Aims to Punish Consumers’ Wallets**

ABARI’s latest legislative push (SB 2679, HB 8013) revolves around the use of after-market parts (AMP) in the repair of damaged automobiles. This bill would effectively push consumers towards using higher priced original equipment manufacturers’ parts (OEM) as opposed to AMP. The difference in costs can be significant. On average, AMPs are 23.3% to 29.9% cheaper than OEM parts\(^5\), depending on vehicle origin.

PCI estimates that this could drive the cost of repair parts for by 10.8% and overall repair costs by 5.2%. If this translates directly to premium increases, this would make Rhode Island’s property damage liability premiums the highest in the country, and their collision premiums the second highest.

**Protect Consumers: Oppose SB 2679, HB 8013**

And Harmful ABARI Legislation

SB 2679 and HB 8013 would negatively impact consumers in Rhode Island. Legislators should work to protect the nearly 700,000 licensed drivers\(^6\) in the state over the interests of 205 auto body shops\(^7\).

**Vote “NO” to SB 2679 and HB 8013**

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\(^4\) NAIC 2015 Auto Insurance Database Report – excl. TX
\(^6\) FHWA State Highway Statistics 2016
\(^7\) BLS QCEW 2017 Q3 Data – NAICS 81112 Automotive body, interior, and glass repair

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