RHODE ISLAND SPECIAL REPORT
APRIL 2017

The impact of ABARI sponsored legislation on auto accident claims
Summary

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.

In 2015, PCI released a study on the impacts of these laws in regards to property damage and collision claims. This study represents an update to that paper, which compares the various repair-related costs and auto insurance premiums for Rhode Island versus neighboring states. It is clear that the body shop-related laws enacted over the past 13 years have adversely impacted Rhode Island drivers.

Highlights of the analysis include the following:

• Auto body labor rates for Rhode Island, that were similar to neighboring states in 2006, are now significantly higher as of 2016.

• Despite having more shops per capita than neighboring states, Rhode Island has less competitive (higher) labor rates.

• From 2013 to 3Q 2016, the average property damage and collision claim cost has increased 5.7 percent faster than neighboring states.

• According to the NAIC Auto Insurance Database, the average 2013 collision premium in Rhode Island was 11.4 percent higher than in neighboring states.
Once on par with neighboring states, Rhode Island’s average collision repair cost is now higher than that of nearby states

In 2006, just 3 years after ABARI-supported body shop legislation began passing, Rhode Island’s average body shop labor costs\(^1\) were 0.4 percent higher than neighboring states (MA, VT, NH, ME, & CT). This gap has widened significantly to 5.7 percent.

Rhode Island’s average body shop labor costs grew by 17.4 percent from 2006 through 2016, while neighboring states grew by 11.5 percent. At its peak, auto body labor costs in Rhode Island grew by an astounding 5.5 percent in a single year from 2007 to 2008.

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\(^1\) Mitchell, Inc. 2006-2016 State Average Labor Rates – Average Body Hourly Labor Rate
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**ABARI sponsored legislation has made the auto body repair market less competitive**

Differences in labor costs do not develop in a vacuum. They are products, in part, of competition in local markets. Comparing the number of repair shops\(^2\) per capita (millions)\(^3\) to the average auto body labor costs\(^4\) in New England should yield lower labor costs for more competitive states.

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**One State Stands Out**

A comparison of shops per person and labor rates in 2016 shows that even though there are more shops in Rhode Island, the competition is not resulting in more competitive rates.

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Despite having the most repair shops per capita in 2016, Rhode Island does not have the most competitive labor rates. This violation of basic free market principles is creating an anti-competitive market in Rhode Island, which ultimately hurts consumers.

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\(^{2}\) Bureau of Labor Statistics – NAICS 81112 Automotive body, interior, and glass repair – private – number of establishments – all establishment sizes

\(^{3}\) US Census Bureau – Table B01003 – TOTAL POPULATION

\(^{4}\) Mitchell, Inc. 2006-2016 State Average Labor Rates – Average Body Hourly Labor Rate
Claim Costs continue to rise in Rhode Island more rapidly than in neighboring states

Data regarding property damage and collision claims from 2013 through 3Q 2016 shows that the average claim cost rose a staggering 17.6 percent, or about $600. Compare this to the average increase of 11.9 percent in neighboring states; a 5.7 percentage point difference. Moreover, the average claim is 23.3% higher in Rhode Island than in neighboring states.

Comparing loss costs reveals an even larger differential. Rhode Island’s combined property damage and collision loss costs over this same period have increased 20.4 percent, compared to 8.5 percent across neighboring states. This is a differential of 11.9 percentage points.
Rhode Island has some of the highest collision premiums in the country

Data from the NAIC’s Auto Insurance Database\(^6\) reveals that Rhode Island had the 4th highest average collision premiums in the country in 2013, and the highest amongst its neighbors. Rhode Island’s average collision premium was 11.4 percent higher than the average of its neighboring states.

Additional data\(^7\) reveals that rates have increased an average of 29.1 percent from 2012 through 2016. This is, in part, likely due to the rapidly increasing collision and property damage loss costs in the state. Thus, consumers in Rhode Island are inching closer towards paying the highest collision premiums in the country due to ABARI sponsored legislation.

Conclusion

Since 2003, the different body shop bills promoted by ABARI have led to rising costs in the state’s auto repair system, which in turn have created additional pressures on insurance costs, causing them to accelerate. These significant costs have in turn been passed on to consumers. Keeping costs down for consumers should be the most significant matter. As such, PCI respectfully urges lawmakers to oppose any further body shop- or vehicle damage-related bills that create higher prices for Rhode Island’s drivers.

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\(^6\) NAIC Auto Insurance Database 2014/2013

\(^7\) RateFilings.com Rate Watch Report representing 88.5% of the 2015 combined auto premiums in the state