

1 S.95 – Commerce Strike-All – Sec. 12a Only

2 Sec. 12a. STUDY; AUTOMOBILE INSURANCE; LABOR RATES; USE
3 OF AFTERMARKET PARTS; BUSINESS PRACTICES

4 (a) In order to ensure that the business practices of automobile insurance
5 companies in Vermont do not unfairly disadvantage consumers or the
6 automotive repair industry and workforce, generally are fair and responsible,
7 the Commissioner of Financial Regulation shall conduct a study of labor rates,
8 the use of aftermarket parts, market conditions, and other business practices
9 identified in this section. The Commissioner shall investigate and make
10 findings and recommendations regarding the following:

11 (1) The average hourly labor rates charged by auto body shops in
12 Vermont on both a statewide and a regional basis; the rates charged in other
13 jurisdictions, including the regions of New York, Massachusetts, and New
14 Hampshire that share a border with Vermont; and the rates paid by automobile
15 insurance companies for repair work in Vermont. In addition, the
16 Commissioner shall consult with the Economic & Labor Market Information
17 Division within the Department of Labor to obtain, as a reference, hourly wage
18 data for auto body and related repairers. Based on this data, the Commissioner
19 shall determine whether Vermont should establish a minimum labor
20 reimbursement rate for both first- and third-party automobile insurance claims

1 and, if so, what that rate should be and how it should be adjusted to reflect
2 market changes such as inflation.

3 (2) The Whether the appraisal practices of automobile insurance
4 companies and whether “independent” appraisals are available to consumers or
5 whether such appraisals are more likely to reflect the financial interests of
6 insurance companies to the detriment of consumers or repairers and
7 independent appraisers equally consider the interests of insurance companies,
8 auto body shops, and consumers.

9 (3) The extent to which an automobile insurance company controls or
10 influences repair work done at an auto body shop chosen by the consumer and
11 how any such control or influence should affect the liability of the insurance
12 company, particularly regarding the quality and safety of the repair work.

13 (4) The use of direct repair programs, generally, and their impact on
14 both the automobile repair industry and consumers.

15 (5) The disclosures made to a consumer by an insurance company, both
16 at the point of sale and upon the submission of a claim, as well as the existing
17 consumer information developed and maintained by the Department of
18 Financial Regulation and whether and to what extent additional disclosures are
19 necessary to ensure a consumer is adequately informed of their potential
20 financial exposure under a policy, including with regard to any labor rate

1 differential, material rate differential, hour differential, and rental differential
2 for loss of use.

3 (6) Whether Insurance Regulation I-79-2 (revised) should be updated to
4 reflect market changes or business practices that may impede the prompt, fair,
5 and equitable settlement of claims in which liability has become reasonably
6 clear. In particular, the Commissioner shall review Section 8 of the regulation,
7 which concerns standards for the settlements of property and physical damage
8 claims, and further clarify the independence of the appraisals under subdivision
9 (A)(1); the ability of an insurer to negotiate with a repairer under subdivision
10 (A)(2); and the ability of an insurer to insist that repairs be done by a specific
11 repairer under subdivision (A)(3). If the Commissioner determines revisions to
12 the regulation are necessary, the Commissioner shall initiate a rulemaking to
13 effectuate those revisions.

14 (7) The betterment practices of insurance companies and whether the
15 valuation methods employed are legitimate and fair to consumers.

16 (8) The use of aftermarket or recycled parts in automobile repairs,
17 including their potential cost savings, and whether aftermarket parts, in
18 particular, should be certified and whether and to what extent an insurer should
19 be liable for incidental costs related to the use of aftermarket or recycled parts,
20 such as for any necessary modifications, and the notification that should be

1 provided to a consumer regarding the use of aftermarket or recycled parts in a
2 repair.

3 (9) The number and nature of complaints received by the Department of
4 Financial Regulation with respect to automobile insurance policies. In
5 addition, the Commissioner shall request and the Attorney General shall
6 provide the number and nature of any such complaints received by the
7 Consumer Assistance Program.

8 (10) Any other acts or practices or market conditions related to
9 insurance coverage for automobile repairs ~~that may reflect an imbalance of~~
10 ~~power between the insurance company and the consumer or repairer~~ and
11 whether any additional regulatory measures are necessary to prevent
12 anticompetitive behavior and ensure the interests of all parties, ~~especially~~
13 ~~consumers,~~ are adequately protected.

14 (b) The Commissioner of Financial Regulation shall submit a final report
15 that includes the Commissioner's finding and recommendations under this
16 section to the House Committee on Commerce and Economic Development
17 and the Senate Committees on Finance and on Judiciary on or before
18 November 15, 2024 and shall submit an interim progress report to the same
19 legislative committees on or before January 15, 2024.