

S.95 Proposal of Amendment to Section 12a

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

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

(1) The average hourly labor rates charged by auto body shops in Vermont, including a comparison of labor rates and cycle-times in surrounding states; an assessment of whether current labor rates are reasonable and, if not, an evaluation of potential methods for calculating a reasonable labor rate; on both a statewide and a regional basis; the rates charged in other jurisdictions, including New York, Massachusetts, and New Hampshire; and the rates paid by automobile insurance companies for repair work in Vermont. Based on this data, the Commissioner shall determine whether Vermont should establish a minimum labor reimbursement rate for both first- and third-party automobile insurance claims and, if so, what that rate should be and how it should be adjusted to reflect market changes such as inflation.

(2) The appraisal practices of automobile insurance companies and whether “independent” appraisals are available to consumers or whether such appraisals are more likely to reflect the financial interests of insurance companies to the detriment of consumers or repairers.

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

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

(4) (5) The disclosures made to a consumer by an insurance company, both at the point of sale and upon the submission of a claim, as well as the existing consumer information developed and maintained by the Department of Financial Regulation and whether and to what extent additional disclosures are necessary to ensure a consumer is adequately informed of their potential financial exposure under a policy, including with regard to any labor rate differential, material rate differential, hour differential, and rental differential for loss of use.

(5) (6) Whether Insurance Regulation I-79-2 (revised) should be updated to reflect market changes or business practices that may impede the prompt, fair, and equitable settlement of

claims in which liability has become reasonably clear. In particular, the Commissioner shall review Section 8 of the regulation, which concerns standards for the settlements of property and physical damage claims, and further clarify the independence of the appraisals under subdivision (A)(1); the ability of an insurer to negotiate with a repairer under subdivision (A)(2); and the ability of an insurer to insist that repairs be done by a specific repairer under subdivision (A)(3). If the Commissioner determines revisions to the regulation are necessary, the Commissioner shall initiate a rulemaking to effectuate those revisions

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

(6) ~~(8)~~ The use of aftermarket or recycled parts in automobile repairs, including their potential cost savings, and whether aftermarket parts, in particular, should be certified and whether and to what extent an insurer should be liable for incidental costs related to the use of aftermarket or recycled parts, such as for any necessary modifications, and the notification that should be provided to a consumer regarding the use of aftermarket or recycled parts in a repair.

(7) ~~(9)~~ The number and nature of complaints received by the Department of Financial Regulation with respect to autobody repairs made under the provisions of automobile insurance policies. In addition, the Commissioner shall request and the Attorney General shall provide the number and nature of any such complaints received by the Consumer Assistance Program.

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

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

Jamie Feehan
American Property Casualty Insurance Association
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