

State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

TO: House Committee on Commerce and Economic Development; Senate Committees on Finance and Judiciary

FROM: Department of Financial Regulation

DATE: January 18, 2024

RE: Interim progress report on autobody repair report

Section 12a of Act 32 of 2023, *An act relating to banking and insurance*, directs the Commissioner of Financial Regulation to conduct a study to assess the fairness and reasonableness of the business practices of automobile insurance companies in Vermont with respect to certain autobody repair related topics. The study requires that the Commissioner investigate and make findings and recommendations with respect to areas such as:

- the current state of autobody repair labor and wage rates in Vermont and adjacent states and whether minimum labor rates should be set;
- the use of aftermarket parts, certification of parts, and coverage of incidental related costs;
- betterment and appraisal practices;
- insurer influence on repairs at consumer selected shops and use of direct repair shops;
- adequacy of consumer disclosures and information;
- whether changes to Insurance Regulation I-79-02 are needed;
- consumer automobile insurance complaints; and
- the impacts of the cost of autobody repairs on insurance price and availability as well as the impact a minimum labor rate may have on the insurance marketplace.

Given the complexity of the study requirements and the scope of work involved, the Department has been busy conducting a significant amount of research and information gathering that will inform our next steps and conclusions. The final report of the Commissioner's findings and recommendations is due November 15, 2024. This memo serves as the interim progress report required by Act 32. To facilitate the completion of the study, the Department has taken the following steps to date:

- A request for information was issued to the top 26 auto insurers (over 80% of Vermont market). The request included production of all policies, procedures and documents, historical data, and interrogatories on topics related to the study. This



request will result in a substantial volume of documentation for the Department to review and analyze.

- A list of auto body repair shops was compiled using information from the Secretary of State's records.
- Initial interviews and meetings have been held with:
 - The Vermont League of Cities and Towns
 - A sample of auto repairers
 - Auto repair-related trade organizations (e.g. Vermont Vehicle and Automotive Distributors Association, Auto Alliance for Innovation)
- Reports and legislation from other states has been located and reviewed. We have held meetings with the Massachusetts and Rhode Island insurance departments to discuss their prior studies, legislation and experience related to auto body repair regulations.
- NAIC research staff were engaged to provide a survey of state law and regulations on the study topics.
- Compilation and analysis of auto insurance related consumer complaints filed with the Department over the last five years is ongoing.
- State and Federal Department of Labor data on auto repairer wages is being gathered and analyzed.
- A survey for auto body repairers that we will send out prior to direct interviews is currently being drafted.
- Research and compilation of data related to aftermarket parts usage and certification is ongoing.
- Compilation of research related to the auto insurance industry continues.
- Review of auto repair related consumer and industry organizations to identify publications/reports/training on study topics is in progress.

These activities, combined with future planned work including interviews and/or meetings with additional parties such as auto body repairers, appraisers, consumers and consumer advocates and detailed analysis of the information gathered will allow DFR to complete a robust study and report responsive to the requirements of Section 12a of Act 32 of 2023. We look forward to continuing our work on this topic and presenting our findings and recommendations to you in the final report.

