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LC01218/SUB A
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2006

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A N A C T

RELATING TO INSURANCE - UNFAIR COMPETITION AND PRACTICES

Introduced By: Representatives Moura, Long, Corvese, and Schadone

Date Introduced: February 08, 2006

Referred To: House Labor

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 27-29 of the General Laws entitled "Unfair Competition and
2 Practices" is hereby amended by adding thereto the following section:

3 **27-29-4.4. Auto body repair labor rate surveys.** – (a) Every insurance carrier
4 authorized to sell motor vehicle liability insurance in the state shall conduct an auto body repair
5 labor rate survey, subject to and in accordance with the following provisions:

6 (1) When used in this section the following definitions shall apply:

7 (i) "Auto body labor rate survey" is an analysis of information gathered from auto body
8 repair shops regarding the rates of labor that repair shops charge in a certain geographic area.

9 (ii) "Prevailing auto body labor rate" means the rate determined and set by an insurer as a
10 result of conducting an auto body labor rate survey in a particular geographic area, and used by
11 insurers as a basis for determining the cost to settle automobile property damage claims.

12 (iii) "Independent auto body repair facility" means any auto body repair facility that does
13 not have a formal agreement and/or written contract with an insurer to provide auto body repair
14 services to insureds and/or claimants.

15 (iv) "Direct repair program" means any methods through which an insurer refers,
16 suggests, recommends a specific auto body repair facility, with whom the insurer has a formal
17 agreement and/or contract to provide auto body repair services, to insureds and/or claimants.

18 (v) "Contract rate" means any labor rate to which an auto body repair facility and an
19 insurer have agreed in a formal agreement and/or written contract.

1 (2) Each insurer must conduct an auto body labor rate survey, in writing, annually to
2 determine a prevailing auto body labor rate for fully licensed auto body repair facilities.

3 (3) Insurers may not use an auto body labor rate survey, contract rates from auto body
4 repair facilities with which it has a formal agreement or contract to provide auto body repair
5 services to insureds and/or claimants, or rates from a repair facility holding a special use license.

6 (4) Each auto body labor rate survey shall include the following:

7 (i) the name and address of each shop surveyed in the labor survey;

8 (ii) the total number of shops surveyed;

9 (iii) the prevailing rate established by the insurer; and

10 (iv) a description of the formula or method used to calculate or determine the specific
11 prevailing rate reported.

12 (5) Each insurer must report the results of their auto body labor rate survey to the
13 department of business regulation insurance division.

14 (6) The department of business regulation must promulgate regulations related to auto
15 body labor rate surveys by October 1, 2006 establishing the following:

16 (i) A questionnaire that must be used by all insurers in their labor rate survey;

17 (ii) Date of reporting; and

18 (iii) Number or percentage of shops to be surveyed.

19 (7) The department of business regulation shall review all surveys submitted for
20 compliance with this section and any rules and regulations promulgated by the department.

21 **27-29-4.5. Penalty.** – An insurer's failure to comply with any requirement of section 27-
22 29-4.4, or any rule or regulation promulgated by the department of business regulation shall result
23 in a fine in a sum of up to five thousand dollars (\$5,000).

24 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
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RELATING TO INSURANCE - UNFAIR COMPETITION AND PRACTICES

1 This act would require insurance companies selling motor vehicle insurance within the
2 state to conduct auto body labor rate surveys, under rules and regulations promulgated by the
3 department of business regulation, to determine the prevailing labor rates auto body repair
4 facilities charge for vehicle repairs. Failure of the insurance company to comply with the
5 provisions of the statute or regulation shall result in a \$5,000 fine.

6 This act would take effect upon passage

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