It’s Time to End the ABARI Campaign

Stop Excessive Cost Hikes Caused by a Decade of Body Shop Legislation
Executive Summary

Since 2003, seventeen (17) pieces of legislation favorable to and promoted by the Auto Body Association of Rhode Island (ABARI) have become law in Rhode Island. All of these are intended to increase the amount paid for auto body repairs or limit the role of auto insurers in the claims process, hence reducing insurers' ability to provide "checks and balances" on behalf of their customers. Additional legislative proposals of a similar nature — that would likely ultimately harm consumers — are expected this year.

This paper presents the impact of ABARI-supported bills over the last decade. It is apparent that the body shop-related laws enacted during ABARI’s 10-year campaign to increase repair costs has adversely affected Rhode Island drivers. In short, these negative outcomes are as follows:

1) Rhode Island now has the 2nd highest average body shop collision repair cost in the U.S. Ten years ago, it was the 13th highest.

2) Over the last decade, Rhode Island’s total body shop labor costs have grown significantly — roughly 3 times faster than the countrywide average.

3) During the last 10 years, the combined property damage (PD) liability and collision insured claim costs in Rhode Island have grown twice as fast as the U.S. average. Prior to 2003, Rhode Island’s claim costs had been increasing at a much slower pace compared to the U.S. average.

4) As a result of larger and rising body shop costs, drivers in Rhode Island are now paying the 5th highest average collision insurance premium in the nation.

5) The estimated average total vehicle damage insurance premium (for property damage liability, UM/UIM-PD, collision and comprehensive coverages\(^1\)) for Rhode Island drivers is higher in 2011 (latest year available) than in 2002, while the national average premium is the same during these two years, but much lower than Rhode Island.

\(^1\) UM/UIM-PD = uninsured/underinsured motorist-property damage; the comprehensive coverage that pays for damages from fire, falling objects, natural disasters, etc. does not include theft in this analysis.
Detailed Findings

*Rhode Island has the second highest average body shop collision repair cost in the U.S.*

The 2013 average body shop collision repair cost in this state is $3,325 per car, 28.5 percent higher than the national average of $2,588. Ten years ago — at the beginning of ABARI’s campaign — Rhode Island’s average collision repair cost was $2,246 per car, only 2.5 percent higher than the national average of $2,191. The state’s rank then was 13th highest.\(^2\)

![The Gap in Average Body Shop Collision Repair Cost Between Rhode Island and the U.S. is Much Wider Today](chart)

From 2003 to 2013, Rhode Island’s average body shop collision repair cost grew 48.0 percent, compared to the countrywide growth of 18.1 percent. The rampant growth seen in Rhode Island has resulted in a much wider gap in repair costs today, compared to the U.S.

*Rhode Island’s body shop labor costs have grown significantly over the last decade*

A key component of the total collision repair cost is the body shop labor cost. From 2003 to 2013, Rhode Island’s average labor cost per car rose 24.3 percent, compared to an 8.4 percent increase countrywide. Its growth rate is substantially higher than nearby states as well.\(^3\)

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2 Audaxplore, a Solera Company; the body shop collision repair cost reflects original equipment manufacturers’ parts, other parts, labor and other (towing and storage costs, sublet repair and other costs).
3 Audaxplore, a Solera Company.
Since 2003, Rhode Island’s combined property damage (PD) liability and collision insured claim costs have increased twice as fast as the national average

From 2003 to 2013(3), Rhode Island’s average cost (or severity) of property damage (PD) liability and collision claims combined rose nearly 35 percent — almost twice as quickly as the national average of 18.0 percent. During the 10 years prior to the start of the ABARI campaign (not shown), the pace at which Rhode Island’s claim costs grew was 17 percentage points slower than average.4

Since 2003, Rhode Island’s insured PD Liability and Collision Claim Cost Has Accelerated Much More Rapidly Than the National Average

In 2003, Rhode Island’s PD and collision claim severity was nearly 6 percent lower than average ($2,483 — RI vs. $2,634 — U.S.). It surpassed the national average in 2008 and has been accelerating ever since. Today, Rhode Island’s severity is almost 8 percent higher than average ($3,349 — RI vs. $3,109 — U.S.).
Rhode Island drivers pay the 5th highest average collision premium in the nation

The high body shop labor costs contributing to high collision repair costs in Rhode Island have led to very high prices that negatively affect consumers’ pocketbooks. The latest available average annual collision premium paid by Rhode Island drivers is $352.19, compared to $286.37 in the U.S. — a 23 percent difference.\(^5\)

Nearby states have lower average annual collision premiums as well: New York ($340); Connecticut ($335); Massachusetts ($324); Vermont ($270); New Hampshire ($263); and Maine ($243).

Rhode Island’s Average Annual Collision Premium is 5th Highest in the Nation

The average vehicle damage premium for Rhode Island drivers is higher in 2011 compared to a decade ago; in contrast, the nationwide premium is the same

Rhode Island’s latest annual average vehicle damage premium [PD liability, UM/UIM-PD, collision and comprehensive combined] is estimated to be $684 per car, 29 percent greater than the U.S. average of $532 per car. In 2011, drivers in this state paid about 5 percent more for these coverages than they did in 2002, while drivers nationwide paid about the same.\(^6\)

Compared to 10 Yrs. Ago, RI Drivers are Paying More for Vehicle Damage Coverage, While Other Drivers are Paying the Same

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\(^6\) PCI, based on NAIC data; in this analysis, the comprehensive premium does not include auto theft.
Conclusion

Prior to 2003, insured vehicle damage costs in Rhode Island were lower than the national average and their rate of growth was lower than average. Since 2003, ABARI-supported bills have led to rapidly rising costs in the state’s auto repair system, which in turn have created additional pressures on insurance costs, causing them to rapidly accelerate. Today, Rhode Island drivers pay the 5th highest collision premium and the 6th highest combined liability and physical damage premium in the nation — not only are these prices much higher than the countrywide average, but they are higher than nearby states as well.

ABARI’s 10-year campaign to raise auto body repair costs must stop. All of their supported legislation has added undue pressure to the insurance system and to consumers. During this time of economic uncertainty, keeping costs down should be the most significant consideration. As such, PCI respectfully urges you to oppose any further body shop- or vehicle damage-related bills that result in higher prices for Rhode Island’s consumers.
The Property Casualty Insurers Association of America (PCI) is a national trade association consisting of more than 1,000 insurers of all sizes and types that write 39 percent of the general insurance in the country. PCI members write 45 percent of the total personal auto market in the country and 68 percent of the total auto market in Rhode Island.