

# HOUSE . . . . . No. 4412

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## The Commonwealth of Massachusetts

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HOUSE OF REPRESENTATIVES, February 20, 2024.

The committee on Financial Services, to whom was referred the petition (accompanied by bill, House, No. 1035) of James K. Hawkins and others for legislation to establish a set of minimum reimbursement rates for labor by insurers to claimants for first- or third-party motor vehicle insurance claims in the Commonwealth, the petition (accompanied by bill, House, No. 1035) of James K. Hawkins and others for legislation to establish a set of minimum reimbursement rates for labor by insurers to claimants for first- or third-party motor vehicle insurance claims in the Commonwealth, the petition (accompanied by bill, House, No. 1095) of Paul McMurtry for legislation to authorize the Commissioner of the Division of Insurance to set labor rates paid by insurance companies to auto repairers, the petition (accompanied by bill, House, No. 1118) of Edward R. Philips and Jacob R. Oliveira relative to the calculation of labor rates paid by insurance companies to motor vehicle repair shops, reports recommending that the accompanying bill (House, No. 4412) ought to pass.

For the committee,

JAMES M. MURPHY.

**HOUSE . . . . . No. 4412**

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**The Commonwealth of Massachusetts**

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**In the One Hundred and Ninety-Third General Court  
(2023-2024)**  
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An Act to establish minimum reimbursement rate to insurance claimants.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1           The purpose of this bill is to establish a set of minimum reimbursement rates for labor by  
2 insurers to claimants, for first- or third-party auto insurance claims in the Commonwealth. The  
3 newly calculated minimum reimbursement rate to the claimant will be determined by identifying  
4 the rate at the time of the Insurance Reform Act of 1988 adjusted to the rate of inflation to the  
5 time and promulgation of this bill becoming law.

6           The newly established minimum reimbursement rates will be phased in over a two-year  
7 correction period, which will begin within 30 days of the promulgation of this law with an  
8 increase of one-half of the difference between current rates and the newly established rates. The  
9 remaining half of the increase will follow at the end of the next twelfth month. This second  
10 increase will include the rate of inflation for the previous twelve-month period.

11           At the end of the two-year correction period, the minimum reimbursement rates to  
12 claimants will be adjusted yearly based upon the CPI for All Urban Consumers (CPI-U) Not  
13 Seasonally Adjusted, Northeast Region as published by the US Bureau of Labor and Statistics.

14 Under no circumstances shall the reimbursement rate to the claimant be less than the  
15 aforementioned calculated amount. A negotiation above the minimum reimbursement rates set,  
16 for the benefit of the consumer, will be determined based on a set of criteria. The criteria for the  
17 negotiations shall be predicated upon, but not limited to the type of vehicle (standard, high-end,  
18 heavy-duty, commercial, and/or body composition materials) labor type (body, refinish,  
19 structural, frame, aluminum, mechanical or other), expertise, level of training, certifications,  
20 equipment and geographic area of the chosen registered repair shop. No insurer shall refuse to  
21 negotiate on the basis of their ability to obtain a price that they can secure from another licensed  
22 repair facility conveniently located to the claimant.

23 Further, insurers are prohibited, other than by the means outlined in current laws and  
24 regulations, from suggesting, insisting, or overtly steering a claimant to use any specific  
25 registered repair facility to repair their damaged vehicle.

26 The promulgation of this law setting a minimum reimbursement rate to the claimant shall  
27 not invalidate any of the requirements as set forth in the governing statutes including but not  
28 limited to the: MGL Chapter 26 Section 8G, Code of Massachusetts Regulations; 211 CMR 123,  
29 211 CMR 133 or 212 CMR 2.0.

30 SECTION 1. Chapter 100A of the General Laws is hereby amended by adding the  
31 following two sections:-

32 Section 15. There shall be, within the division of insurance, an auto body labor rate  
33 advisory board to address any issues related to auto body labor rates. The advisory board shall  
34 consist of: 1 member appointed by the commissioner of insurance; 1 member appointed by the  
35 attorney general; 1 member appointed by the director of the division of insurance standards; 3

36 members from the auto insurance industry appointed by the Automobile Insurers Bureau of  
37 Massachusetts, 1 of whom shall be chosen by the three members to serve as co-chair; 3 members  
38 from the auto repair industry from different geographic regions of the Commonwealth appointed  
39 by the Alliance of Automotive Service Providers of Massachusetts, Inc., 1 of whom shall be  
40 chosen by the three members to serve as co-chair; 1 member appointed by the Massachusetts  
41 State Automobile Dealers Association, Inc.; and 4 members appointed by the co-chairs, 1 of  
42 whom shall be from vocational-technical schools, 2 of whom shall be from a consumer advocacy  
43 group and 1 of whom shall be an economist with expertise on the insurance industry.

44         The advisory board shall meet not less than 2 times per year. The advisory board shall be  
45 responsible for creating, implementing and overseeing an annual survey given to relevant auto  
46 body shops as determined by the advisory board. The survey should compile data pertaining to  
47 contracted hourly labor rates, posted hourly labor rates and prevailing hourly labor rates and any  
48 additional information the advisory board deems relevant. The advisory board shall collect  
49 industry data including, but not limited to: (i) labor rates in neighboring states; (ii) auto body  
50 shop costs; (iii) total labor costs; (iv) inflation data; (v) work force data; (vi) vocational school  
51 trends; (vii) insurance premiums; and (viii) any additional information as requested by the  
52 advisory board. The results of the survey and the data collected shall be reviewed and analyzed  
53 by the advisory board annually and the board shall make a recommendation for a fair and  
54 equitable labor rate.

55         Annually, not later than December 31, the advisory board shall file a report of its  
56 findings, conclusions and any recommendations with the clerk of the senate and house of  
57 representatives, the joint committee on financial services, the senate and house committees on  
58 ways and means and the division of insurance.

59           Section 16. Not more than 30 days after receiving the annual report from the auto body  
60 labor rate advisory board under section 15, the commissioner of insurance shall set a minimum  
61 hourly labor rate that insurers shall pay on insured claims for repairs made by registered motor  
62 vehicle repair shops; provided, however, that the minimum hourly labor rate shall not be less  
63 than \$55. The minimum hourly labor rate shall go into effect 30 days after it is set by the  
64 commissioner.

65           Further, the report filed on April 13, 2022 by the special commission to study auto body  
66 labor rates established in section 130 of chapter 24 of the acts of 2021, which described potential  
67 recommendations and solutions for the auto body labor rate in the Commonwealth, identified this  
68 legislation as a possible solution.