



Property Casualty Insurers
Association of America

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April 26, 2018

Catherine R Warren
Department of Administration
One Capitol Hill, 4th floor
Providence Rhode Island 02920
Catherine.Warren@doa.ri.gov

Re: In the Matter of: Mitchell International, Inc. and its Workforce Total
Loss Product's Application under R.I. Gen. Laws § 27.9.1-4(25) and
Insurance Regulation 73, Section 8(A)(2)

Dear Ms. Warren:

Pursuant to the pre-hearing conference order entered on March 12, 2018, and without waiving any claims or arguments asserted in its lawsuit against the Rhode Island Department of Business Regulation challenging Regulation 73 and Bulletin 2014-2, Property Casualty Insurers Association of America (PCI) hereby submits the following comments for your consideration as you address whether Mitchell International, Inc. qualifies as a “nationally recognized compilation of retail values commonly used by the automotive industry.”

PCI is a national property casualty trade organization that promotes and protects the viability of a competitive private insurance market for the benefit of consumers and insurers. In Rhode Island, PCI members write 43.2 percent of the property casualty market, including 59.8 percent of the personal lines auto insurance market and 43.1 percent of the commercial lines automobile insurance market. PCI members have a legitimate interest in the interpretation and application of Rhode Island insurance laws and regulations. With respect to the rules governing total loss settlement valuations, it is important to consumers and insurers that total loss settlements are accurately valued. If insurers routinely overpay on total loss claims, overall loss costs will rise, predictably putting upward pressure on future rates.

In its April 2, 2018 written comments, the Rhode Island DBR proposed “a three-part standard” for determining whether an applicant qualifies as total loss settlement valuation source. Without conceding that DBR’s suggested standard is required by law, PCI will briefly address parts one and two of the proposed standard as applied to the pending application by Mitchell International, Inc. The third part is irrelevant to consideration of the Mitchell International, Inc. application as the DBR comments note that Mitchell International, Inc. agreed to disable in its platform the option to apply certain deductions.

Proposed standard – Part 1. Whether the applicant is “a nationally recognized compilation of motor vehicle values”:

DBR agrees that a *compilation* is not limited to a written publication. The Mitchell International, Inc. application demonstrates on its face that the WorkCenter Total Loss product is a *compilation of*

motor vehicle values from which individualized valuation reports are generated. According to the September 29, 2017 written application, “[a]pproximately 97% of the comparable vehicle records in its Total Loss application are directly derived from automobile dealer records.”

The remaining question under this first of the three-part standard is whether the compilation is *nationally recognized*. Again, the answer can be found on the face of Mitchell International, Inc.’s application. According to the September 29, 2017 written application, “[t]he product is used in some capacity in all fifty states” and at least seven state insurance regulators have “...explicitly approved Mitchell’s WorkCenter Total Loss product for use in their respective states.” While the overall requirements under Regulation 73 may be unique to Rhode Island, the widespread acceptance of Mitchell’s WorkCenter Total Loss product in other states clearly demonstrates that it is a *nationally recognized* compilation.

Proposed standard – Part 2. Whether the applicant is commonly used by the automotive industry to establish values of motor vehicles.

In its April 2, 2018 written comments, DBR references Bulletin 2014-2 in which DBR interpreted the term *automotive industry* as “those entities that actually sell automobiles.” PCI submits that this interpretation of what constitutes the *automotive industry* is too narrow.

Vehicle manufacturers are clearly entities that “actually sell automobiles.” Manufacturers typically set their own prices. They do not rely upon valuation sources, even those already approved by DBR under Regulation 73, to *establish* motor vehicle values. The following description from the KBB home page, <https://www.kbb.com/new-cars/> illustrates this point:

When buying a new car, there's a lot of pricing information to consider. Most people look at the MSRP (Manufacturer's Suggested Retail Price) sometimes also known as new car sticker price. Some shoppers dig to find the invoice, thinking they can get an even better deal on a new car. But how do you really know how much you should pay for the new car you're interested in? Rely on Kelley Blue Book and KBB.com, with over 90 years of knowledge about car pricing. Check out the Kelley Blue Book® Fair Market Range and Fair Purchase Price for New Cars. Updated weekly, it takes data from thousands of deals, current supply and demand and regional and seasonal factors to show you what you can expect to pay for a new car. Sometimes the price might be close to MSRP, if the vehicle is new and in high demand. Other times, you might actually plan to pay thousands below MSRP if the car is widely available. Or, if you're not sure which car you want, KBB.com even helps you browse new cars by category and make, so you can find exactly the one you want.

Automobile manufacturers are clearly “entities that sell automobiles.” However, manufacturers don’t use Kelley Blue Book to establish motor vehicle values. It’s the other way around. KBB takes data, including values established by manufacturers and others, to project a “Fair Market Range” and “Fair Market Purchase Price” for new cars. KBB’s process is similar with respect to used cars. <https://www.kbb.com/used-cars/>.

Just as there are entities commonly considered as ones that “actually sell motor vehicles” but do not rely upon valuation sources to *establish* motor vehicle values, there are entities, such as rental car companies, auto auctions and the like that “actually sell automobiles” and rely on valuation sources, such as Mitchell International, Inc.’s WorkCenter Total Loss product to *establish* motor vehicle values.

PCI submits that the Hearing Officer should approve the Mitchell International, Inc’s application for qualification as a total loss valuation source.

Thank you for your attention to this matter.

Very truly yours,

Colleen Reppen Shiel

Colleen Reppen Shiel
Assistant Vice President, Insurance Counsel

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