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Addressing the Towing Problem

This Government Matters examines the longstanding problem of rogue towing operators who victimize insurance companies and our customers with their bill padding and unscrupulous tactics.

While towing and recovery operators provide a critical service for law enforcement, insurers and the general public, there are some that push the boundaries of legal and ethical behavior in trying to make a quick buck. During the chaotic aftermath of an auto or truck accident, these scammers engage in predatory practices that include blatant overcharging, arbitrary fees, and keeping vehicles locked up for excessive storage fees. In certain geographic areas, Claims Material Damage supervisors at ERIE frequently document billing that should be hundreds but often turns into thousands of dollars due to such padding. Fees that are vague or even falsified – for “administrative charges,” “hazardous material clean-up” or unnecessary storage – are typical of sketchy practices. “Wreck chasing” to take advantage of unsuspecting and traumatized drivers is also common.

Although it’s a recurrent issue, such towing abuse intensifies the current adverse claims environment of increasing auto part costs, manufacturing/supply chain delays and overall inflationary pressures. Even before recent historic inflation, towing costs were increasing more than normal, according to industry data from national salvage vendors.

To a customer-focused company like ERIE, such point-of-contact exploitation can have a long-term negative impact on our agent and policyholder relationships. Unfortunately, this is not unlike the [“storm chaser” problem](#) in homeowners insurance. In the case of auto claims, the short timeframes of getting customers back on the road can force insurers to pay the bill then try to recover mischarges later. Such follow-up can be tough given the varying laws and regulations on towing around the country and the varying willingness or ability to enforce them. That’s where the industry is trying to level the playing field towards fairness and transparency.

Fighting Back

ERIE Government Affairs, along with our internal Claims/ISS partners and our industry trade associations, have worked for many years to combat this problem. Here is a summary of recent efforts:

- **APCIA Public Policy Recommendations**: A solid starting point for reform is the American Property Casualty Insurance Association’s recommended towing public policy options, as follows:
 - Eliminate the federal preemption on state regulation of accident and breakdown towing. This key federal reform would allow states to protect citizens from abusive towing practices/fees as they now do for “non-consent” towing.
 - Moreover, APCIA individual state recommendations include the following, depending on the jurisdiction:
 - Require itemized invoices listing all charges on all tows. This provides transparency for vehicle owners and allows insurers to document abusive billing practices.
 - Require clear information be provided to owners, and their insurers, regarding location and release procedures. This would include prohibiting storage fees for days when a facility is not open for vehicle release.

- Prohibit “wreck chasing” tow trucks that arrive unsolicited at accident scenes.
- Other Proactive Steps
 - NCOIL Towing Reform Model Legislation: Such recommendations, among others, are in model legislation that insurers, APCIA, the industry’s fraud fighting organizations and the towing/recovery sector helped develop three years ago. The National Conference of Insurance Legislators (NCOIL) adopted its “Consumer Protection Towing Model Act” in 2018 after two years of collaborative effort. Summary details and a link to the model law can be found at the National Insurance Crime Bureau site [here](#).

This model law provides consumer protections and transparency to get at the worst abuses. The industry has attempted legislation based on the model in such ERIE states as Indiana and Virginia, but the towing industry often provides vocal opposition with its strong political ties to local government.

- Commercial Vehicle Cross-Sector Partnership: Last year, APCIA entered into a partnership with the Coalition Against Insurance Fraud and the American Truckers Association (link to joint trade news release at the ATA [here](#)) to fight tow truck scamming on commercial vehicles. Those towing bills often stretch well into five figures – as high as \$20,000 or even \$40,000, with outrageous billing abuses common. The partnership has already produced results, including recent legislation passed in Maryland on commercial towing.
- Raising Consumer Awareness: APCIA has also tried to build public awareness through periodic surveys of member claims areas to show the worst U.S. jurisdictions for towing. Unsurprisingly, the most recent [APCIA member towing survey results](#) (public one-page pdf) in late 2021 contains ERIE jurisdictions that are familiar to our claims units. These include New York, Illinois and Pennsylvania as states “most in need of reform” and Chicago, New York City and Philadelphia in the top worst cities for towing issues. Additionally, all ERIE states were listed by respondents as “in need of reform” for towing.

Finally, APCIA has a “[Towing Checklist](#)” (pdf) to help protect consumers against towing abuse – this document outlines what drivers should do following an accident as well as the consumers “right to know” in dealing with towers.

Such reform and educational efforts are designed to help insurers and our policyholders address the pervasive problem of towing abuse. While one of the most challenging political issues we face, it remains a top priority for ERIE Government Affairs and the company overall.