



August 1, 2018

To: The Honorable Anthony Portantino (Chair),
The Honorable Patricia Bates (Vice Chair)
The Honorable Members, Senate Appropriations Committee

Subject: AB 2276 (Burke) Motor Vehicle Insurance: Auto Body Repair - (SUPPORT)

On behalf of all the organizations listed above, we are in support of AB 2276's effort to create a reasonable alternative approach to the California Department of Insurance's (CDI) methodology of conducting an auto labor rate survey as set forth in the regulations adopted in 2016.

Since the end of last year's session, the author, the insurance industry and all the interested stakeholders have worked very hard to draft the compromise language in AB 2276. The bill now outlines a process by which an insurance company that chooses to can perform surveys of auto body labor rates in California. The bill no longer includes language regarding "steering" of customers to auto body repair shops and is intended to supplement, not supersede, the CDI's regulations.

Insurers survey auto body shops to establish a reasonable market rate for car repair costs. It is critical for consumers that insurers can ensure these surveys reflect the actual prevailing market rate. When car repair costs go up, consumers' insurance premiums are likely to reflect these increased costs.

Protect Consumers from Rising Cost of Car Repairs

1. Car accidents have increased 6.9% in California, making it one of the top ten states with the biggest increase in accidents (based on fast track data in 2015).
2. Over the last 10 years, the hourly labor rate for car repairs in California has increased by 15 percent, making it the 9th highest rate in the country at \$55.48/hour (Mitchell Data).
3. Regulations recently promulgated by the CDI will only add to these rising costs by choosing one survey method as the preferred method that creates very small geographic regional markets and allows for auto body shops to report whatever labor rate they choose.
4. A single set of government regulations should not cause one industry to financially benefit at the cost of consumers. These windfalls for auto body shops will directly impact consumers' pocketbooks. AB 2276 is necessary to protect consumers from the rising cost of car repairs.

Protect the Ability to Innovate in the Claims Handling Process

Insurance Code section 758 (c) states in part: "Any insurer that conducts an auto body repair labor rate survey to determine and set a specified prevailing auto body rate in a specific area shall report the results of that survey to the Department, which shall make the information available upon request." In writing this statute, the legislature provided insurers with the flexibility to implement a survey that fits with their own unique business practices. This flexibility allows for healthy competition among insurers and for innovation. Some insurers provide a survey to auto body shops on an online forum, allowing labor rates to be updated in real-time. Other insurers are moving away from writing estimates at auto body shops all together, instead allowing customers to use an app on their phones to send pictures of their damaged vehicle and receive a settlement check for the repair in the same day.

The CDI regulations, on the other hand, choose one standardized way of conducting an auto labor rate survey to give favored status. As the technological and innovation capital of the world, the state of California should not limit insurers' ability to innovate to keep costs down and to enhance the customer's experience.

AB 2276 attempts to help address the rising cost of repairs for consumers and for these reasons, we urge your support of the measure.

cc The Honorable Autumn Burke, Member, California State Assembly
Debra Cooper, Consultant, Senate Appropriations Committee
Tim Conaghan, Policy Consultant, Senate Republican Caucus
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor