

# ASSEMBLY BILL 1200 (HAYASHI)

## INFORMED CONSUMER CHOICE FOR VEHICLE REPAIRS

### SUMMARY

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AB 1200 ensures that drivers can make an informed choice when selecting an auto repair facility by clarifying that insurers can truthfully explain the benefits of their own repair programs to consumers.

### BACKGROUND

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Current law prohibits auto insurers from requiring drivers to use a particular repair facility for repairs to a damaged vehicle.

This law is intended to prevent insurance companies from “steering” or otherwise preventing a driver from having auto repairs done at a repair facility of his or her choice.

Auto insurance companies often contract with a network of trusted auto repair facilities or direct repair program (DRP) to provide repairs for the insurance company's claimants. Some benefits of a DRP may include warranties on repair work, guaranteed prices, streamlined repair process, and on-site car rental.

Some body shop owners want to keep consumers in the dark about their auto repair options by prohibiting insurers from providing information about alternatives, including the benefits of an insurer's DRP.

AB 1200 seeks to ensure that every consumer can make an informed choice by balancing the need for claimants to 1) understand the benefits of an auto insurance policy, including the benefits that DRPs provide, and 2) be free to choose an auto repair facility without auto insurer coercion.

When this issue has arisen in other states, courts have strongly outlined the benefits of informed consumer choice and the First Amendment protections afforded commercial free speech. In the leading decision, *Allstate v. Abbott*, 495 Fed.3<sup>rd</sup> 151 (2007), the Fifth Circuit Court of Appeals overturned a Texas law that prohibited an insurer from recommending policyholders have their vehicles repaired at an insurer-owned body shop. Relying on a long line of commercial free speech cases, the court said:

Consumers benefit from more, rather than less, information. Attempting to control the outcome of the consumer decisions following such communications by restricting lawful commercial speech is not an appropriate way to advance a state interest in protecting consumers.

### EXISTING LAW

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Insurance Code section 758.5 (SB 551 Speier, Chapter 791 - Statutes of 2003) prohibits auto insurers from *requiring* a claimant to use a specific auto repair facility.

This section also requires insurers to disclose, both orally and in writing, that claimants are entitled to select the auto body repair shop of their choice.

### PROVISIONS

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AB 1200 adds the following provision to Insurance Code section 758.5: “Nothing in this section restricts the ability of the insurer to explain benefits the insurer provides as part of the claims process.”

## STATUS

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- Introduced 02/27/2009
- Scheduled to be heard in Asm. Insurance Committee 05/06/2009

## SUPPORT

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Personal Insurance Federation of California  
(sponsor)  
21st Century Insurance Companies  
Allstate Insurance  
Farmers Insurance Group  
Liberty Mutual Group  
National Association of Mutual Insurance  
Companies  
Pacific Association of Domestic Insurance  
Companies  
Progressive Insurance Company  
State Farm Insurance Companies

## FOR MORE INFORMATION

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