



## **SENATE FLOOR ALERT- File Item #177 THE TRUTH ABOUT AB 1200**

**Date:** September 3, 2009

**To:** Members, California State Senate

**From:** American Insurance Association  
Association of California Insurance Companies  
Pacific Association of Domestic Insurance Companies  
Personal Insurance Federation of California  
Mercury Insurance Company  
California Farm Bureau  
California Black Chamber of Commerce  
Sacramento Asian Pacific Chamber of Commerce

**Re:** **AB 1200 (Hayashi) Motor Vehicle Insurance: Direct Repair Programs**  
**Position: Support / Update**

***“The summary... indicates that AB 1200’s ‘footprint’ on current law is comparatively narrow.”***

- Senate Committee on Banking, Finance, and Insurance, 8/31/09 (see attached)

The Senate BF&I Committee has analyzed AB 1200 and has found that when compared to existing law, AB 1200’s impact is to “give claimants information on the services and benefits available in their claims process.”

While the opponents have tried to depict AB 1200 as overturning current law, nothing is further from the truth.

AB 1200 states that *“An insurer may provide the claimant with specific truthful and non-deceptive information regarding the services and benefits available to the claimant during the claims process.”*

It goes on to say that *“This may include, but is not limited to, information about the repair warranties offered, the type of replacement parts to be used, the anticipated time to repair the damaged vehicle, and the quality of the workmanship available to the claimant.”*

That's it. That's all AB 1200 does. Those opponents who say it weakens current law, or harms consumers aren't fairly describing AB 1200. Here's the truth.

Current law prohibits an insurer from requiring an automobile to be repaired at a specific shop. AB 1200 does **not** change this prohibition.

Current law prohibits an insurer from suggesting or recommending a specific repair shop unless the claimant requested or has been informed in writing of the right to select a shop. AB 1200 does **not** change this prohibition. Rather, it requires the written notice of the right to select a repair shop to be “in a separate and freestanding document.”

Despite the statements of the opponents, neither AB 1200 nor the current law it amends has anything to do with original equipment, aftermarket parts, or any replacement parts. In fact, current law requires notification to consumers about the parts that may be used. AB 1200 does **not** change this requirement.

Federal law regulates car warranties, protecting consumers. No repair service affects that federal protection. AB 1200 does **not** change this protection.

Insurers typically warrant the repairs performed at their network shops for as long as the claimant owns the car. Consequently, they benefit from complete, quality repair work. Shops and insurers' networks may offer discounts. These discounts are based on a volume of work, not on cutting corners, as the opponents falsely assert.

AB 1200 authorizes insurers to provide information about warranties, costs, replacement parts, time to repair, and quality. It requires insurers to recommend to claimants that they check with other shops on those points. An informed claimant can comparison shop and make an intelligent choice.

That is the truth about AB 1200.

For the foregoing reasons, the above-listed coalition of businesses urges your **“yes”** vote.