



CALIFORNIA
AUTOBODY
ASSOCIATION

February 17, 2009

Teresa Campbell
California Department of Insurance
45 Fremont Street, 21st Floor
San Francisco, CA 94105

Re: Proposed Anti-Steering Regulations-Insurance Code 758.5

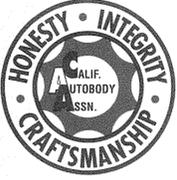
Dear Ms. Campbell:

The California Autobody Association (CAA) would like to thank the Department for proposing these regulations under California Code of Regulations, Title 10, Chapter 5, Subchapter 9, Article 7.5, of Section 2698.93 to implement and interpret Insurance Code section 758.5 (Anti-Steering). These regulations are a direct result of many workshops held by the Department of Insurance with key stakeholders, including the insurance and auto body industry to address the issue of steering.

As you are aware, in 2003, Senator Jackie Speier successfully passed SB 551, which prohibited insurance companies from steering consumers to insurance company preferred shops after the consumer advised the insurer they had selected a repair shop to have their car repaired. The law took effect on January 1, 2004. This was hailed as major victory for consumers who had been illegally steered to an auto body shop chosen by the insurer and not the consumer.

Unfortunately, over the last several years, the CAA has received numerous complaints from consumers and auto body shops that insurance companies are ignoring the original intent of the law and were continuing to illegally steer even after the consumer clearly stated that they wish to have their car repaired at the shop of their choice.

Steering occurs using a "word track" designed to convince the consumer to take their car to an insurer preferred shop rather than their choice. Phrases such as: "your shop didn't make our preferred list", "if you take your car to that shop we cannot guarantee the repairs", "you will have to pay the difference in the cost of repairs" and "if you take it to that shop we won't be able to get an adjuster out for a least a week, but if you go to our shop they can start the repairs immediately". We are hopeful that these proposed regulations will clarify the original intent of SB 551 and that the Department will begin taking aggressive action against insurers who continue to violate the law and illegally steer claimants to insurer preferred shops.



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The CAA has the following suggestions:

Section 2698.93 (e) Nothing in this article restricts the ability of an insurer to explain contractual provisions of the insurance policy. ~~to the claimant, including the insurer's obligation to pay only costs that are reasonably necessary to restore the damaged vehicle to its pre-accident condition.~~

The deleted language potentially could be a major loophole with respect to preventing illegal steering. For example, an insurer could communicate to claimants that they will have to "pay the difference of costs to repairs" if the vehicle is repaired at claimant's choice of shop. This could be communicated even if the insurer has not even inspected the vehicle nor communicated with the repair shop to determine if the statement is actually true. Many repair shops not involved with an insurer direct repair programs (DRP) work with insurers where claimants do not have to pay any difference in costs. Such language could lead to potential abuses and more illegal steering.

In the alternative and at a minimum, the language should be revised to address the above concern. The CAA recommends the following:

Section 2698.93 (e) Nothing in this article restricts the ability of an insurer to explain contractual provisions of the insurance policy ~~to the claimant, including the insurer's obligation to pay only costs that are reasonably necessary to restore the damaged vehicle to its pre-accident condition.~~ including the insurers obligation to pay the reasonable cost to restore the vehicle to its pre-accident condition by any automotive repair dealer chosen by the claimant provided it does not violate this article.

Thank you for your consideration.

Very truly yours,

David McClune
Executive Director

cc: CAA Executive Committee
Jack Molodanof, Attorney at Law