

CALIFORNIA: NAMIC JOINS STATE ADVOCACY PARTNERS IN OPPOSING AUTO REPAIR DAMAGE ASSESSMENT BILL

A public hearing was held April 1 on a bill, [AB 1179](#), that would require insurers to disclose in writing to claimants that any automobile damage appraisal conducted by an insurer would be merely a "damage assessment" and would not be a "written estimate" of repair costs, as defined in the proposed legislation. This bill would also require insurers to disclose, in a specific manner set forth in the bill, that the actual cost of repair may be higher than the damage assessment.

No vote was taken.

NAMIC, in conjunction with its domestic carrier state advocacy partner, the Pacific Association of Domestic Insurance Companies submitted a [letter of opposition](#) to the Assembly Insurance Committee. NAMIC's national carrier state advocacy partner, the Personal Insurance Federation of California, also submitted an [opposition letter](#) to the proposed legislation.

AB 1179 would add a new section to Insurance Code Section 758, which would create a legal distinction between a damage assessment and a written estimate of the automobile damages and the parts/labor necessary to repair the vehicle.

"The proposed legislation would, in effect, devalue the credibility of the insurance company's evaluation of the auto repair damages and prevent the company from being able to provide the consumer with the full benefit of their automobile repair knowledge, experience, and expertise," said Christian J. Rataj, NAMIC Western state affairs manager. "NAMIC and PADIC appreciate the importance of providing consumers with disclosures that help them understand the claims process, their legal rights, and auto repair options, however, the proposed legislation is more likely to confuse, than educate. We doubt that the typical consumer really cares about such technical distinctions in definitions, so long as their vehicle is properly repaired. Most consumers use the phrases 'damage estimate,' 'damage appraisal,' and 'damage assessment' interchangeably, so AB 1197 is unlikely to do anything other than confuse the consumer."

In NAMIC-PADIC's letter of opposition, Rataj asserted the following arguments in opposing AB 1179:

- The proposed legislation would require insurance carriers to fundamentally change their current automobile insurance claims adjusting process, and the claims services provided to consumers to assist them in repairing their motor vehicles;
- The requirements of AB 1179 will confuse, not enlighten and protect, insurance consumers;
- The proposed legislation is unnecessary in light of the current legal and regulatory regime in place to educate and protect insurance consumers from unlawful claims adjusting practices;
- AB 1179 is anti-insurance consumer because it will encourage and facilitate automobile repair fraud; and

- The proposed legislation could adversely impact an insurer's ability to engage in lawful and reasonable cost-containment and quality-control procedures that promote the affordability and availability of insurance.

In PIFC's opposition letter, Michael A. Gunning, vice president, commented that, "[w]e believe that the bill could have the unintended consequence of creating a monopoly in favor of repair shops. There have been several articles written about the dire straits of the repair industry. Across the country, the auto repair industry is mounting attacks in various state legislatures with legislative proposals to force increased payments by auto insurers."

"The proposed legislation," said Rataj, "will empower auto repair shops to charge consumers prices that are higher than insurance industry estimates and will encourage auto repair shops to contest any and all insurer damage assessments on the basis that AB 1179 differentiates between the auto repair shop's damage estimate and the insurer's damages estimate. Thus, NAMIC and PADIC asked the Assembly Insurance Committee to vote 'no' AB 1179, so as to avoid turning the auto repair claims process into a three-ring circus, with repair shops as the ring master."

Direct questions to NAMIC State Affairs Manager [Christian J. Rataj](#).