



SENATE FLOOR ALERT

Date: August 17, 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 Group
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

On behalf of the above-listed coalition of businesses who **support AB 1200 by Assembly Member Hayashi, we urge a Yes vote.**

Existing law prohibits auto insurers from forcing a driver to a particular auto repair facility, but fails to ensure that drivers get a complete picture of their auto

repair options. AB 1200 guarantees that consumers can make an informed choice when selecting an auto repair facility.

Insurance Code Section 758.5 (2004) prohibits auto insurers from *requiring* a claimant to use a specific auto repair facility or “steering” consumers to a particular auto body repair shop. The practice of ‘steering’ auto body repair work occurs when an insurer prevents a consumer from having auto body repairs done at a repair shop preferred by the consumer. Auto insurers do not object to this law.

However, some body shop owners want to use the current law to keep customers in the dark about their auto repair options. *For them, it is not enough to prevent auto insurers from requiring a specific auto body shop. Body Shops want to “lock in” a customer by depriving them of an informed choice about alternatives, including an auto insurer’s “direct repair program (DRP).”* A DRP is a network of vetted body shops that operate under contracts covering warranties, guaranteed prices, experience and service.

When this issue has arisen in other states, courts have strongly outlined the benefits of informed consumer choice. In the leading decision, [*Allstate v. Abbott*, 495 Fed.3rd 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.”

AB 1200 would ensure that every consumer can make an informed choice when choosing an auto repair shop. AB 1200 would provide an appropriate balance of 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 shop without auto insurer coercion.

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

cc: Assembly Member Hayashi (Author)
Mike Webb, Chief Deputy, Legislative Affairs Secretary, Office of the Governor
Kenneth Cooley, Principal Consultant, Senate Banking, Finance & Insurance Committee
Tim Conaghan, Senate Republican Caucus, Insurance Consultant
Office of the Insurance Advisor

