



Association of California  
Insurance Companies

An affiliate of the Property Casualty  
Insurers Association of America



American  
Insurance  
Association



Pacific  
Association of  
Domestic  
Insurance  
Companies



PIFC

PERSONAL INSURANCE FEDERATION  
OF CALIFORNIA

## MEMORANDUM

**DATE:** May 16, 2006

**TO:** Senator Kevin Murray, Chair  
Members, Senate Appropriations Committee

**FROM:** American Insurance Association (AIA)  
Association of California Insurance Companies (ACIC)  
Pacific Association of Domestic Insurance Companies (PADIC)  
Personal Insurance Federation of California (PIFC)

**RE:** SB 1492 (Speier): Automotive body repair: insurance claims  
As Amended: May 2, 2006  
Senate Appropriations Committee  
Position: **Oppose**

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The American Insurance Association (AIA), Association of California Insurance Companies (ACIC), Pacific Association of Domestic Insurance Companies (PADIC) and the Personal Insurance Federation of California (PIFC) urge your **NO vote on SB 1492** authored by Senator Speier.

**SB 1492 would implement a "Rapid Dispute Resolution" program in the California Department of Insurance (CDI) to handle consumer complaints about auto body repair shop work. The program is supposedly voluntary, but the bill requires that all automobile policies in California be re-written to include a disclosure on the program – even if the insurer does not participate.**

**Where's the Problem?** According to the author's office, there have been 28,000 complaints about body shop reimbursements in the last five years. It is not clear if these are justified complaints and how many were actually filed by consumers rather than body shops. In any event, of the total 28,000 complaints filed, it averages 5,600 complaints a year – a miniscule percentage of the 21,295,425 million auto insurance policies written in California. If insurers – and consumers – must pay for re-writing every insurance contract in California, it should be to deal with a significant, identified problem.

**Unworkable, Expensive.** The bill requires the CDI "to use digital photos, the Internet, and the resources of other state departments to rapidly and fairly resolve a disputed claim." This bill would establish an extensive bureaucracy, involving expensive technology and computer programming to incorporate the Internet into the process. It would also require new resources of at least two state departments.

Neither the CDI nor the Bureau of Automotive Repair (BAR) have the resources and expertise to perform the function envisioned by this bill in person, let alone by looking at digital photos. The CDI does not have employees trained in the field of auto repair. BAR has more relevant resources, but a November 2003 study of BAR completed by the Automotive Repair Coalition, "*Why California Auto Repair Regulatory System Doesn't Add Up*," found that "BAR has no formal method for incorporating into its personnel training standards the changing marketplace dynamics and advances in automotive technology." The study found that "BAR field personnel are less current on repair practices than the technicians whose work they are evaluating. The Bureau spends less than one-third of one percent of its budget on training its own personnel."

Trained insurance company estimators and adjusters, who actually inspect damaged vehicles on a daily basis, are in a much better position to determine damages, and costs to repair a vehicle rather than any state department, including the BAR or the CDI.

**Other Avenues Available.** The State would be required to spend valuable resources to insert itself into the handling of a small number of disputes that can already be resolved through traditional means. Currently, the miniscule numbers of insureds, with disputes against their insurers, have several other avenues for dispute resolution: 1) Filing a complaint with the CDI, 2) Availing themselves of the appraisal provision within the policy, and 3) Taking the insurer to small claims court. Small claims court, by its very nature, provides for the handling of these types of disputes in an expedited manner.

For all the reasons above, **AIA, ACIC, PADIC, and PIFC oppose SB 1492 and urge your NO vote.**

cc: The Honorable Jackie Speier, Author  
Maureen Ortiz, Senate Appropriations Committee  
Senate Floor Analyses  
Cynthia Bryant, Deputy Legislative Secretary for the Governor  
Kathleen Webb, Office of the Insurance Advisor