



Personal Insurance Federation of California

California's Personal Lines Trade Association

REPRESENTING THE LEADING AUTOMOBILE AND HOMEOWNERS INSURERS

State Farm • Farmers • 21st Century Insurance Group • SAFECO • Progressive

MEMORANDUM

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Date: July 1, 2003

To: Assembly Member Juan Vargas, Chair
Members, Assembly Insurance Committee

From: Dan C. Dunmoyer, President
G. Diane Colborn, Vice President of Legislative and Regulatory Affairs
Michael A. Gunning, Senior Legislative Advocate
Dan Chick, Senior Legislative Advocate

Re: SB 551 (Speier): Automotive Repair Dealers
Assembly Insurance Committee: July 9, 2003
PIFC Position: Oppose

The Personal Insurance Federation of California, representing insurers who write nearly 35% of all personal lines insurance sold in the state, including State Farm, Farmers Insurance, 21st Century, SAFECO, and Progressive Insurance Companies, **opposes SB 551** by Senator Speier. SB 551 would prohibit an insurer from recommending that an automobile be repaired, or not be repaired, at a specific automotive repair dealer unless the claimant specifically requests a referral. It would also allow an insured or other claimant, or a repair dealer who alleges damage from a violation of this provision to sue the insurer and recover damages.

Existing law makes it explicitly clear that companies cannot "steer" its insureds to repair facilities. The findings and declarations of the bill are egregious and false. There is no substantial evidence, despite strict regulatory and legislative scrutiny, that insurers are steering consumers to auto repair shops chosen by them and not the insured. Such declarations are simply not true.

New regulations recently adopted by the Insurance Commissioner further strengthen these requirements and expand the disclosures insurers must provide. Existing law authorizes fines and penalties to be assessed against insurers for a violation of these provisions in the amount of \$5,000 for a negligent violation and \$10,000 for a willful violation.

SB 551 would allow insurers to be sued by, and requires they be held strictly liable to, policyholders, claimants, or a repair dealer for any damages that could potentially be related back to an auto repair, even if the injury was a direct result of a defective part or repair. The legislative intent language suggests the bill is targeted at damages that arise from shoddy workmanship at the auto repair shop but the actual language is much broader than that.

PIFC also opposes SB 551 because it expands insurer liability to third parties. The bill does not limit damages to the party with whom the insured has a contractual relationship. Finally, the bill's allowances for a new private cause of action would drive up the cost of auto insurance by unnecessarily expanding frivolous litigation.

For all these reasons, PIFC opposes SB 551 and urges a no vote on the bill. Thank you for your consideration of our views. If you have any questions regarding this position, please do not hesitate to contact Michael A. Gunning at (916) 442-6646.

cc: Senator Speier, Author
Ann Richardson, Office of the Governor
Richard Figueroa, Office of the Governor
Chris Ebbink, Assembly Insurance Committee
Kevin Hanley, Assembly Republican Caucus