



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 8, 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
As Amended July 3, 2003
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 prohibits an insurer from requiring that an automobile be repaired at a specific automotive repair dealer and places restrictions on an insurer's ability to recommend or suggest an automotive repair dealer. In addition, this bill prohibits the insurer from limiting or discounting the reasonable repair costs based on the charges that would have been incurred at the insurer's chosen repair dealer and states that any violation of these provisions are subject to civil penalties. The bill also enables the Insurance Commissioner to enforce these provisions, and adopt regulations to implement them.

Under the provisions of SB 551, insurers are not allowed to "...suggest or imply that the automotive repair dealer identified and chosen by the insured or claimant is inferior or inconvenient." This language is too restrictive and would prohibit insurers from informing their customers of questionable repair facilities or even facilities that may be under criminal investigation. Many companies have Direct Repair Programs (DRP) that allow insurers to guarantee the work and quality of member repair facilities. This proposed restriction could lead to first party bad faith lawsuits if insurers were not allowed to inform consumers that we could not guarantee the repair work done at a non-DRP facility.

Existing law makes it explicitly clear that companies cannot "steer" its insureds to repair facilities. 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. In addition, 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.

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