



Date: December 17, 2021

To: The Honorable Marc Berman, Chair
The Honorable Heath Flora, Vice Chair
Members, Assembly Business and Professions Committee

From: Rex D. Frazier, President
Seren Taylor, Senior Legislative Advocate
Allison Adey, Legislative Advocate

Re: AB 294 (Santiago): Vehicle Tow and Storage Act.

Members:

STATE FARM

LIBERTY MUTUAL

PROGRESSIVE

MERCURY

NATIONWIDE

FARMERS

ALLSTATE

Associate Members:

NAMIC

CHUBB

CONNECT

by American Family

PIFC Position: Support

The Personal Insurance Federation of California (PIFC) is a statewide trade association that represents seven of the nation's largest property and casualty insurance companies including (State Farm, Farmers, Liberty Mutual Insurance, Progressive, Mercury, Nationwide and Allstate as well as associate members CHUBB, CONNECT by American Family Insurance, and NAMIC) who collectively write the majority of personal lines auto and home insurance in California.

Currently, the tow business is largely unregulated and there is no reliable database of tow vehicles operating in California, which makes it difficult to identify bad actors and take enforcement actions when appropriate. AB 294 would require all towing businesses to obtain a Vehicle Tow and Storage Permit prior to operating a tow truck in California or charging for the storage of a towed vehicle. It would also create a Vehicle Tow and Storage Board to resolve disputes between tow companies and vehicle owners.

Further, under existing law, a storage fee may be deemed reasonable if it is comparable to storage-related rates and fees charged by other facilities in the same locale. By modifying the law to ensure that a towing and storage charge is only deemed reasonable if it does not exceed the fees and rates established by the Department of the California Highway Patrol, this bill will better protect consumers from bad actors seeking to charge excessive rates.

Although most auto body repair and towing companies behave in a responsible manner, some hold cars hostage for unreasonable and unfair fees. These excessive towing and storage fees harm consumers and inflate insurance claim costs. For example, PIFC documented more than 130 examples of storage fees at auto body repair shops of \$200 or more per day from 2019 and 2020 with some charging in excess of \$2,000 per day. By comparison, the storage rate paid by CHP in San Francisco is about \$93 per day. There are also hundreds of examples that include total car storage expenses exceeding \$5,000-\$10,000, some more than \$20,000.

Previous efforts to address this issue have been helpful, but unfortunately, there are towing and automobile collision repair businesses that continue to charge excessive fees. These "bad actors" hold significant leverage over the vehicle owner by possessing their vehicle, knowing there is no entity a consumer can swiftly and affordably access to seek justice.

Oftentimes, this lack of accountability for towing companies leaves vulnerable consumers with a terrible choice, either pay the excessive fees or lose their vehicle entirely. Either option initiates or perpetuates a cycle of poverty, as documented in a 2019 report released by Western Center on Law & Poverty titled *TOWED INTO DEBT: How Towing Practices in California Punish Poor People*.

AB 294 would provide much needed accountability for towing and auto collision repair companies, protect consumers from egregious fees, and create stability in the towing and storage industry. For these reasons PIFC supports AB 294. If you have any questions regarding PIFC's position, please contact Seren Taylor at (916) 442-6646 or staylor@pifc.org.

CC: Assemblymember Miguel Santiago, Author
Robert Sumner, Chief Consultant, Assembly Business and Professions Committee
Bill Lewis, Assembly Republican Caucus
Ronda Paschal, Deputy Legislative Secretary, Office of the Governor
Michael Martinez, Senior Deputy Commissioner and Legislative Director, California Department of Insurance