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## We need your support on Assembly Bill 367

This bill will help put a stop to the discouraging remarks made by a few insurance companies. These remarks most often occur when a potential customer chooses a shop that is not on that insurance company's direct repair program. It will help to put some teeth into Nevada's anti-steering law.

Our intent is not to take away an insurance company's ability to refer a customer to a particular shop when requested, but rather to restrict them from taking away a consumer's choice in these matters. Currently some customers are being told that they cannot have their cars repaired at certain repair facilities even after they have expressed their choice to an insurance representative.

Insurance companies do this by the word tracks and scripts they use when customers file a claim. Examples of this would be lines like "that shop is not a preferred shop", "we cannot back their warranty or guarantee the quality of their repair work, but we can at one of our preferred shops", "if you choose that shop it may be up to 10 days before an adjuster can look at your car, but if you go with our preferred shop they can start right away", and "it may cost you more if you go to that shop".

The reality is that these comments can create negative perceptions that can easily defeat a shop's advertising and damage its reputation as well as make a shop look inferior. It can create unfair market conditions and possibly even unsafe repairs at body shops that put the interest of the insurance companies ahead of the consumer.

Car owners need to know that insurers can't recommend a particular shop unless they also inform the policyholder or claimant that they're free to go to the shop of their choice. The insurance companies must also tell the consumer that they "the insurance company" are responsible for covering the cost of the repairs, no matter which shop the consumer chooses to use. The customer should also expect their claim to be processed as expeditiously as it would had they chosen an insurance company's referred shop.

Thank you for your time.

Michael Spears  
Auto Body Group

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ASSEMBLY TRANSPORTATION

DATE: 4-3-03 ROOM: 3143 EXHIBIT F 1 of 29

SUBMITTED BY: M. Spears, The Auto Body Group

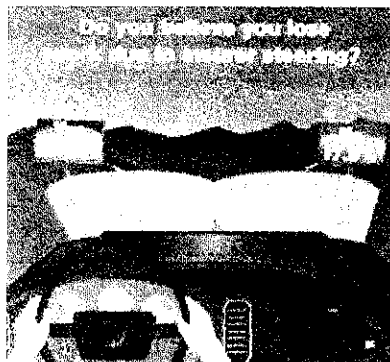
F 1 of 8.

## Here Today ... Then Steered Away, Georgina Carson, BodyShop Business, February 2002

We have example after example of this practice in our area," says one respondent to BodyShop Business' annual Industry Profile, regarding insurer steering. "I could write you a book on what's actually going on in the field."

He's not alone. A whopping 82.5 percent of respondents say they've lost work due to insurer steering, and most of them say they know why. Reasons cited include:

- "Insurers have a list. If you're not on it, you don't get the job."
- "I know for a fact I lose business because of steering. Customers have called me because their insurance company has told them to go elsewhere."
- "Insurers make it sound like they won't back the repair if you don't take the vehicle to one of their shops or your facility isn't good enough to be affiliated."
- "If you're not a DRP for a particular insurer, that insurer will push for its own DRP shop. Most customers don't want the hassle, so they'll do what their insurer says."
- "Steering is rampant in this area. Three DRP shops get all the work."
- "Insurers are doing whatever they have to to get customers into their DRPs shops - even if they have to lie and slander."
- "My collision work has dropped nearly 50 percent due to DRPs."
- "Customers don't know they have a choice."
- "If you're not on DRPs today, you're in trouble."



Steering is rampant in this area. Three DRP shops get all the work. Insurers are doing whatever they have to to get customers into their DRPs shops - even if they have to lie and slander. My collision work has dropped nearly 50 percent due to DRPs. Customers don't know they have a choice. If you're not on DRPs today, you're in trouble.

But no respondent was more certain about insurer steering than this guy: "I've had insurers tell customers they'd have to go to their PRO shop - while the customer was in my office and on my phone!"

Writer Georgina K. Carson is editor of BodyShop Business.

March 07, 2003

As reported in our earlier faxes, Senator Speier has introduced a new bill, SB 551 that is referred to as the "Auto Body Repair Consumer Choice Act." Senator Speier believes that current laws regulating the consumer's right to choose an auto body shop to repair damage are weak. Senator Speier believes that insurers are steering consumers to auto body shops chosen by the insurer and not the consumer and that California consumers are entitled to select an auto body repair shop of their choice. Some CAA members have been asking questions regarding the intent and interpretation of this bill. The simple explanation is that Senator Speier introduced the bill to strengthen the existing auto body repair anti-steering and consumer choice laws and regulations. As many of you remember, the association performed a survey last year and an overwhelming number (over 90%) of our members supported strengthening anti-steering laws. The bill's intent to strengthen existing anti-steering laws and regulations is consistent with the CAA's position.

This is "not" an anti-DRP bill. The bill codifies existing law and eliminates some loopholes. This bill continues to allow for customer referrals to direct repair facilities but attempts to prohibit illegal steering. This bill would make it unlawful for an insurer, including an affiliate or subsidiary of an insurer, in connection with a claim, to direct, suggest, or recommend that an automobile be repaired, or not be repaired, at a specific auto body shop, unless the insured or claimant specifically requests a referral from the insurer. The following is a summary of the bill: **Provides Consumers with the Right to Choose.** California consumers are entitled to select an auto body repair shop of their choice to repair auto body damage. Insurance companies may not require the repairs to be done at a specific auto body shop. This bill simply codifies existing laws and regulations and eliminates any loopholes. **Strengthens existing Consumer Choice and Anti-Steering Laws.** Insurers are steering consumers to shops chosen by the insurer not the consumer. Unfortunately, existing regulations and laws that govern consumers' right to select a body shop are weak. This bill will strengthen the existing laws and put some teeth behind it. **Prevents Unfair Competition.** Insurers are using unfair tactics to steer consumers to auto body shops selected by the insurer and not the consumer. Insurance companies are steering vehicles by suggesting or implying that the auto body shop selected by the consumer is somehow inferior or inconvenient. This bill is intended to stop such unfair practices. **Provides Consumers and Shops with a Remedy for Violations.** This bill provides that the insurance company that illegally steers will be liable for any damages suffered by the consumer or auto body repair shop due to such unfair business tactics.

Introduced by Senator Speier

February 20, 2003

An act to add Section 758.5 to the Insurance Code, relating to auto insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 551, as introduced, Speier. Insurance: auto body repair shops.

Existing law generally regulates insurers by, among other things, defining certain unlawful practices.

This bill would prohibit an insurer from recommending that an automobile be repaired, or not be repaired, at a specific auto body repair shop, unless the claimant specifically requests a referral. It would allow a claimant or repair shop damaged by a violation of this provision to recover damages and costs, as specified.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. This act shall be known as the "Auto Body
- 2 Repair Consumer Choice Act of 2003."
- 3 SEC. 2. The Legislature finds and declares the following:
- 4 (a) Thousands of California consumers each year require repair
- 5 of their vehicles as a result of collision or other damage.
- 6 (b) As a result of automobile collisions and other damage,
- 7 many consumers make insurance claims.
- 8 (c) California consumers are entitled to select an auto body
- 9 repair shop of their choice to repair auto body damage.

1 (d) Insurers are steering consumers to auto body shops chosen  
2 by the insurer and not the consumer.

3 (e) Insurers are using unfair tactics to steer consumers,  
4 including suggesting or implying that the auto body shop selected  
5 by the consumer is inferior or inconvenient.

6 (f) Existing laws regulating the consumer's right to choose an  
7 auto body repair shop are weak.

8 (g) Accordingly, the Legislature has determined that it is  
9 necessary to strengthen the existing auto body repair consumer  
10 choice laws.

11 SEC. 3. Section 758.5 is added to the Insurance Code, to read:

12 758.5. (a) It is unlawful for an insurer, including an affiliate  
13 or subsidiary of an insurer, in connection with a claim, to direct,  
14 suggest, or recommend that an automobile be repaired, or not be  
15 repaired, at a specific auto body repair shop, unless the claimant  
16 specifically requests a referral from the insurer.

17 (b) An insurer that violates this section shall be liable for any  
18 damages suffered by the claimant or auto body repair shop,  
19 including compensatory, special, and exemplary damages. Any  
20 injured party may bring an action for damages. The prevailing  
21 party in any action brought pursuant to this section shall be  
22 awarded reasonable attorney's fees and costs.

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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HOUSE BILL 13  
Committee Substitute Favorable 4/19/01  
Senate Insurance and Consumer Protection Committee Substitute  
Adopted 10/3/01

Short Title: Motor Vehicle Repairs. (Public)  
Sponsors:  
Referred to:

January 29, 2001

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT INSURANCE COMPANIES FROM RECOMMENDING THAT INSURANCE CLAIMANTS OBTAIN MOTOR VEHICLE REPAIR SERVICES FROM PARTICULAR SOURCES WITHOUT INFORMING THEM OF THEIR OPTIONS; TO AMEND THE SURPLUS LINES LAW TO CONFORM IT TO THE GRAMM-LEACH-BLILEY ACT; AND TO CORRECT AN ERROR IN AN AMENDMENT TO THE WORKERS' COMPENSATION ACT.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 58-3-180, as amended by S.L. 2001-203, reads as rewritten:

"§ 58-3-180. Motor vehicle repairs; selection by claimant.

(a) A policy covering damage to a motor vehicle shall allow the claimant to select the repair service or source for the repair of the damage.

(b) The amount determined by the insurer to be payable under a policy covering damage to a motor vehicle shall be paid regardless of the repair service or source selected by the claimant.

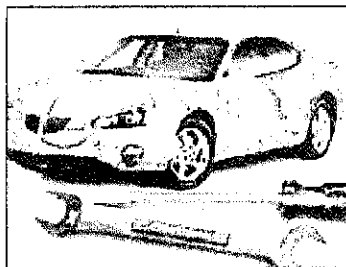
(b1) No insurer or insurer representative shall recommend the use of a particular motor vehicle repair service without clearly informing the claimant that (i) the claimant is under no obligation to use the recommended repair service, (ii) the claimant may use the repair service of the claimant's choice, and (iii) the amount determined by the insurer to be payable under the policy will be paid regardless of whether or not the claimant uses the recommended repair service.

(b2) The provisions of subsection (b1) of this section shall be included in nonfleet private passenger motor vehicle insurance policy forms promulgated by the Bureau and approved by the Commissioner.

(c) Any person who violates this section is subject to the applicable provisions of G.S. 58-2-70 and G.S. 58-33-46, provided that the maximum civil penalty that can be assessed under G.S. 58-2-70(d) for a violation of this section is two thousand dollars (\$2,000).

(d) As used in this section, 'insurer representative' includes an insurance agent, limited representative, broker, adjuster, and appraiser."

# CBS Story



complete CBS Story

(CBS) Angie Riedel didn't know it when her SUV was rear-ended, but she was about to get blind-sided twice more. First by the auto repair shop, according to inspectors who checked her car later. Then by people she thought she could trust, reports **CBS News Correspondent Erin Moriarty**.

"We found that it was pretty poorly repaired," said Allen Wood of the California Bureau of Automotive Repair.

Auto body fraud may not surprise you, but this might: California state investigators charge that insurance companies have become a big part of the problem.

Insurers in most states refer policyholders to body shops they have contracts with - known as direct repair shops - promising quality repairs at reasonable prices.

But investigators tell us that often isn't what the customer gets.

"You know this is my insurance company and I trust them," said Angie Riedel.

So when Allstate told her to go to one of their recommended auto repair shops, she picked the Roseville Collision Center.

"They said they would guarantee it for life," Riedel said.

She drove the repaired car for a year, then turned on her local news and learned that Roseville had been charged with fraud and substandard work.

"I thought, oh my gosh," Riedel recalled.

Meanwhile, she contacted the state Bureau of Auto Repair, which found the car's roof and the frame had not been repaired.

"It was left in a condition that it was still not acceptable ... just very substandard," said state inspector Allen Wood.

She called Allstate about the shoddy work on her car and the allegations against the Roseville Collision Center.

"They told me I had to go back to the Collision Center," Riedel said. "Isn't that crazy?"



According to several repair shop owners who asked not to be identified, insurance companies pressure the consumers to go to shops they contract with.

"They tell the customer straight out, Either you take it to one of our shops or we will not send an adjuster out. We refuse to pay for the repairs. These are supervisors that do it. And I'll testify to any court any time about it because it happens all the time," said one shop owner.

Allstate wouldn't talk to us on camera, but an insurance industry representative, Dan Dunmoyer said that if they didn't send customers to their shops: "The price of auto insurance for comprehensive and collision in America would probably double."

Riedel never did get that car fully repaired. The state investigators bought it for evidence against the repair shop.

"It makes me really angry that I drove around with this for a year with my family in the car," she said.

The Roseville repair shop is still in business but under investigation.

Investigator Alan Wood has one recommendation for consumers - don't feel pressured by insurance companies - go to a repair shop you can trust. In Sacramento California, this is Erin Moriarty for Eye on America.

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