

- SUBJECT:** Prohibiting certain insurer practices related to auto repair claims
- COMMITTEE:** Insurance — committee substitute recommended
- VOTE:** 6 ayes — Phillips, Muñoz, R. Anderson, Gooden, Paul, Vo
3 nays — Oliverson, Sanford, Turner
- WITNESSES:** For — Burl Richards, Auto Body Association of Texas; Larry Cernosek, Houston Auto Body Association; (*Registered, but did not testify:* Eric McKenzie, Auto Body Association of Texas; Chad Kiffe, Berlis Body and Fine Auto, ABAT; Lee Chapman and Trent Townsend, Dallas Fort Worth New Car Dealers Association; Michael Duncan, HABA; Robert Braziel, Texas Automobile Dealers Association; Emigdio J. Negrete; Chris Raeder; Rick Robinson)
- Against — Paul Martin, National Association of Mutual Insurance Companies; (*Registered, but did not testify:* Anne Oryan, AAA Texas; Jay Thompson, AFACT; Fred Bosse, American Insurance Association; Joe Woods, Property Casualty Insurers Association of America (PCI); Beaman Floyd, Texas Coalition for Affordable Insurance Solutions)
- On — (*Registered, but did not testify:* Joe Matetich, OPIC; Kimberly Donovan, Texas Department of Insurance)
- DIGEST:** CSHB 3804 would prohibit an insurer, an insurance employee or agent, an insurance adjuster, or an entity that employed an insurance adjuster from:
- requiring a beneficiary or a third-party claimant to travel a distance to repair the damage that was considered inconvenient by a beneficiary or third-party claimant; or
 - disregarding a repair operation or cost identified by an estimating system, including the system's procedural pages, selected by the insurer for use in writing the automobile repair estimate for the motor vehicle.

CSHB 3804 also would prohibit insurers, an insurance employee or agent, an insurance adjuster, or an entity employing an insurance adjuster under a Texas automobile insurance policy from directly or indirectly limiting the insurer's coverage under a policy covering damage to a motor vehicle by:

- limiting the policy's beneficiary from selecting a repair person or facility to repair a damaged vehicle to its condition before the damage occurred, in order for the beneficiary to obtain the repair without owing any out-of-pocket cost other than the deductible;
- intimidating, coercing, or threatening the beneficiary to induce the beneficiary to use a particular repair person or facility; or
- offering an incentive or inducement, other than a warranty issued by the insurer or a repair person or facility, for the beneficiary to use a particular repair person or facility.

The bill would add an insurance employee or agent, an insurance adjuster, or an entity that employs an insurance adjuster to the entities that, in settling a property damage liability claim by a third party against the insured person, are prohibited from doing the following:

- requiring the third-party claimant to have repairs made by a particular repair person or facility;
- requiring the third-party claimant to use a particular brand, type, kind, age, vendor, supplier, or condition of parts or products to repair a damaged vehicle to the vehicle's condition before the damage occurred;
- intimidating, coercing, or threatening the third-party claimant to induce the claimant to use a particular repair person or facility; or
- offering an incentive or inducement, other than a warranty issued by the insurer or a repair person or facility, for the third-party claimant to use a particular repair person or facility.

The bill would not apply to a glass repair person or facility. An "estimating system" would mean an automobile collision damage

estimating system that was generally accepted by the automobile repair industry for use in writing an automobile repair estimate.

The bill would take effect September 1, 2017, and would apply to an insurance policy delivered, issued for delivery, or renewed on or after January 1, 2018.

**SUPPORTERS
SAY:**

CSHB 3804 would increase transparency, vehicle safety, and fairness for consumers making claims against auto insurance carriers to repair damaged cars. The bill would apply both to consumers using a benefit of their own insurance and to consumers making claims against another driver's insurance.

The bill would not affect an insurance carrier's ability to have an approved vendor for repairs, but would require that the repair vendor be compensated fairly. The bill would help ensure that the paid repairs for a claim included safety sensors and diagnostic equipment, if applicable, that are standard on many new cars but may be excluded in a carrier's estimate. The bill also would help prevent auto repair shops and consumers from having to pay the balance for necessary repairs that were not included in the carrier's estimate.

CSHB 3804 also would prohibit a carrier from requiring the beneficiary or claimant to travel an inconvenient distance to have his or her car repaired. Many Texans live in rural areas, and it is difficult for them to have their cars towed to use an approved repair shop in a major city.

The bill simply would increase transparency for consumers and carriers and would ensure that carriers calculated repair estimates fairly and paid auto repair shops the fair cost of the repair estimate. It should not raise insurance rates because carriers already are prohibited from specifying that a customer use a certain shop or replacement parts.

**OPPONENTS
SAY:**

CSHB 3804 could prohibit car insurance companies from using practices that help lower auto insurance premium costs for the consumer and costs for the insurer.