

LEGISLATIVE COMMITTEE

August Meeting 2004



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2004 CIC Legislative Committee

2004 Report Objectives

The following topics were assigned to the Legislative Committee at the 2004 Planning Meeting.

- Licensing/bonding of Shops
- Insurer Ownership of Body Shops
- Two-tier Auto Insurance Policies
- Consumer Disclosure and Consent
- Diminished Value
- Potential VOC Issues
- Vehicle Data Access

2004 CIC Legislative Committee

MICHIGAN

Introduced in early 2003, HB 4127 is a general purpose anti-steering bill with some interesting additions. The first section of the bill simply states that an insurer may not restrict an insured from using a particular shop for any repair or glass replacement. However, in the wording of the final version of the bill, that restriction may not be placed on the claimant by either the insurance company or by the insurance policy.

There have been debates about the effectiveness of anti-steering legislation if the insurance companies were to write and sell policies in which the consumer agrees before hand, presumably for a discount in the premium charged, that they will use the shop chosen by the insurance company should they require collision repair.

2004 CIC Legislative Committee

MICHIGAN (continued)

It would seem that the Michigan bill would preclude this type of policy from being developed in that state.

In its earlier form, when introduced in 2003, the bill stated that insurers may not "intimidate, induce, recommend, suggest, or require" an insured to use a specific shop or a "particular brand, type, kind, age, or condition" of parts for collision repair. This type of language, though ultimately stricken from the final version in Michigan, was successfully used in the Colorado version of anti-steering legislation passed in 2003 with HB1253.

Courtesy of Collision Week Magazine

2004 CIC Legislative Committee

NEW YORK

New York has two companion bills pending in the legislature that have a different take on consumer disclosure to curtail illegal steering. A11305 and S7421 are identical bills that require, not the insurer, but the repair shop to serve written notice to the consumer that the insurance company cannot require a person to use a specific shop.

In addition, both bills have a second section dealing with insurer-owned shops. In the case of an insurer having a financial interest in a shop the insurer must disclose to the consumer, both orally and in writing at the time of loss, that the financial interest exists and that "THE INSURED IS UNDER NO OBLIGATION TO USE SUCH MOTOR VEHICLE REPAIR SHOP AND STATE THAT THE INSURED HAS THE RIGHT TO USE ANY MOTOR VEHICLE REPAIR SHOP SELECTED BY THE INSURED."

As of last week, A11305 is still being considered by the House Rules committee and S7421 is being reviewed by the Senate Rules Committee.

2004 CIC Legislative Committee

CALIFORNIA

Governor Schwarzenegger Appoints New California BAR Chief

Richard "Dick" Ross, 62, of El Dorado Hills, has been appointed chief of the Bureau of Automotive Repair at the Department of Consumer Affairs. He most recently served as an assistant team leader at the California Performance Review and prior to that he was deputy commissioner of the Criminal Investigation Branch at the California Department of Insurance. Ross retired from a 30-year career with the Federal Bureau of Investigation in 1997. This position requires Senate confirmation and the compensation is \$111,768. Ross is a Republican.

While serving the Fraud Division, he was appointed Chief Executive of the 400-member peace officer branch responsible for enforcement of all criminal, civil, and regulatory insurance laws in California.

2004 CIC Legislative Committee

NATIONAL

ASA Leaders Meet with U.S. Senator Blanche Lincoln

Automotive Service Association (ASA) leaders met with U.S. Sen. Blanche Lincoln, D-Ark., who serves on the U.S. Senate Finance Committee.

Attending the meeting were Geralynn Kottschade, AAM, chairman of the ASA board of directors; Charlie Elder, AAM, secretary/treasurer; Ron Pyle, ASA president; and Bob Redding, ASA Washington, D.C., representative.

ASA leaders discussed concerns with the Motor Vehicle Owner's Right to Repair Act, S. 2138, introduced by Sen. Lindsey Graham, R-S.C. The group updated Lincoln on the association's service information agreement with the automakers and assured her there was no need for legislation at this time.

2004 CIC Legislative Committee

NATIONAL continued

Lincoln also discussed other small business issues of interest with ASA. ASA expressed their appreciation for Lincoln's leadership on key small-business issues.

"Senator Lincoln has a long history of support for the small business community. This includes health care reform, tax relief and interest in automotive issues," said Bob Redding, ASA's Washington, D.C., representative.

Courtesy of Collision Repair Industry INSIGHT

2004 CIC Legislative Committee

ARIZONA

Anti-Steering Legislation Passed in Arizona

The Arizona Collision Craftsmen's Association (ACCA) recently announced the signing of House Bill 2468. This anti-steering legislation prohibits insurance companies from recommending or "steering" their insured or claimants to a particular collision repair facility. In the past, Arizona insurance companies could steer their customers toward favored facilities, thus limiting customer options. The new legislation requires insurance companies to inform accident victims of their right to select a repair facility of their choice, giving insurance companies less power over the consumer's decision.

2004 CIC Legislative Committee

ARIZONA continued



"HB2468 was a hard earned victory for the consumer who now has a clear legal right to select a repair facility of their choice," stated Dan Hunsaker, president of the ACCA and owner of Dan's Paint & Body in Tucson, AZ. "The signing of HB2468 is a huge step in the right direction for the ACCA and the Arizona collision industry as a whole. Through the passage of this bill, the ACCA has shown they are a powerful force and professional industry and have demonstrated what can take place when a group of people unite under a single purpose."

2004 CIC Legislative Committee

NATIONAL

Industry Ethics Executive to Participate in National Conference of State Legislatures Discussion

July 15, 2004

Donald Walters, general counsel and deputy director of the Insurance Marketplace Standards Association (IMSA), will be among the speakers addressing the issue of regulatory reform in the insurance industry at the 2004 annual meeting of the National Conference of State Legislatures (NCSL) in Salt Lake City on Tuesday, July 20.

From 10:15 - 11:45 a.m., Walters will participate in a discussion on the topic "Who's Looking After the Insurers - and How?" in Ballroom J, Lower Level of the Salt Palace Convention Center, along with:

2004 CIC Legislative Committee NATIONAL continued

- * Oregon Insurance Commissioner Joel Ario;
- * Lawrence Cluff, assistant director of financial Markets & Community Investment of the U.S. General Accounting Office (GAO);
- * Tim Tucker, director of state-federal relations for the National Conference of Insurance Legislators (NCOIL).

The speakers will discuss the GAO's report, issued last fall, criticizing inefficient, inconsistent and costly market conduct regulations.

Walters and other IMSA officials have reportedly said the GAO report supports the need for independent, standard-setting organizations such as IMSA to promote uniformity and efficiency in market conduct regulatory reform and better protect consumers through IMSA's stringent ethical standards.

IMSA is a voluntary, non-profit organization created to strengthen consumer trust and confidence in the life insurance, long-term care insurance and annuity products industry. For more information, visit www.IMSAethics.org.