

SENATE BILL REPORT

SB 6494

As Reported By Senate Committee On:
Financial Institutions, Insurance & Housing, February 4, 1998

Title: An act relating to consumer choices in automotive repair.

Brief Description: Providing for consumer choices in automotive repair.

Sponsors: Senators Winsley, Prentice, Kohl and Oke.

Brief History:

Committee Activity: Financial Institutions, Insurance & Housing: 1/29/98, 2/4/98 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 6494 be substituted therefor, and the substitute bill do pass.

Signed by Senators Winsley, Chair; Benton, Vice Chair; Finkbeiner, Hale, Heavey, Kline and Prentice.

Staff: Dave Cheal (786-7576)

Background: Persons making a insurance claims for repair of their automobiles have a right to choose the shop where the repairs are to be made. In many cases, claimants have little or no knowledge of the capabilities of repair shops and ask their insurance agent or claims settlement officer for a referral.

The concern has been raised that claim settlement practices of insurers have resulted in a preferred provider network that exerts price control over auto repairs. In order to be on the list of shops that a settlement agent will suggest to claimants, the body or glass shop has to agree to a price schedule and certain other requirements.

Insurers claim that referrals are made as a convenience to their policy holders, and that to assure quality of repairs and keep prices in line and hold down premiums, they must insist on certain business practices from shops on the list.

Summary of Substitute Bill: An insurer may not engage in any act causing or intended to cause a claimant to believe he or she does not have the right to choose a specific repair shop. Insurers may continue to recommend a shop if they make a verbal disclosure of the right to choose.

Substitute Bill Compared to Original Bill: The requirement that claims agents record a reason for denying a claimant's choice of repair shop is removed.

The requirement that a notice of a claimant's right to choose a repair shop appear in each insurance policy is removed.

The application of the Consumer Protection Act is removed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Insurance company referrals– are in fact pressure to use certain repair facilities that are on the insurer’s approved list. To be on the list, a repair shop has to comply with the price schedule set by the insurer. These prices are often inadequate and lead to shoddy work. Claimants should have a clear understanding that they have a right to choose a repair shop.

Testimony Against: Insurance companies make referrals at the request of claimants as a service. Price schedules are a legitimate method of cost control that helps keep premiums in check.

Testified: PRO: James MacFarlane, Larry Pfingston, Independent Glass Professionals Association; James Ethan, Lakewood City Glass; Guy Hemley, South Tacoma Glass; Randy Deering, Deering Glass, Inc.; CON: Rob Tee, SAFECO; Jean Leonard, State Farm WA Insurers; Mike Kapphahn, Farmers Ins. Group.