
**Financial Institutions &
Insurance Committee**

HB 2050

Brief Description: Prohibiting insurers from having a financial interest in automotive repair facilities.

Sponsors: Representatives Kirby, Chase and McDonald.

Brief Summary of Bill

- Prohibits casualty insurers from having an ownership interest in an automotive repair facility.
- Requires a casualty insurer that has an ownership interest in an automotive repair facility to fully divest itself of the ownership interest by July 1, 2006.

Hearing Date: 1/24/06

Staff: Jon Hedegard (786-7127).

Background:

The Office of the Insurance Commissioner (OIC) is responsible for the regulation of property casualty insurance in Washington. The OIC is authorized to regulate both the rates and contracts of the companies doing business in Washington. The OIC also oversees claims handling practices.

Under current insurance rules, insurers must provide an insured with an estimate of the cost of vehicle repairs and the names of shops that will repair the vehicle for the estimated cost. The insurer cannot require an insured to travel an unreasonable distance to get an estimate or to have a vehicle repaired. Insurers are permitted to have contractual provisions that allow the insurer to have the vehicle repaired at a facility designated by the insurer.

Although various insurance statutes and rules prohibiting unfair practices, there are no statutes or rules that explicitly prohibit an insurer from owning all or part of an automotive repair facility.

Summary of Bill:

An insuring entity may not have any ownership interest in an automotive repair facility. An insuring entity that has an ownership interest in an automotive repair facility shall fully divest itself of ownership interest by July 1, 2006.

"Insuring entity" means an insurer, including a fraternal mutual insurer, that is licensed to write casualty insurance.

"Ownership interest" means the right to control the affairs of a business, or the right to share in the profits of a business, and includes a loan to the business when the interest on the loan is based upon the income of the business or the loan carries more than a commercially reasonable rate of interest.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.