
**Insurance, Financial Services &
Consumer Protection Committee**

HB 1113

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

Sponsors: Representatives Kirby, Williams, McDonald, Hasegawa, Ormsby, Morrell, Moeller and Wallace.

Brief Summary of Bill

- Insurers may not have an ownership interest in an automotive repair facility.
- An insurer that has an ownership interest in an automotive repair facility must divest itself of the ownership interest by July 1, 2008.

Hearing Date: 1/16/07

Staff: Jon Hedegard (786-7127).

Background:

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

Under current insurance rules, insurers must provide an insured with estimates for costs of vehicle repairs and the names of shops that will repair the vehicle for the estimated costs. 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 vehicles repaired at a facility designated by the insurer.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Although various insurance statutes and rules prohibit unfair practices in auto claims settlements, no statute or rule explicitly prohibits 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 must divest itself of the ownership interest by July 1, 2008.

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

"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.