

Statement

Insurance Association of Connecticut

6446

Insurance and Real Estate Committee

February 17, 2009

HB 6446, An Act Concerning Motor Vehicle Repairs

The Insurance Association of Connecticut (IAC) opposes HB 6446, An Act Concerning Motor Vehicle Repairs.

IAC opposes section 1, which would require automobile insurers to provide a premium discount in any policy which covers a vehicle which has its vehicle identification number (VIN) etched in the vehicle's glass. IAC knows of no reliable, objective data that links VIN etching with reduced claims costs under an insurance policy. By artificially requiring such a discount without an actuarial basis, the costs of that discount will have to be unfairly shifted to other drivers to make up for the reduced premium.

Discounts should be determined by those offering the product in the marketplace, not by statutory mandate. If an insurer sees value in glass etching as a detriment to theft, it is free to offer the commensurate discount. In Connecticut's highly competitive market, such a discount would certainly be offered if the insurer felt there was a legitimate basis for it. Insurers currently voluntarily offer numerous discounts for various safety or anti-theft devices.

Legislation similar to section 1 has been properly rejected in Connecticut in past years, and for good reason.

IAC opposes section 2 of HB 6446, which is an attempt to protect some auto body shops from the competitive marketplace, to the direct detriment of the consumers of this state.

IAC opposes section 2, which would prohibit an insurer from offering a reduced deductible or premium or offering “additional warranties” if the consumer chooses a “preferred repair facility”, unless those benefits are part of the insurance policy. Section 2 will limit consumer choice and eliminate popular consumer benefits.

Direct repair programs are a repair option established by some insurers to create an efficient, quality driven system for the delivery of auto repair services to consumers. No insured is required to use such a repair program. The power to choose is made explicitly clear to the consumer. In fact, of those insurers who offer such a program, only a small portion of the insurer’s repair work is done through the program.

The benefits to the consumer when opting for such a program are substantial. These benefits may include a reduced deductible, lifetime warranties on the body shop work for as long as the consumer owns the vehicle (even if in another state), or something as convenient as having a rental car waiting for you when you drop the car. Independent consumer satisfaction surveys show that consumers are very satisfied with the work done at program shops, and more satisfied than when they go outside the program for repairs.

However, the programs are not part of the insurance policy, so the effect of section 2 would be to deny these benefits. The programs are a customer service established by some insurers, to be used solely upon the consumer’s choosing. There is no mandate that insurers have such a program. The specifics of an insurer’s program may change over time, and the specifics of insurers’ individual programs vary.

By its terms, Section 2 would also prevent insurers from offering lifetime warranties to third parties who get their damaged car repaired through the other driver’s insurer’s direct repair program. In that situation, the third party does not have a policy with the insurer. It makes no

public policy sense to deny these consumers the opportunity to receive such a valuable and popular benefit.

Section 2 would also prohibit insurers from “suggesting” that choosing a non-direct repair program shop “will result in delays in repairing the motor vehicle, a lack of guarantee for repair work or additional costs to the insured.” This is nothing more than an attempt to prevent consumers from being fully informed as to their repair options, to their detriment.

Direct repair programs are set up to deliver a high quality, hassle-free repair experience to consumers. Often the damaged car will be returned quickly to the consumer due to the efficiencies built into the program. Section 2 would prevent insurers from informing consumers of the fact of those efficiencies, as that could be interpreted to “suggest” a relative delay in repairs if taken elsewhere. Section 2 would prevent an insurer from telling the consumer that the program’s lifetime warranty applies if he or she moves to Idaho and has problems with the repair work, because by comparison that could be interpreted to “suggest” a comparative lack of guarantee outside the program.

In the vast majority of claims, insurers and non-program body shops reach an agreement on payment for repair services. In a few cases, however, agreement cannot be reached. The shop may be making compensation demands well outside the norm. In that circumstance, the consumer has the right to choose another shop, or to keep the car at the original shop with the understanding that he or she will be responsible to pay for any amount exceeding the insurer’s contractual obligation. Section 2, by prohibiting any suggestion of “additional costs to the insured”, will prevent the insurer from informing the consumer of that fact, so the consumer may be completely, and unfairly, unaware of that additional financial obligation until the repaired car is picked up.

Section 2 would limit consumer benefits and choice and prevent consumers from being fully informed regarding the facts concerning the repair of their damaged vehicles. IAC urges rejection of section 2.

Sections 2 through 6 of HB 6446 add enforcement and penalty provisions relating to C.G.S. 14-65l and 14-65m. C.G.S. 14-65l applies to all auto body shops (repair estimates must contain a notice concerning the consumers right to choose a repair shop), but C.G.S. 14-65m currently only applies to repairs done as part of a direct repair program (written acknowledgement that the consumer is aware of his or her right to choose).

If the goal is to ensure that the public knows they have the right to take their damaged motor vehicle to the repair shop of their choice, IAC respectfully submits that it makes no public policy sense to limit the effect of C.G.S. 14-65m to repairs in direct repair programs, which are a minority of the repairs done annually. It is also unfair to put the duties of C.G.S. 14-65m, and the enforcement/penalty provisions of this bill, only on shops participating in direct repair programs.

The solution is simple and positive for consumers--make C.G.S. 14-65m applicable to all repair shops. We would refer the Committee to section 1 of SB 896.

We would also point out that the definition in section 4 of the bill, amending C.G.S. 14-65e, is already in C.G.S. 14-65l, and that the waiver of estimates in section 5, amending C.G.S. 14-65g, has no apparent relationship to the written acknowledgement requirements of C.G.S. 14-65m.