

BILL ANALYSIS

Senate Research Center
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S.B. 1191
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Economic Development
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As Filed

DIGEST

Currently, Article 5.07-1, Insurance Code, is intended to provide Texans freedom of choice under auto insurance policies when repairing damage to their vehicles. The Texas Department of Insurance is authorized to promulgate rules regarding notice of the article and fraudulent activities. In spite of these protections, the steering of business by insurance companies to “preferred” repair shops still occurs. This bill would clarify the freedom of choice requirements in the repair of autos covered by insurance policies.

PURPOSE

As proposed, S.B. 1191 clarifies the freedom of choice requirements in the repair of autos covered by insurance policies.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 5.07-1, Insurance Code, to prohibit a person subject to this article, rather than an insurer, from limiting its coverage under an insurance policy covering damage to a motor vehicle or limiting its liability for a third-party claimant’s property repairs by recommending or requiring a particular brand, type, kind, age, vendor, supplier, or condition of the parts or products that may be used to repair the motor vehicle or a particular quantity of products and materials that may be used to repair the motor vehicle. Prohibits a person subject to this article from soliciting or accepting any form of compensation in exchange for referring a beneficiary or third-party claimant to a repair person or facility to repair the damage; from communicating to a beneficiary that, for the damage repair or parts replacement to be covered by the policy, a beneficiary is required to use, or that person recommends or prefers that the beneficiary use, a specific repair person or facility identified on a list of repair persons and facilities maintained by or compiled by a person subject to this article; from restricting a beneficiary or third-party claimant’s right to choose a repair person or facility by threatening to remove the beneficiary’s or claimant’s motor vehicle from a repair person or facility selected by the beneficiary or claimant for any reason; or communicating to a beneficiary or third-party claimant that repair work is guaranteed by a person other than the person or facility that performs the damage repairs or alternative direct billed transportation coverage is allowed following the filing of a claim only if the damaged motor vehicle is repaired by a repair person or facility selected by the insurer or an agent of the insurer. Authorizes any beneficiary, third-party claimant, consumer group, representative of a consumer, repair person, or facility to submit a written, documented complaint to the Texas Department of Insurance (TDI) with respect to an alleged violation of this article. Sets forth requirements for a person subject to this article who uses or references survey data to directly or indirectly influence persons engaged in collision repair, policy holders, or third-party claimants with respect to charges for labor, parts, or other items used in the repair of collision damage. Sets forth the individuals and entities this section applies to. Provides that a person commits an unfair and deceptive act or practice in the business of insurance if the person violates Subsection (b) of this article and is subject to each penalty or other sanction provided by Article 21.21 of this code for that violation. Defines “communicate” and “survey data.” Deletes text prohibiting a contract between an insurer and a repair person or facility from resulting in a reduction of coverage under the insured’s auto insurance policy. Deletes text authorizing the commissioner of TDI to exercise the rulemaking authority under Article 21.21-2 of this code with respect to any fraudulent activity of any party to an agreement described by Subsection (c). Makes conforming and nonsubstantive changes.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.