

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1553
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2003, the Texas Legislature adopted provisions—Subtitle A (Regulations Related to Motor Vehicles), Title 14 (Regulation of Motor Vehicles and Transportation), Chapter 2307 (Insurer Interests in Repair Facilities) of the Occupations Code—to prohibit ownership of auto body repair facilities by insurance companies to avoid “steering” policyholders to those shops instead of allowing the consumer to select an independent repair facility of their choosing. Since 2003 the auto body repair industry has undergone significant ownership changes from the traditional model of ownership of shops by small, independent companies or franchised new vehicle dealers to national chains owned by large, international private equity groups and publicly traded holding companies.

These entities are now expanding their holdings by purchasing the auto repair facilities owned and operated by franchised new vehicle dealerships. Often these holding companies have ownership stakes in other businesses totally unrelated to their automotive holdings, including in an unrelated insurance company.

This legislation seeks to amend Section 2307 to clarify that a holding company that also owns an insurer who provides private passenger auto insurance as a wholly owned business, can establish, purchase and operate auto body repair facilities in a separate wholly owned business as long as that business is considered a franchised new vehicle dealership.

This legislation will continue the prohibition against an insurer directly owning and operating auto body repair facilities acquired after 2003. The prohibitions as outlined in Section 2307.006 shall continue to apply.

C.S.S.B. 1553 amends current law relating to the interests of certain holding companies in certain repair facilities.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2307.002, Occupations Code, by adding Subsections (e) and (f), as follows:

(e) Authorizes a holding company that owns an insurer to acquire, own, and operate an interest in a repair facility through a person, other than an insurer, who is an affiliate or subsidiary of the holding company. Requires that the facility be licensed as a new motor vehicle dealership under Chapter 2301 (Sale or Lease of Motor Vehicles).

(f) Defines, for purposes of Subsection (e), “holding company” and “insurer.”

SECTION 2. Provides that the change in law made by Section 2307.002(e), Occupations Code, as added by this Act, applies only to the acquisition, ownership, or operation of an interest in a repair facility on or after the effective date of this Act. Provides that acquisition, ownership, or

operation of an interest in a repair facility before the effective date of this Act is governed by the law as it existed before that date, and that law is continued in effect for that purpose.

SECTION 3. Effective date: upon passage or September 1, 2015.