

AMENDED IN ASSEMBLY JUNE 26, 2008

AMENDED IN ASSEMBLY JUNE 18, 2008

AMENDED IN SENATE APRIL 22, 2008

AMENDED IN SENATE APRIL 9, 2008

SENATE BILL

No. 1371

Introduced by Senator Correa

February 21, 2008

An act to add Section 758.6 to the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1371, as amended, Correa. Insurance: automobile repair capping. Existing law prohibits insurers from engaging in specified acts relating to automotive repair.

This bill would prohibit insurers from capping paint and materials charges, as defined.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares the following:
- 2 (a) Today, methodologies that are ~~mutually~~ accepted by both
- 3 automobile repair shops and insurers are available to determine
- 4 the cost of paint and related materials. These ~~mutually~~ accepted
- 5 industry methodologies include manuals and estimating systems
- 6 that set out the refinish labor units required to paint a particular
- 7 portion of an automobile, such as a hood, fender, rocker panel,

1 and so forth. The paint and material charge is calculated by
2 multiplying the refinish unit times the refinish rate. Additional
3 ~~mutually~~ accepted industry methodologies that are available
4 involve software programs, which calculate the paint and materials
5 charges.

6 (b) “Capping” occurs when the cost of paint and related
7 materials determined by any of these ~~mutually~~ accepted industry
8 methodologies is ignored by an insurer. For example, ~~a mutually~~
9 *an* accepted industry methodology determines a cost of seven
10 hundred dollars (\$700.00) for paint and related materials, and the
11 insurer, as a standard practice, offers three hundred fifty dollars
12 (\$350.00), an amount that is unrelated to the paint and material
13 charges that would be determined by any of the ~~mutually~~ accepted
14 industry methodologies.

15 (c) Pricing agreements involving discounts that are entered into
16 voluntarily between an automobile repair shop and an insurance
17 company constitute neither “capping” nor ~~a mutually~~ *an* accepted
18 industry methodology used in determining paint and material
19 charges.

20 SEC. 2. Section 758.6 is added to the Insurance Code, to read:

21 758.6. Insurers shall not engage in capping. For the purposes
22 of this section, “capping” means offering or paying an amount that
23 is unrelated to a ~~mutually accepted industry~~ methodology used in
24 determining paint and materials charges *that is accepted by*
25 *automobile repair shops and insurers.*