

## **BILL ANALYSIS**

H.B. 1131  
By: Flores  
Licensing & Administrative Procedures  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Under current law an insurer's interest in repair facilities is not regulated. Insurer owned repair facilities may eliminate checks and balances thereby compromising consumer protections. A possible conflict of interest could arise if an insurer paid for a consumer's repair work completed at an auto repair facility owned by the insurer.

House Bill 1131 will prohibit an insurer from holding or acquiring any ownership interest in a repair facility. Additionally, the bill would require an insurer that has an ownership interest in these repair facilities to divest itself of the interest by September 1, 2005. The bill would require an insurer that, prior to September 1, 2005, has an interest in a repair facility to disclose the interest and give policyholders a choice in repair facilities. This bill would protect the consumer and would enable and foster open and evenhanded competition within the auto repair industry.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 (Section 2306.004(b) , Occupations Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Subtitle A, Title 14, Occupations Code, is amended by adding Chapter 2306 to read as follows:

#### **CHAPTER 2306. INSURER INTERESTS IN REPAIR FACILITIES PROHIBITED**

Sec. 2306.001. DEFINITIONS. Defines "insurer" and "repair facility."

Sec. 2306.002. INTEREST PROHIBITED. Prohibits an insurer from holding or acquiring any ownership interest in a repair facility.

Sec. 2306.003. ACTION TO COMPEL COMPLIANCE.

(a) Authorizes an individual aggrieved by a violation of this chapter by an insurer to bring an action for injunctive or other appropriate relief to compel the insurer to comply with the requirements under this chapter.

(b) Provides that a plaintiff who prevails in an action under this section is entitled to recover reasonable attorney's fees and court costs.

Sec. 2306.004. DIVESTITURE REQUIREMENTS; DISCLOSURE.

(a) Authorizes an insurer who has ownership or interest in a repair facility on September 1, 2003 to divest

itself from any interest in the repair facility no later than September 1, 2005.

(b) Requires the insurers to disclose to each insured that the insured has the right to use any repair facility selected by the insured during the period in which the insurer maintains its interest in the repair facility before the divestiture required under this section. Requires the insurer to make the disclosure in writing in the manner prescribed by the commissioner of insurance. Requires the disclosure to provide for the time the policy is delivered, issued for delivery, or renewed and provide when a claim covered by the policy is reported to the insurer by the insured.

(c) This section expires December 1, 2005.

SECTION 2. Prospective Application.

SECTION 3. (a) Effective date: September 1, 2003.

(b) Effective date for Section 2306.003, Occupation Code, September 1, 2005.