PIFC
PERSONAL INSURANCE FEDERATION OF CALIFORNIA

ACIC
Association of California Insurance Companies
An affiliate of the Property Casualty Insurers Association of America

American Insurance Association

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Proposed, Flawed Regulations Would Raise Auto Rates

SACRAMENTO, Calif. – California policyholders would see their auto insurance premiums increase, under proposed Department of Insurance regulations that mandate inflated payments to auto body shops for insured repair work, according to three property/casualty trade associations.

The regulations will be the subject of Department of Insurance hearings Monday (Oct. 23) in San Francisco and Tuesday (Oct. 24) in Los Angeles. Testimony will be provided at the hearings on behalf of the Personal Insurance Federation of California (PIFC), the Association of California Insurance Companies (ACIC) and the American Insurance Association (AIA).

"These regulations exceed the authority granted to the department," said Ken Gibson, vice president, Western Region of the AIA. He explained, "State law enacted in 2000 -- which is the basis for the regulation -- requires insurers to report labor rate survey results to the department. The law does not give the department any authority to dictate how the surveys are to be conducted."

"The proposed regulations far exceed existing law by attempting to establish a method for conducting the surveys. They also mandate a badly flawed scheme for calculating the prevailing rate by inflating the prices in the survey," said ACIC President Sam Sorich.

"The proposed regulations would force insurers to pay body shops their 'posted rates,' which are higher than the actual rates insurers regularly pay for work. These regulations are an unfair give-away to auto body shops and will result in higher costs for honest insurance policyholders," said PIFC President Rex Frazier."

"These regulations will force insurers to make calculations based on inflated rates, which would translate into higher repair costs. That may be good for the repair shops, but not for California policyholders," said the association officials.

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