

BILL ANALYSIS

Senate Research Center
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H.B. 1131
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Engrossed

DIGEST AND PURPOSE

Under current law an insurer's interest in auto repair facilities is not regulated. Insurer-owned auto repair facilities may eliminate checks and balances, thereby compromising consumer protections. H.B. 1131 prohibits an insurer from holding or acquiring any ownership interest in a repair facility. Additionally, the bill requires an insurer that has an ownership interest in such a facility to divest itself of the interest by September 1, 2005. H.B. 1131 requires 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 authorizes an individual aggrieved by an insurer's violation of these requirements to bring an action for injunctive or other appropriate relief to compel the insurer to comply with the requirements.

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 Subtitle A, Title 14, Occupations Code, by adding Chapter 2306, 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 adopted 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) Requires an insurer that, on September 1, 2003, has an ownership interest in a repair facility to divest itself of any interest in the facility not later than September 1, 2005.

(b) Requires the insurer 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 and provide the disclosure:

- (1) at the time the policy is delivered, issued for delivery, or renewed; and
- (2) when a claim covered by the policy is reported to the insurer by the

insured.

(c) Provides that this section expires December 1, 2005.

SECTION 2. Makes application of this Act prospective.

SECTION 3. (a) Effective date: September 1, 2003, except as provided by Subsection (b) of this section.

(b) Provides that Section 2306.003, Occupations Code, as added by this Act, takes effect September 1, 2005.