

New CA Assembly Bill 2276 Looks a Lot Like AB 1679

Written by [Ed Attanasio](#)

When the insurance lobby can't get a bill to gain traction, it rewrites it and tries again and again, hoping that some form of it will pass.

The theory is that by plugging away, eventually the lobby will wear everyone down to the point where both sides of the aisle will agree enough to make it a law or regulation.

Assembly Bill 2276 is the successor to Assembly Bill 1679, which was opposed by both the California Department of Insurance and *California Autobody Association* last year. It's identical to the bill that was introduced last year by Assemblywoman **Autumn Burke**, D-Inglewood. Unlike AB 1679, AB 2276 has co-sponsors. Assembly members **Frank Bigelow**, R-O'Neals; **Phillip Chen**, R-Diamond Bar; **Kansen Chu**, D-Milpitas; **Tom Daly**, D-Anaheim; **Timothy Grayson**, D-Concord; **Chad Mays**, R-Yucca Valley; **Randy Voepel**, R-Santee, have all joined Burke on the bill.

The California Autobody Association, which in January examined problem spots in the draft-revised AB 1679, opposes AB 2276 as well.

“AB 2276 continues to allow insurers to conduct ‘alternative labor rate surveys’ that would effectively replace the new CDI regulations,” the CAA wrote in a recent email. “The bill eliminates important standards set forth in the CDI regulations that produce consistent, accurate and reliable labor rate results and instead allows insurers to skew the results in a manner that will suppress market rates.

“The CAA remains opposed to AB 2276, as introduced. The bill may be heard as early as March in the Assembly Insurance Committee. We request that CAA members contact their assembly member and express opposition to this measure as soon as possible. The CAA will continue meeting and working with assembly member Burke and other stakeholders to address concerns with the bill.”

CAA lobbyist **Jack Molodanof** believes that AB 1679 had huge holes in it and that AB 2276 has some of the same problems, he said.

"From a body shop perspective, AB 2276 offers improvement over the original AB 1679, but concerns are still present regarding geographical areas and methodology," he said. "For instance, the bill also seems likely to promote more disputes between repairers, insurers and customers by replacing the CDI's survey questions about aluminum, fiberglass and carbon fiber labor rates with a vague line that says 'specialty repair rates shall be handled on an individual basis.'"

Molodanof has been in conversations with Assemblywoman Burke about the bill. Both sides are listening, but they're still far apart, he said.

"AB 2276 allows for an alternative labor rate survey, but eliminates important standards and guidelines that were set in the CDI regulations that produce consistent, accurate and reliable labor rate results," he said. "We're currently trying to work with Assemblywoman Burke on this bill, by pointing out issues... She is trying to address our concerns, but there are a lot of stakeholders, so we still oppose the bill, even though we're keeping the dialogue open."

"AB 1679 had so many problems. AB 2276 is admittedly a little better, but it still contains flaws. One of the major issues in this bill pertains to the geographical area. Under the bill, insurers can use an artificially large geographical area---such as an Assembly District---that does not reflect the local market, resulting in a statistically invalid survey. Market areas for body shops are small and local to their customers. For instance, in Marina del Rey, which is a high-income area (and in Assemblywoman Burke's district), labor rates will be higher than in nearby Lawndale, which is a less affluent area. They're completely different markets, and so shops in Lawndale charge less. Assembly districts are too large; the average prevailing rate that the insurance companies set will act as a "de facto cap"; the shops in Lawndale get a windfall and then the shops in Marina del Rey get paid less---It's just not fair. There needs to be something to address that issue and to allow for the shops in Marina del Rey to get paid the rate they regularly charge."

Molodanof indicated that Assemblywoman Burke was open to the idea and suggested as a compromise that if a shop is charging at a higher rate and can prove it through their final invoices, for example, they should get paid at their regular charge rates.

Another bill on the CAA and Molodanof's radar is AB 2392 (Vehicles: Towing and Storage), authored by Assemblyman **Miguel Santiago** (D-L.A.). Under existing law, when a vehicle has been towed and stored, the legal owner may only be charged a storage fee during the first 15

days of possession, and beyond the first 15 days, only for any time after three days have elapsed after written notification has been made to the legal owner, as specified.

This bill would shorten this period to the first five days, and beyond the first five days, only for any time after three days have elapsed after written notification has been made to the legal owner, as specified. The bill would also require notification to be made to the insurer of the vehicle if notification of the legal owner is not successful and that insurer is known. Existing law makes an insurer that is responsible for reasonable towing and storage charges liable to the person providing those services, as specified.

Molodanof does not believe that auto repair shops, both mechanical and collision, should be included in the bill.

"We still haven't taken a position on this bill yet, but it really will change the way insurance companies will compensate shops for incidental storage," he said. "It captures towing and storage companies, and we have no issues with that. But, it also includes auto repair facilities, [which] we do have problems with. Our shops repair cars; they're not in the business of storage. There are instances when a shop has to store a vehicle for whatever reason, but that's not the business they're in. This bill tries to address some of the abuses in the towing industry and most of them relate to price gouging by stand-alone storage facilities, and we agree with that part of it. But, those are different situations and this bill captures our industry in the same net. That should not be the case."

Recently concerning another bill for 2018, the Assembly Education Committee, Budget Subcommittee and Select Committee on Career Technical Education (CTE) held a lengthy joint hearing in Sacramento to discuss the future of CTE in California. Molodanof was in attendance.

"The hearing was packed with supporters of CTE," Molodanof said. "The committee supports continued CTE funding in the budget and through AB 1743 (CTE \$900 million incentive grant funding ends 2017--18), but the main question is how the money is going to be delivered to the local CTE programs. The Governor wants it to flow to local consortiums (limited to those that participate) and the legislature wants the money to flow through the state so all the schools receive a portion of the CTE funds."

Molodanof testified before the committee, thanking them for conducting the hearing and providing member support for CTE.

"I stated that auto shop programs provide hands-on learning, problem-solving skills and employability skills that lead to good-paying automotive jobs, but there are challenges with these programs," he said. "Many automotive instructors are retiring and not being replaced, and the only solution is to close down the auto shop programs where teachers [are] not available. Auto shop programs need funding for teachers, updated equipment, tools and curriculum to continue to support these important programs and for the future of our workforce. We appreciated committee members' help and support for CTE and will work with them to support AB 1743."

CAA will be hosting its Legislative Day on April 24 at the Capitol.