



SB1226 is an overreach by the insurance industry. The bill is bad for consumers and worse for businesses that do insurance repairs for cars and homes, like car dealership repair shops, auto glass repair shops, and home repair businesses. It's intended to make it more difficult for consumers to obtain insurance benefits that they already paid for, which in turn will create a windfall for the insurance industry.

At its heart, the bill is designed to get around a current consumer protection statute (ARS 20-461) that prohibits insurance companies from engaging in unfair claim settlement practices. If passed, the bill would reduce the likelihood that insurance benefits already paid for will actually be received by consumers.

The bill does this by restricting assignments of claim after the loss has occurred. This restriction is exactly what the Unfair Claims Settlement Practices Act (ARS 20-461) prohibits. It makes the validation of an assignment subject to the following unnecessary and burdensome requirements and limitations:

1. It requires the assignment to disclose the material provisions of the assignment agreement without defining material provisions. It will be impossible for repair shops to know whether they've complied with this provision.
2. It requires disclosures to be in no less than 14 point font.
3. It requires a separate acknowledgement for each of the following disclosures: whether the insured remains liable for any costs not covered by the insurance company, the interest rate, if any, that will be charged to the insured in the event of a delay in payment, and whether the assignment authorizes the assignee to sue the insurer.
4. It prohibits the assignment from requiring the insured to indemnify the assignee for any damages or liabilities of the assignee arising out of an assignment agreement.
5. It prohibits the assignment from preventing or inhibiting the insurer from communicating with the insured or any lienholder.
6. It requires the insured to submit the property claim to the insurer.
7. It requires the assignee to provide a form of assignment agreement to the insured with an estimate or itemized statement of the costs or charges for the services or repairs to the insured and the insurer.
8. It gives the insured and insurer the right to inspect the materials and workmanship before the repair company is entitled to payment in full but gives no deadline by which the insurance company must do the inspection or submit the payment.

If the repair company fails to comply with any one of these steps, the assignment agreement is invalid.

The insurance industry alleges that they are protecting consumers by making it more difficult to enter into an assignment, when in reality, it does the exact opposite. Assignments help the consumer collect on their claims. Making it more difficult to effectuate the assignment will make it more difficult for the consumer to collect the benefit of their insurance policy for which they've already paid. The industry has yet to explain how assignments hurt consumers.

The bill also makes it very difficult for repair facilities to help consumers get reimbursed for their losses, and for repair facilities to get compensated for already completed repairs covered by insurance agreements.

While the bill is being held out as “consumer friendly,” nothing could be farther from the truth. It hurts consumers and repair facilities—both of which are simply trying to work together to get insurance companies to honor their contractual commitments to consumers.