

Department of Legislative Services  
Maryland General Assembly  
2004 Session

FISCAL AND POLICY NOTE

House Bill 1124  
Economic Matters

(Delegate Impallaria, *et al.*)

---

**Insurance - Auto Body Repair Facilities - Regulation**

---

This bill provides that the Maryland Insurance Commissioner has authority over the business practices of an auto body repair facility in which an insurer has a financial interest. Under the bill, to have a financial interest means to: (1) be part owner of a regulated repair facility; or (2) have a regulated repair facility as a subsidiary business.

---

**Fiscal Summary**

**State Effect:** The bill's requirements could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA).

**Local Effect:** None.

**Small Business Effect:** Minimal.

---

**Analysis**

**Bill Summary:** The bill requires the Commissioner to adopt regulations regarding damage estimating procedures and appraisal guidelines for these facilities and authorizes the Commissioner to adopt other necessary regulations. If an insurance policyholder selects a regulated facility to obtain an appraisal for repairing an insured motor vehicle, an employee of the facility must provide the policyholder with a written notice stating that: (1) the policyholder is not required to obtain an appraisal at the facility; or (2) have the vehicle repaired at the facility. The notice must be signed by the policyholder, and a copy must be retained with the vehicle's repair records. However, the notice may not be

part of an estimate or other form. A regulated facility must post a notice of its relationship with an insurer and of a policyholder's right not to use the facility.

**Current Law:** For motor vehicle insurance, an adjuster, appraiser, or insurance producer or employee of an insurer may not: (1) recommend the use of a specific repair service or source for the repair or replacement of property damage to a motor vehicle without informing the claimant or insured that the claimant or insured does not have to use the recommended repair service or source; (2) require an appraisal or repair to be made in a specific shop; (3) require a claimant or insured to use a specific contractor or repair shop; or (4) intimidate, coerce, or threaten a claimant or insured to use a specific contractor or repair shop. Intentional violators are subject to: (1) a maximum civil penalty of \$1,000 for each violation; and (2) denial, suspension, or revocation of any license issued by MIA. Under these provisions, an adjuster or appraiser is a person that: (1) is employed by an insurer as, solicits business as, or represents to an insurer that the person is an adjuster or appraiser of claims for loss or damage covered by a motor vehicle insurance policy; or (2) under a contract, performs adjustments or appraisals for loss or damage covered by a form covering an automobile of security other than insurance.

A person who operates an automotive repair facility (including body shops) must keep accurate records at that facility about customers and repair parts used on customer vehicles. The records must be retained for at least one year and be available for inspection during normal business hours by the Motor Vehicle Administration, the Department of State Police, or a local law enforcement officer who is assigned to a local antitheft unit.

Under the Automotive Repair Facilities Act, an automotive repair facility must generally provide a written estimate for repairs, prepare an invoice of completed repairs, and unless waived by a customer, return all replaced parts to the customer. Violation of the Act is an unfair or deceptive trade practice under the Maryland Consumer Protection Act.

**Background:** MIA advises that repair facilities are generally owned by or are subsidiaries of holding companies of insurers rather than insurers. The Department of Legislative Services assumes that few of these relationships exist.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Insurance Administration, Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - March 12, 2004  
ncs/ljm

---

Analysis by: Ryan Wilson

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510