

HOUSE BILL NO. 1205

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Transportation

on _____)

(Patron Prior to Substitute—Delegate Oates)

A BILL to amend and reenact § 38.2-517 of the Code of Virginia, relating to motor vehicles; insurance; repairs.

Be it enacted by the General Assembly of Virginia:

1. That § 38.2-517 of the Code of Virginia is amended and reenacted as follows:

§ 38.2-517. Unfair settlement practices; replacement and repair; penalty.

A. No person shall:

12 1. Require an insured or claimant to utilize designated replacement or repair facilities or services, or the
13 products of designated manufacturers, as a prerequisite to settling or paying any claim arising under a policy
14 or policies of insurance;

15 2. Engage in any act of coercion or intimidation causing or intended to cause an insured or claimant to
16 utilize designated replacement or repair facilities or services, or the products of designated manufacturers, in
17 connection with settling or paying any claim arising under a policy or policies of insurance;

18 3. Fail to disclose to the insured or claimant, prior to being referred to a third party representative in
19 connection with a glass claim arising under a motor vehicle insurance policy, that the third party
20 representative is not the insurer and is acting on behalf of the insurer;

21 4. Fail to disclose to the insured or claimant, at such time as the insurer or its third party representative
22 recommends the use of a designated motor vehicle replacement or repair facility or service, or products of a
23 designated manufacturer, in connection with settling or paying any claim arising under a policy or policies of
24 insurance, that the insured or claimant is under no obligation to use the replacement or repair facility or
25 service or products of the manufacturer recommended by the insurer or by a representative of the insurer;

26 5. Fail to disclose to the insured or claimant, at such time as it or its third party representative
27 recommends the use of a designated motor vehicle replacement or repair facility in connection with settling
28 or paying any claim arising under a policy or policies of insurance, that the insurer or its third party
29 representative has a financial interest in such replacement or repair facility, if the insurer or its third party
30 representative has such an interest; or

31 6. Engage in the practice of capping. As used in this subdivision, "capping" means the setting of arbitrary
32 and unreasonable limits on what an insurer will allow as reimbursement for paint and materials.

33 B. This section shall not be construed to *(i)* require an insurer to pay an amount for motor vehicle repair
34 services or repair products necessary to properly and fairly repair the vehicle to its pre-loss condition that is
35 greater than the prevailing competitive charges for equivalent services or products charged by similar
36 contractors or repair shops within a reasonable geographic or trade area of the address of the repair facility *or*
37 *(ii) prohibit the establishment of a repair facility network.* Offering an explanation of the extent of an
38 insurer's obligation under this section to its policyholder or third party claimant shall not constitute a violation
39 of this section.

40 C. Any person violating this section shall be subject to the injunctive, penalty, and enforcement provisions
41 of Chapter 2 (§ 38.2-200 et seq.) of this title. The Commission shall investigate, with the written
42 authorization of the insured or the claimant, any written complaints received pursuant to this section,
43 regardless of whether such written complaints are submitted by an individual or a repair facility. For the
44 purpose of this section, any insurance company utilizing a third party representative shall be held accountable
45 for any violation of this section by such third party representative.