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**AB-1538 Automobile collision coverage: payment for repairs.** (2019-2020)

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**Assembly Bill No. 1538**

**CHAPTER 132**

An act to amend Section 560 of the Insurance Code, relating to insurance.

[ Approved by Governor July 30, 2019. Filed with Secretary of State July 30, 2019. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1538, Weber. Automobile collision coverage: payment for repairs.

Existing law requires an insurer issuing an automobile collision policy or a policy for comprehensive coverage for a motor vehicle to make the payment in a specified manner if the covered automobile is damaged and the insurer elects to have the automobile repaired.

This bill would make that requirement apply to a policy for automobile physical damage coverage, instead of comprehensive coverage, if a covered automobile is damaged by collision or otherwise and the insurer knows that the automobile will be repaired. The bill would state that these provisions do not limit the right of an insured to select the auto body repair shop or other repair facility to repair the damaged vehicle, or to decide not to have the vehicle repaired. The bill would prohibit an insurer from withholding the payment of reasonable repair cost benefits that are otherwise payable under the policy if the insured decides not to have the vehicle repaired. The bill would state that these provisions do not prohibit an insurer from restricting payment in cases of suspected fraud or from including a named loss payee or lienholder as an additional payee on the claims payment check or draft, as described. The bill would also state that these provisions do not prohibit an insurer from requiring that a damaged vehicle be repaired as a condition for payment if the damage to the vehicle is sufficiently serious that safety features that are part of the vehicle's operating systems are compromised. The bill would also make technical changes.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 560 of the Insurance Code is amended to read:

**560.** (a) An insurer that issues a policy providing automobile collision coverage, as defined in subdivision (d) of Section 660, or automobile physical damage coverage, as defined in subdivision (c) of Section 660, shall, if a covered automobile is damaged by collision or otherwise and the insurer knows that the automobile will be repaired by the repairer, make payment by check or draft, payable to the repairer or to the named insured and the repairer, jointly, or, with the consent of the repairer, by an electronic funds transfer to the repairer, not later than 10 days subsequent to receipt of an itemized bill or invoice covering repairs authorized by the insurer which have been satisfactorily completed. This section applies if the insured has received actual notice that the repairer is doing work pursuant to a contract approved by the insurance company and, in that case, the payment shall include the name of the repairer.

(b) (1) This section does not limit the right of an insured to select, or prohibit an insured from selecting, the auto body repair shop or other repair facility to repair the damaged vehicle, as described in Section 758.5, nor does it limit the right of an insured to decide, or prohibit an insured from deciding, not to have the vehicle repaired. If the insured decides not to have the vehicle repaired, the insurer shall not withhold the payment of reasonable repair cost benefits that are otherwise payable under the policy.

(2) This section does not prohibit an insurer from restricting payment in cases of suspected fraud or from including a named loss payee or lienholder as an additional payee on the claims payment check or draft, to the degree the insurance policy permits the loss payee or lienholder to be added as additional payee on the claims payment check or draft.

(3) This section does not prohibit an insurer from requiring that a damaged vehicle be repaired as a condition for payment if the damage to the vehicle is sufficiently serious that safety features that are part of the vehicle's operating systems are compromised.