



1107 9th Street, Suite 901 • Sacramento, CA 95814 • (916) 498-9608 • mail@consumercal.org

March 21, 2019

The Honorable Tom Daly
Chair, Assembly Committee on Insurance
State Capitol, Room 3120
Sacramento, CA 95814

RE: Assembly Bill 1538 (Weber) – SUPPORT

Dear Assemblymember Daly:

The Consumer Federation of California supports AB 1538 (Weber), which is before the Assembly Insurance Committee. This bill would clarify that consumers have the right to choose cash payment in lieu of repairing a damaged vehicle under an automobile insurance policy.

For example, if a consumer is in an accident that causes moderate damage to their vehicle that would cost \$2,000 to repair and the consumer has a \$500 deductible, insurers with a “no cash-out” provision will refuse to issue the \$1,500 payment it owes to the consumer unless they show proof that the repairs are being made. CDI has found that a small handful of insurers who have these types of “no-cash-out” provisions today are smaller companies who service the nonstandard market, which is typically comprised of lower-income individuals and non-English speakers. However, nearly all other insurers currently give consumers the option to “cash-out” their claims and pay the \$1,500 balance even if the consumer chooses not to repair their car.

Forcing a financially-disadvantaged consumer to choose between repairing their vehicle and not collecting any claim payment at all is unfair. This is especially troubling for low-income drivers who have dutifully paid their premiums on time but may not have the funds to cover the deductible amount. Assembly Bill 1538 codifies an existing best practice in the marketplace today by clarifying a consumer’s right to choose either cash payment or to repair their vehicle.

We respectfully request your “Aye” vote in AB 1538. Thank you for your consideration of this request.

Sincerely,

Richard Holober
Executive Director

cc: The Honorable Dr. Shirley Weber
Members of the Assembly Committee on Insurance