

2/17/00 ~~Committee~~ *Commerce & Regulation*

FEB 17 2000
TRANSPORTATION

HOUSE FILE 2309
BY RICHARDSON

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act requiring automobile insurers to provide notice of certain
2 aftermarket parts automobile insurance policy provisions and
3 making penalties applicable.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2309

1 Section 1. Section 507B.7, subsection 1, Code 1999, is
2 amended to read as follows:

3 1. If, after such hearing, the commissioner shall
4 determine that the person charged has engaged in an unfair
5 method of competition or an unfair or deceptive act or
6 practice, the commissioner shall reduce the findings to
7 writing and shall issue and cause to be served upon the person
8 charged with the violation a copy of such findings, an order
9 requiring such person to cease and desist from engaging in
10 such method of competition, act or practice and if the act or
11 practice is a violation of section 507B.4, or 507B.5, or
12 507B.10, the commissioner may at the commissioner's discretion
13 order any one or more of the following:

14 a. Payment of a civil penalty of not more than one
15 thousand dollars for each act or violation, but not to exceed
16 an aggregate of ten thousand dollars, unless the person knew
17 or reasonably should have known the person was in violation of
18 section 507B.4, or 507B.5, or 507B.10, in which case the
19 penalty shall be not more than five thousand dollars for each
20 act or violation, but not to exceed an aggregate penalty of
21 fifty thousand dollars in any one six-month period. The
22 commissioner shall, if the commissioner finds the violations
23 of section 507B.4, or 507B.5, or 507B.10 were directed,
24 encouraged, condoned, ignored, or ratified by the employer of
25 the person or by an insurer, also assess a fine to the
26 employer or insurer.

27 b. Suspension or revocation of the license of a person as
28 defined in section 507B.2, subsection 1, if the person knew or
29 reasonably should have known the person was in violation of
30 section 507B.4, or ~~section~~ 507B.5, or 507B.10.

31 Sec. 2. NEW SECTION. 507B.10 AUTOMOBILE INSURANCE
32 POLICIES -- AFTERMARKET CRASH PARTS PROVISIONS -- NOTICE
33 REQUIRED.

34 1. A person shall not deliver an automobile insurance
35 policy in this state that pays benefits based on the cost of

1 aftermarket crash parts, as defined in section 537B.4, or that
2 requires the insured to pay the difference between the cost of
3 original equipment manufacturer parts and the cost of
4 aftermarket crash parts unless the policy includes in a
5 prominent location and typeface a notice which contains and is
6 limited to the following language:

7 NOTICE

8 PAYMENT FOR AFTERMARKET CRASH PARTS

9 Physical damage coverage under this policy includes payment
10 for aftermarket crash parts. If you repair the vehicle using
11 more expensive original equipment manufacturer (OEM) parts,
12 you may pay the difference. Any warranties applicable to
13 these replacement parts are provided by the manufacturer or
14 distributor of these parts rather than the manufacturer of
15 your vehicle.

16 2. The notice required in subsection 1 may be provided on
17 a separate form or may be printed prominently on the
18 declaration page of the policy. The notice shall be provided
19 in conjunction with all new policies issued. Notice may be
20 provided at the time of application for the policy but shall
21 not be provided later than the time of delivery of the new
22 policy. A person may inform an applicant that the insurance
23 division of the department of commerce requires the notice
24 required by this section.

25 3. A violation of this section is an unfair or deceptive
26 act or practice under this chapter.

27 EXPLANATION

28 This bill creates new Code section 507B.10 which requires
29 automobile insurers to provide notice to insureds if the
30 automobile policy issued by the insurer pays benefits based on
31 the cost of aftermarket crash parts or requires the insured to
32 pay the difference between the cost of original equipment
33 manufacturer parts and the cost of aftermarket crash parts.
34 The notice may be provided on a separate form or may be
35 printed prominently on the declaration page of the policy.

1 The bill requires that the notice be provided in conjunction
2 with all new policies issued and that such notice be provided
3 not later than the time of delivery of the new policy.

4 A violation of the bill is an unfair or deceptive act or
5 practice under Code chapter 507B. The commissioner of
6 insurance has the power to investigate into the affairs of
7 insurers in order to determine whether such person has been or
8 is engaged in any unfair or deceptive act or practice.

9 Pursuant to the bill, the commissioner may, after hearing,
10 require the violator to cease and desist, require the violator
11 to pay a civil penalty of up to \$1,000 for a violation or up
12 to \$5,000 for a known violation, or suspend or revoke the
13 person's license to sell insurance.

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