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Anti-Steering Bill #5283

Good afternoon and thank you for taking the time to be here today. My name is Lucille Maslak and I am here representing Plymouth Glass & Mirror.

Years ago, we could provide our customers with prompt, courteous service, and would bill the insurance company directly for any and all glass claims. Today, however, the insured, and us as the repair shop, must go through 3rd party administrators such as Safelite Solutions and Teleglass, for example. These two networks are directly affiliated with glass repair shops, specifically Safelite Auto Glass and JN Philips.

Using Safelite as an example, I would like to briefly discuss the process that independent glass companies like myself, as well as insureds, must endure in order to both report and bill claims. From the time the insured calls to report the claim, they hear automated voices and commercials repeatedly saying "Safelite" over and over again. Once they finally are put through, the operator working for the network reads scripted words, yet again using Safelite, our competitor's name. (let me just throw it out there that most of our consumers believe when they call the 800 number on the back of their insurance card they believe they are calling their actual insurance company, be it Geico, Safeco, the Hartford and so on) The insured unknowingly is on the phone with a 3rd party network listening to subliminal messages swaying them to use their particular auto glass facility.

Back to reporting the claim, from here one of two things can occur. The insured, if calling without the repair shop's assistance, will automatically be told that Safelite can come out to perform the work. If the customer does not have a preference or a glass company chosen, they are directed to use Safelite, even tho we are all supposed to be on a fair trading rotation. This is what most people think of when they hear the word "steering". However, it can be taken even further. Insureds can, for instance, say they would like to use Plymouth Glass & Mirror for their repair. From here Safelite Solutions will use "scare tactics" in order to sway the consumer in another direction and use their repair shop. It is scripted and i have had to hear it myself and explain it thousands of times to my own customers - the networks specifically tell the insureds that if they choose to use an independent glass repair facility, they may be responsible for additional charges that do not apply when using Safelite Auto - this is false, as we are a contracted shop and we are forced to accept these networks prices, and never have customers pay additional fees. They also tell the insureds that the warranty can only be guaranteed if it is thru their preferred glass shop, yet again, the naive customer is unaware that we carry the same warranty as any preferred or non preferred glass company. We have lost countless jobs due to this type of intimidation, and quite honestly anyone can see that is unfair to not only the independent glass companies trying to stay in business, but to the insured as well, who's choice has been overlooked and disregarded.

In addition, glaziers, as is the term for auto glass companies, has been excluded from the anti-steering laws set into place to protect auto body shops. There is no reason that auto glass repairs should be treated any differently than other safety mechanisms such as brakes, airbags, etc. Consumer choice and safety should be the primary concerns when it comes to auto glass installation.

Unfortunately, steering and scare tactics really do work on our consumers. Even friends and neighbors have told me directly that they have used Safelite Auto, instead of using us, because when they called in their claim they thought that was who they had to use. They were unaware they had a choice; and even when they knew they "could use us" the intimidation factor was strong enough to make them feel that if they didn't use the network's preferred repair facility, they would be creating red flags with their insurance or would be responsible for so-called hidden costs.



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feature

The News of the Decade

The Events That Rocked the Industry

The last decade has seen a variety of events that have changed the way the industry operates. Though change is certainly constant and more of these likely are to come, AGRR magazine has selected the top-ten industry-altering events and news stories of the last ten years, and in the below information, we'll take a look back at them.

* 1. Centralized Insurance Company-Auto Glass Network Influence

When we began the decade, local insurance agents were still somewhat involved in "advising" their insureds in choosing a glass service provider. A decade later, that model barely survives in only a few pockets around the country.

Instead, most insurance companies have tightened the reins and leveraged their influence by requiring their policyholders to call an 800 number for glass claims. And that 800 number is usually answered by a glass company of the insurer's choosing or by insurance company representatives themselves, using carefully worded scripts that help influence the insured to choose an auto glass service provider that agrees to its pricing and terms. Proponents say this system helps keep customer costs down and glass shops honest. Opponents say the prices insurers want to pay are kept artificially low and compromise safety and quality.

These auto glass networks and claims administrators weren't invented in the last ten years, but since 1999, several new ones have come on the scene and many independent businesses have formed love-hate relationships with them.

Some even have attempted to abandon them cold-turkey—but this isn't always easy.

"I think it's like heroin," says Neil Duffy, owner of Auto Glass Menders in San Jose, Calif. "I think you get addicted to that 'free' insurance work."

The networks also have come to control a large part of the business, from the advent of State Farm's "Offer and Acceptance Program," which includes guidelines on pricing, billing procedures and other quality requirements, to more recent rulings regarding OEM glass and how it should be handled during this past year.

Many shop owners blame the rise of the networks for a number of industry maladies, such as low margins (and the competitive pricing structure most networks have in place), and a lack of business caused by possible steering issues among others.

2. AGRSS-ive Standards

Though the work on the Auto Glass Replacement Safety Standard first began in 1998, it wasn't until three years later that the official standard was released and submitted to the American National Standards Institute for official approval in 2001. The creation of a uniform standard for auto glass aftermarket installations was one of the—if not the greatest—milestones to ever occur, as it truly defines for all what a safe installation is and includes.

Once the AGRSS Standard was published, the AGRSS Council quickly began another undertaking—that of a credentialing program, through which auto glass businesses could register that they were following the Standard. The group soon added a self-audit facet to the program, requiring AGRSS-Registered shops to submit certain materials and deliverables showing that they were following the Standard. And, this past year, the group embarked on one of its—and the industry's—largest milestones, the creation of an independent third-party validation program in September 2009.

"Our ultimate goal is to provide those who use AGRSS-registered companies for their auto glass replacement needs with a level of confidence that their auto glass is being replaced properly. We are excited that so many companies are part of this initial program," says Jean Pero, incoming chair of the AGRSS credentialing committee.

"It's an amazingly innovative program," adds Pero. "These companies allow truly independent, third-party auditors to come in and validate that they are doing the job right. It's an amazing advancement for safety."

3. Belron the Behemoth

It's no secret that Belron has had a long history with both the international and U.S. auto glass markets. The Belgium-based company and international auto glass giant had several U.S. distribution operations in the 1980s, including Windshields America in the 1990s, and eventually merged that company with the Globe Glass/U.S. Auto Glass Network in 1995, to form Vistar. Then, in 1997, Belron negotiated a deal by which it would own a 40-percent interest in Safelite Auto Glass. Vistar was purchased by Safelite as part of that agreement, but Belron management had many differences of opinion with Safelite, and quickly exited the deal three years later. For the next five years, Belron had no major U.S. holdings—but in 2005, that all began to change when the company announced it had signed an agreement to purchase Elite Auto Glass in Denver. From there, a firestorm began. Belron purchased Southern California-based Windshield Pros and Madison, Wis.-based Auto Glass Specialists later that year. Then, in early 2006, the company acquired Phoenix-based Maverick Glass. The buying frenzy slowed down slightly until February 2007, when Belron announced the acquisition of Safelite Auto Glass. Though Belron has acquired several other U.S. chains since then, including Cindy Rowe Auto Glass, Diamond Glass and the retail and network operations of Iowa Glass Industries, the Safelite deal is the one that gave it a super-sized presence.

4. The Demise of the Regional Player

In the earlier part of the decade, several national and regional auto glass chains existed within the United States, including Safelite Auto Glass, Glass America, Auto Glass Service, Iowa Glass, Diamond Glass, Elite Auto Glass, Windshield Pros, Auto Glass Specialists, JN Phillips Auto Glass, Globe Amerada Glass, Cindy Rowe Auto Glass, Maverick Glass and more. Today most of these are gone.

Belgium-based Belron, of course, has been responsible for the largest piece of this, buying up not only Safelite but several other major industry players, such as Diamond Glass, Elite Auto Glass, Windshield Pros, Auto Glass Specialists, Cindy Rowe Auto Glass, Maverick Glass and the auto glass assets of Iowa Glass.

This has created a fragmented market with few regional chains left, and the leadership of these companies have either become Belron employees or retired.

Today, a few strong regional players still exist that don't wear Belron colors, but the numbers are far smaller than existed ten years ago.

5. Repair on the Rise

A decade ago, HSG (formerly Harmon Solutions Group) probably had a repair rate of somewhere in the high teens or low twenties, according to the company. Now, the Eau Claire, Wis.-based network, the third largest in the total solutions provider realm, says its repairs constitute almost half of its business—46 to 48 percent to be accurate. "I definitely think that repair is coming into its own element or has fully matured," says Paul Gross, president and chief executive officer of HSG. "There's been a substantial movement from that standpoint in terms of repair at the insurance carrier level."

Others in the industry are also seeing this trend. "We're starting to see more and more people doing windshield repair," says Dan Mock, vice president of operations for Glass Doctor, a replacement and repair provider based in Waco, Texas.

While the sentiment expressed by Mock and Gross isn't universal, there's definitely a feeling that the repair has some headwind behind it. There's the environmental movement, the cost savings in repair, and the ability to maintain the integrity of the windshield's original seal pushing the business.

"We're saving them deductibles and time. People are starting to see the environmental aspect of windshield repair," Mock says. "I think there are a lot of things at play. It's not just one single thing that's making a big difference. I think there are several different things coming together at once—kind of a perfect storm."

In just this past year, an ad campaign by the industry's largest player has helped as well. The Safelite campaign echoes Belron's worldwide push for repairs—and even those outside the company have benefitted from the growing awareness about this service.

6. The China Syndrome: Where Have All the Manufacturers Gone?

Many industries have seen a move toward China in the last several years. And it's been no different for auto glass. Not only have several Chinese manufacturers launched their own businesses and have begun importing to the United States, but some American manufacturers, including Pittsburgh Glass Works, have begun producing glass overseas as well. China began aggressively courting OE manufacturing early in the decade and succeeded in making great inroads a few years ago, both in OE contracts and reverse-engineered aftermarket products. Much of auto glass manufacturing has followed.

A 2009 study showed that glass production in China had increased by 67 percent (more than \$567 million) since 2003, according to the Economic Policy Institute.

And the Chinese government's provision of subsidies for the industry have also bolstered this. The 2009 report cited statistics from the National Bureau of Statistics, China, that showed that China's glass industry received \$1 million in government subsidies in