

January 31, 2013

The Honorable Joseph Crisco
Chair, Insurance and Real Estate Committee
Legislative Office Building, Room 2800
Hartford, CT 06106

The Honorable Robert Megna
Chair, Insurance and Real Estate Committee
Legislative Office Building, Room 2802
Hartford, CT 06106

Re: House Bill 5072

Dear Chairman Crisco and Chairman Megna:

My name is Scot Zajic and I am vice president, legislative affairs for Safelite Solutions. Safelite Solutions provides third party administration services on behalf of many of the top insurance companies, providing a valuable service to thousands of Connecticut consumers.

I write to express concerns with Committee Bill 5072, a bill whose unintended consequences will hurt consumers and fails to address real problems in the Connecticut vehicle glass repair and replacement (VGRR) industry.

On average, vehicle glass damage occurs once every seven years, so Connecticut consumers *rely* on their insurers to help them during what can be a difficult time. Not only did they experience damage to their vehicle which can be traumatic, they have to submit an insurance claim which can be a hassle, and oftentimes the vehicle glass damage needs replaced or repaired very quickly. Quite simply, our goal is to provide the best vehicle glass claims experience to every Connecticut consumer, each and every time. While we are not perfect, we strive to be. In about seven minutes, the consumer's claim detail is submitted, insurance coverage is verified, and the consumer selects any shop of their choice. Connecticut consumers rave about the vehicle glass claims service they receive from Safelite Solutions.

So What is the "Problem" Committee Bill 5072 is Intended To Solve?

Like most states, current Connecticut law prohibits insurers from requiring policyholders use a particular repair shop. However, despite existing law, claims of "steering" remain the rallying cry for legislation like Committee Bill 5072 which go well beyond addressing allegations of "steering". So who makes the claims of "steering"? Consumers? No. It is competitors who simply feel it is "unfair" that Safelite Solutions has an affiliate business, Safelite AutoGlass, and seek to "level the playing field" through legislation.

It is easier to make allegations than to prove them and competitors continue to use Safelite as a scapegoat for very challenging market conditions. Over the past five years, the VGRR industry has seen the volume of vehicle glass repairs and replacement decline across the country, and Connecticut is no exception. These conditions are driven by the economy, weather, fewer motor vehicle miles driven, an increase in fraudulent claims and a new direct to consumer marketing trend. In 2012, Safelite saw its overall sales decline by nearly 20%, while the insured claims directed to its affiliate shops increased nearly 12.5% over 2011. Between a decline in sales and an overall market share of 18%, one can hardly make a claim Safelite is “steering” business. On the contrary, one would argue that the existing state “anti-steering” law is working, especially during these challenging market conditions.

Even during these challenging times, Safelite remains committed to the Connecticut market. The company employs 107 individuals at its locations in Bridgeport, Danbury, East Hartford, New London, North Haven, Stamford, Torrington, Waterbury, Willington and West Hartford would respectfully disagree. Safelite is looking to expand in the state, considering real estate investments and adding up to 25 jobs; however legislative and regulatory uncertainty created by Committee Bill 5027, may require Safelite to reconsider these business investments.

Unintended Consequences of Committee Bill 5072

- Committee Bill 5072 does not solve the real problems in the Connecticut VGRR market but rather puts the government in the position of picking winners and losers among competitors.
- Customer satisfaction is extremely high as it relates to current VGRR claims service. Listing an additional shop when a customer has no preference for a glass shop restricts the insurer’s ability to guarantee a reputable shop is offered and work is performed that meets the customer’s expectation.
- How will an additional shop be selected? Insurers and TPAs will get accused of “steering” if certain shops complain they are not the “additional” shop.
- There are consumer benefits to using a “network” shop versus a non-network shop. How would the insurer or TPA address network versus non-network shops? If insurers are required to provide the name of a non-network shop, and service is poor, the customer loses.
- Some insurers offer their policyholders the convenience of filing claims online. Requiring the listing of an additional shop would require *significant* IT system changes that will add significant expense.
- What about the out-of-state consumer who is *not* from Connecticut, but is passing through? His or her “residence” could be Arizona, making the statute unworkable.
- The additional shop provision does not take into account the fact that the customer may want *in-shop* service or mobile service.

- The requirement to provide an additional shop does not take into account which shops can perform repairs, which shops perform replacements, which can perform both, which can repair “long” cracks and which cannot. This would present significant logistical challenges in maintaining separate and distinct lists of shops based on their qualifications. This would also require significant IT system changes which add significant expense.

While Safelite has concerns with Committee Bill 5072, we feel there is an opportunity to address the unscrupulous activities that are affecting all legitimate shops in the Connecticut VGRR market. They are termed “Harvesters” and they use aggressive tactics to harass, intimidate and coerce consumers to repair or replace a windshield. This business is growing exponentially in Connecticut and needs to be addressed. Between 2010 and 2012, over 11,000 claims were filed by these groups. It is estimated that 65-75% of these claims are not legitimate. The other 25-35% are being pulled out of the traditional VGRR market. This number will continue to grow unless action is taken. Safelite offered language to this committee and looks forward to working with its members to address these concerns and creating a win-win for all legitimate Connecticut VGRR shops.

Thank you for the opportunity to submit written comments to Committee Bill 5072. We would welcome the opportunity to discuss these issues with the Committee and others in the industry in crafting legislation in this area, which promotes the interests of consumers of vehicle glass repair and replacement services. However, Committee Bill 5072 is something Safelite cannot support. It hurts consumers, adds cost and expense to the claims process, it fails to address real problems which face the vehicle glass industry in Connecticut, and current law already protects consumer choice.

Sincerely,

Scot Zajic

"AN ACT CONCERNING AUTOMOTIVE GLASS WORK."

Strike everything after the enacting clause and substitute the following in lieu thereof:

"Section 1. Section 38a-354 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2014*):

(a) No [automobile] motor vehicle physical damage appraiser shall require that appraisals, [or] repairs or automotive glass work should or should not be made in or by a specified facility, [or] repair shop or [shops] glass shop.

(b) No insurance company doing business in this state, or agent or adjuster for such company shall (1) require any insured to use a specific person for the provision of [automobile] motor vehicle (A) physical damage repairs, [automobile] or (B) glass replacement, glass repair service or glass products, or (2) state that choosing a facility other than a motor vehicle repair shop or glass shop participating in a motor vehicle repair or an automotive glass work program established by such company will result in delays in repairing the motor vehicle or glass or [a lack of] that the shop selected does not offer a guarantee for repair work.

(c) Any appraisal or estimate for a motor vehicle physical damage claim written on behalf of an [insurer] insurance company shall include the following notice, printed in not less than ten-point boldface type:

NOTICE:

YOU HAVE THE RIGHT TO CHOOSE THE LICENSED REPAIR SHOP WHERE THE DAMAGE TO YOUR MOTOR VEHICLE WILL BE REPAIRED.

(d) If there is oral communication between a glass claims representative for an insurance company doing business in this state or a third-party claims administrator for such company and an insured regarding motor vehicle glass repair service or glass products, in the initial contact with the insured, such representative or claims administrator shall state to the insured a statement substantially similar to the following: "You have the right to choose a licensed glass shop where the damage to your motor vehicle will be repaired. If you have a preference, please tell us now."

(e) A glass claims representative doing business in this state or a third-party claims administrator acting on behalf of an insurance company shall not assign or dispatch the automotive glass work or forward a related policy or policyholder's contact or repair scheduling information to a different glass shop once the insured selects a glass shop of choice without the knowledge and consent of the insured.

(f) An insured may, prior to the commencement of automotive glass work, elect to change the insured's choice of automobile glass shop.

Section 2. Unlawful practices; automotive glass work

(a) It is an unlawful practice for a glass shop to:

1. Perform automotive glass work or glass replacement services under an insurance policy without first obtaining insurer approval;
2. Make any representation to an insured as to coverage or benefits available under the insurance policy, including, but not limited to, a representation that the insured is entitled to a "free" windshield;
3. Represent verbally, electronically, or in any other way, including but not limited to, advertisements, websites, or any marketing materials that a claim for automotive glass replacement work under an insurance policy is "free";
4. Waive or offer to waive the insured's deductible, offer a rebate, gift, gift card, cash, coupon or anything of value to an insured or a third party in exchange for the insured filing an automotive glass work claim under an insurance policy.

(b) For purposes of this act, a glass shop means a person or commercial business or entity licensed to perform automotive glass work in the state.

<u>This act shall take effect as follows and shall amend the following sections:</u>		
<u>Section 1</u>	<u>January 1, 2014</u>	<u>38a-354</u>