



Property Casualty Insurers
Association of America

Securing the Future of American Insurance

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HB 4042 Will Cause Inconvenience, Possibly Raise Costs for Consumers

COLUMBIA, S.C.—The Property Casualty Insurers Association of America (PCI) opposes HB 4042, which is scheduled to come up for consideration Wednesday in the state Senate Banking & Insurance Committee.

The legislation would restrict the ability of glass repair businesses to make referrals to other repair facilities and would limit the information that can be provided to any facility to which a referral is made.

"This bill would severely limit auto insurers' ability to choose business practices that best serve their customers, limit choices available to consumers for repairing damaged auto glass and potentially increase costs that impact insurance premiums," said Bob Passmore, PCI's senior director, personal lines. "The ability of glass repair facilities to help insurers handle glass claims have shown benefits to consumers. While PCI does not explicitly endorse specific business practices such as using third-party administrators or direct repair programs which help streamline the repair process, we do support the ability of insurers to develop and offer innovative products and programs to their customers."

Many years ago, it was common to have to get three estimates to submit to the insurer, a time consuming process that was not exactly customer friendly. Because most people don't have the need for auto body or glass repair very often, they were very much on their own. Auto glass damage claims, being smaller in severity and more frequent in number lend themselves well to direct repair programs. Glass repair networks developed and some of these providers began offering third party administrator services to help insurers handle glass claims. Consumers have been shown to like these programs; a recent JD Power Survey found that people who take their vehicles to network repair facilities are more satisfied than those who use other facilities.

"Some companies have chosen to use these kinds of programs because they feel that using them will deliver a better claims experience for their customer and enable them to compete for business in the extremely competitive auto insurance marketplace," Passmore said.

The ability for insurers to choose these practices has contributed to keeping premiums under control. PCI's analysis of industry data shows that on average, glass repairs cost 15 percent less when a network provider is used. In South Carolina, that figure is 14 percent. While the cost of most things, including glass repair, is going up, the cost of glass repairs has increased more slowly on network repairs. Network repairs on average have increased by 2%, while non-network average repair costs have increased by 5.6% in South Carolina.

Another benefit is the expertise that the third party administrators bring to bear in handling these kinds of claims as well as detecting potentially fraudulent claims. Unfortunately, detecting fraud in glass claims has become a very important issue. The National Insurance Crime Bureau has said that the number of glass claims reported as suspicious are on the rise nationwide, increasing from just 228 in 2008 to more than 2,000 in 2010.

"In our view, this bill isn't about using a third party administrator; it's about limiting the ability of the insurer to offer information on repair options and referrals to direct repair networks," Passmore said. "Like almost every state,

South Carolina has laws and regulations that protect the vehicle owners' right to choose who repairs their vehicles. PCI supports the consumer's right to choose, but what good is that right without complete information on the options available, or if an option available elsewhere isn't available in your state?"

No other state has anything exactly like the proposed HB 4042. Only a handful of states have those kinds of restrictive laws, but glass repair costs in those states are on average 20 percent higher than states without these kinds of restrictions.

"Consumers benefit when insurers are able to offer them information on repair options," Passmore said. "They have more options and better information with which to choose a repair shop, but they also benefit when insurers can control costs, using repair networks and third party administrators are two ways insurers can do that. PCI urges South Carolina legislators to reject this measure, and protect consumers' ability to make a knowledgeable choice and benefit from their insurers' ability to control costs."

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$174 billion in annual premium, 37.1 percent of the nation's property casualty insurance. Member companies write 43.1 percent of the U.S. automobile insurance market, 30.6 percent of the homeowners market, 35 percent of the commercial property and liability market, and 41.5 percent of the private workers compensation market.

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