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January 31, 2011

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: Proposed Bill No. 5283

Dear Chairman Crisco and Chairman Megna:

My name is Brian DiMasi, Senior Corporate Counsel with Safelite® AutoGlass. I write to express my concern with Proposed Bill No. 5283 (LCO No. 591). As drafted, the proposed bill would prohibit an individual or entity that processes claims for automotive glass repair and replacement work from having a financial interest in a business that installs automotive glass. This bill directly and adversely impacts our ability to service our customers and clients and to operate a retail vehicle glass repair and replacement business in the State of Connecticut.

Safelite® employs 144 Connecticut employees at our locations in in Bridgeport, Danbury, East Hartford, New London, North Haven, Stamford, Torrington, Waterbury, Willington and West Hartford. In addition, hundreds of glass shops across Connecticut participate in Safelite's network (many independently owned and operated), employing hundreds of Connecticut residents.

Safelite's parent company is the world's largest dedicated vehicle glass repair and replacement company, operating in 34 countries, employing over 24,000 people. In the United States, Safelite® employs approximately 10,000 people. 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.

Safelite's commitment to customer service manifests itself in many ways. From 2008 through 2010, Safelite has assisted 280,901 Connecticut residents with vehicle glass claims, achieving an overall customer satisfaction rating of 97 percent.

Vehicle Glass Claims Administration

The vehicle glass claims administration process has changed drastically over the past twenty years, particularly with the advent of networks. Previously, a consumer was required to reach out to multiple vehicle glass service providers, obtain quotes, call their insurance company and negotiate with their insurer as to which estimate should prevail. With the advent of networks, a consumer can now place one toll free call to a vehicle glass claims administrator, i.e., J.N. Phillips, Harmon Glass, Teleglass National, LYNX, Binswanger Glass or Safelite® Solutions, to arrange for the repair or replacement of vehicle glass. Every call that Safelite® takes is recorded to assure that customer preference for a vehicle glass shop is honored.

Networks and third party administrators have streamlined the vehicle glass claims process, and consumers have reaped the benefits of these efficiencies in the form of reduced costs. Insurance premiums are reduced when insurance carriers can enter into agreements with glass shops (many independently owned and operated), to provide excellent service, guaranteed pricing and a lifetime warranty backed by the insurance company. As a direct result of the free market competition networks promote, consumers are paying far less for vehicle glass services now than they were twenty years ago.

At a time when consumers demand efficiencies in the processing of their vehicle glass insurance claims, third party administrators and vehicle glass networks provide them with a valued and demanded service.

Proposed Bill 5283

The Proposed Bill No. 5283 would drastically turn back the clock on the repair and replacement of vehicle glass in the State of Connecticut. The proposed legislation would force Safelite® to choose between operating a vehicle glass repair and replacement business in State of Connecticut; or a vehicle glass claims administration business. It would force the largest provider of vehicle glass services in the country to either exit its retail operations and forego its significant investment in the State of Connecticut, involuntarily, or force it to eliminate its claims administration business. Forcing such a choice by Safelite® would risk the jobs of our 144 associates in Connecticut, in communities such as Hartford, New Haven, Waterbury and New London.

The draft legislation hurts Connecticut consumers. As set forth above, the advent of vehicle glass networks and third party administrators have improved customer service and brought prices down. Critics of third party administrators and vehicle glass networks have argued that Safelite's role in administering insurance company vehicle glass programs while also operating a retail vehicle glass business is unfair. Unfair to whom? Certainly not to the thousands of consumers in Connecticut whose claims have been administered promptly and professionally, with outstanding customer satisfaction survey results. Independent glass shops have sought, through proposed legislation, to "level the playing field" – for themselves. What is

missing from this recurring argument is the consumer who demands efficiencies and lower costs in this struggling economy---the very things that Safelite<sup>®</sup> provides to Connecticut consumers.

#### Legal Issues

If the draft legislation is introduced and enacted, Connecticut will be relegated to the unique status of being the only state in the country, as well as the only legislative body in the other 34 countries in which Safelite<sup>®</sup> and its affiliates operate, to have legislatively, but *unconstitutionally*, outlawed a legitimate vehicle glass free enterprise such as Safelite's.

Vehicle glass networks, as well as legislation that seeks to eliminate them, have been challenged in court going back as far as 1994. No challenge has been successful. Federal courts have either overturned laws that seek to restrict the operations of vehicle glass networks and/or specifically recognized them as providing a valuable benefit to consumers. Courts have even gone so far as to declare as unconstitutional, a statute the effect of which was to discriminate in favor of local vehicle glass businesses to the detriment of out-of-state glass networks.

Legislation that seeks to eliminate vehicle glass networks violates the protections afforded by the Commerce Clause of United States Constitution. The Commerce Clause is intended to prohibit states from enacting economic protectionist legislation that discriminates against or adversely affects interstate commerce, while allowing states to retain the authority to regulate matters of 'legitimate local concern', even where interstate commerce may be affected. Laws that eliminate multi-state networks unconstitutionally discriminate against and burden interstate commerce, and it is difficult to conceive of a "legitimate" local interest that would outweigh the harm that the draft legislation would inflict upon interstate commerce. The legislation effectively eliminates interstate vehicle glass networks by forcing them to choose between their claims administration business and their vehicle repair and replacement business. Eliminating interstate vehicle glass networks will harm Connecticut consumers and policyholders by increasing costs as well as stymieing competition.

In January of 2000, a federal court validated Safelite's network of vehicle glass shops while recognizing its value to the industry, including consumers. A group of small, independent vehicle glass repair shops filed suit against Safelite<sup>®</sup>, alleging violations of anti-trust laws and intentional interference with contract arising out of Safelite's network. After extensive discovery, the Court granted Safelite's motion for summary judgment, stating:

"The insurance companies, the relevant consumer in this marketplace, desired and demanded increased cost-efficiency in the auto glass repair industry. All the evidence indicates that they have managed to achieve just that--millions of dollars in savings annually--by insisting on a competitive environment in which various networks compete for insurance company business. These are savings that are passed down to the ultimate consumer-

policyholders in a system that only benefits an open marketplace in terms of price reductions.”


See Stewart Glass & Mirror, Inc. v. U.S. Auto Glass Discount Centers et al, 200 F.3d 307, 315 (5<sup>th</sup> Cir. 2000). Clearly, the Court viewed with favor the key role the Safelite<sup>®</sup> network plays in the vehicle glass repair and replacement markets.

Conclusion

Thank you for the opportunity to submit written comments to Proposed Bill 5283. We would welcome the opportunity to work 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, Proposed Bill 5283 is something we cannot support. It will eliminate jobs, hurt consumers and fails to address real problems which face the vehicle glass industry in Connecticut.

I remain,

Very truly yours,

By:   
Brian M. DiMasi  
Senior Corporate Counsel