NFIB.
The Voice of Small Business

MICHIGAN

To: Honorable Members of the House Insurance Committee

From: Charles Owens, State Director

Date: August 15, 2012

RE: Senate Bill 306 – Auto Glass Replacement and Steering

We are writing to you to ask for your support of Senate Bill 306 that would address the problem of "steering" by insurance carriers or their contracted third party administrators.

Steering of auto glass repair or replacement business occurs when an automobile insurance company or third party administrator under contract with an insurance company, attempts to influence or "steer" policyholders to a particular automobile repair or glass repair service. NFIB supported House Bill 4127 that was passed in 2004 in an attempt to address this situation as regards both auto glass and auto body repair. While a step in the right direction, the law lacked significant penalties and consequences to fully discourage the practice.

Since that time the industry has changed and a new situation has developed whereby an insurance carrier itself is not doing the steering, but hires a third party administrator that assigns claims and is steering business to their own glass repair facilities. The net result is the same with consumers being steered towards a particular repair service or product.

The small business issue here is unfair competition by exclusive contracting. The vast majority of auto glass replacement and repair is paid for by auto insurance companies. Where you have an environment where a single entity or group of entities has significant control over a market (auto insurance carriers and auto glass repair) and uses that position to skew a market and stifle free enterprise, the result is unfair competition. For a short time prices for repair services may appear competitive, however, over the long term as smaller independent operators are forced out of business prices rise and consumer choice is diminished.

Again we ask you to support SB 306.

Thank you for your support of small business and Michigan consumers.

National Federation of Independent Business – MICHIGAN
115 W. Allegan St., Suite 310 ◆Lansing, MI 48933◆517-485-3409◆Fax 517-485-2155◆www.nfib.com