

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By J.D. Lynch, Chair, on March 11, 1993, at 10:00 a.m.

ROLL CALL

Members Present:

Sen. J.D. Lynch, Chair (D)
Sen. Chris Christiaens, Vice Chair (D)
Sen. John Brenden (R)
Sen. Betty Bruski-Maus (D)
Sen. Delwyn Gage (R)
Sen. Tom Hager (R)
Sen. Ethel Harding (R)
Sen. Ed Kennedy (D)
Sen. Terry Klampe (D)
Sen. Francis Koehnke (D)
Sen. Kenneth Mesaros (R)
Sen. Doc Rea (D)
Sen. Bill Wilson (D)

Members Excused: Senator Hager

Members Absent: None.

Staff Present: Bart Campbell, Legislative Council
Kristie Wolter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 273, HB 577
Executive Action: None.

HEARING ON HB 577

Opening Statement by Sponsor:

Representative Dave Brown, House District 72, stated HB 577 would revise and clarify corporation laws. He stated HB 577 had been revised and amended in the House and he explained those changes.

Proponents' Testimony:

Garth Jacobson, Secretary of State's Office, stated his support of HB 577.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Referring to section 5, Senator Christiaens asked Mr. Jacobson why the word "profit" had been changed to "non-profit". Mr. Jacobson stated until a corporation loses its "non-profit" status, they can not merge with other "profit" corporations.

Closing by Sponsor:

Representative Brown closed on HB 577.

HEARING ON HB 273**Opening Statement by Sponsor:**

Representative Ed Dolezal, House District 34, stated HB 273 would address the insurance companies and their auto glass repair policies. He stated insurance companies currently contract with a third party for any auto glass repairs. He stated the contracts save the insurance companies money because they do not have to hire staff to process the claims. Representative Dolezal stated the companies with whom they contract do the repair work for a "set fee" which sometimes means the companies operate at a loss. He stated the insurance companies are contracting with the "Network Glass Repair" shops and cutting out the competition. He stated HB 273 would provides the consumer with choices and establish a competitive situation which would allow the consumer to choose the lowest prevailing market price. He stated there was a proposed amendment to page 1, line 10, which would insert the word "glass" and another proposed amendment of page 2 line 9 which would remove the phrase "or recommend".

Proponents' Testimony:

Representative Gary Mason, House District 63 stated currently no choices were available to the consumer. He stated HB 273 would provide consumers with the opportunity to chose who they want to do their auto repair work.

Charles Brooks, Executive Vice President, Montana Retail Association, read from prepared testimony in support of HB 273 (Exhibit #1).

Frank Cote, Deputy Insurance Commissioner, stated his support of HB 273. He supplied the Committee with proposed amendments which Representative Dolezal had approved (Exhibit #2).

John Knox, Auto Glass Specialist, read from prepared testimony in support of HB 273 (Exhibit #3).

Roger McGlenn, Independent Insurance Agents of Montana, stated his support of HB 273.

Ron Waterman, Farmers Insurance Companies, stated his support of HB 273 as it was amended in the House. He stated the amendments contain a "full" compromise between the insurance agencies and the glass companies.

Scott Tally, Scott's Auto Glass, stated his support of HB 273. He stated the network glass repair system can be confusing. He stated HB 273 would allow for quality products at fair prices.

Truman Strohf, Magic City Glass, stated his support of HB 273. He stated he had lost 84% of his business to the Networks.

Opponents' Testimony:

Gene Phillips, National Association of Independent Insurers stated he supported the amendments to HB 273, but opposed HB 273 because of section 5.

Jane Mellon, All State Insurance Companies, stated she was concerned with section 3. She stated the Network system caused a reduction in premiums, resulted in customer satisfaction and allowed for guaranteed work. She stated under the Network system the customers have the option to use the glass shops they prefer. She stated the Network systems save the consumer money because they save the insurance companies from having to separately bill process every claim. She stated an increase in the insurance companies' costs will be directly passed on to the consumer in higher premiums.

Mary Joe Prigey, Globe Insurance Companies stated her opposition to HB 273. She stated the savings from the Network system results in direct benefits for the consumers. She stated the costumer has the choice of using the Network glass shops or using a shop of their choice.

Questions From Committee Members and Responses:

Senator Koehnke asked Ms. Prigey if the consumer would have a

choice of companies within the Network. Ms. Prigey stated the consumer may choose between any of the Network businesses.

Senator Christiaens asked Mr. Phillips if the Network system was violated the anti-trust laws under the Robinson-Patman act. Mr. Phillips stated the anti-trust act does not apply to the Networks.

Senator Brenden asked Mr. Strohf if there were different qualities of glass a person could have installed on their vehicle. Mr. Strohf stated there were different qualities of glass and costs differ according to the quality.

Closing by Sponsor:

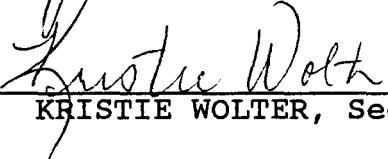
Representative Dolezal asked the Committee to resist the amendments proposed during the hearing. He asked the Committee to give favorable consideration of HB 273.

ADJOURNMENT

Adjournment: 10:52 a.m.



SENATOR J.D. LYNCH, Chair



KRISTIE WOLTER, Secretary

JDL/klw

ROLL CALL

SENATE COMMITTEE Business & Industry DATE 3/11

NAME	PRESENT	ABSENT	EXCUSED
Senator Lynch	✓		
Senator Christiaens	✓		
Senator Brenden	✓		
Senator Gage	✓		
Senator Hager			
Senator Harding	✓		
Senator Kennedy	✓		
Senator Klampe	✓		
Senator Koehnke	✓		
Senator Mesaros	✓		
Senator Rea	✓		
Senator Bruski-Maus	✓		
Senator Wilson	✓		
	✓		



Executive Office
318 N. Last Chance Gulch
P.O. Box 440
Helena, MT 59624
Phone (406) 442-3388

TESTIMONY
HOUSE BILL 273
10:00 A. M.
ROOM 410
MARCH 11, 1993

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1
DATE 3/11/93
BILL NO. HB 273

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

FOR THE RECORD, I AM CHARLES BROOKS, EXECUTIVE VICE PRESIDENT OF THE MONTANA RETAIL ASSOCIATION. THE MONTANA RETAIL ASSOCIATION IS A BROAD BASED GROUP OF OVER 800 RETAIL STORES THROUGH OUT THE STATE OF MONTANA. WE COUNT AMONG OUR MEMBERS OVER 61 INDEPENDENT AUTO GLASS DEALERS. THERE ARE ANOTHER 20 GLASS DEALERS WHO ARE SUPPORTIVE OF THIS LEGISLATION WHO FELT THEY COULD NOT AFFORD THE DUES IN OUR ORGANIZATION. THE COMBINED MEMBERSHIP IS SOLID BEHIND THIS LEGISLATION.

FOR SEVERAL YEARS NOW A MAJOR CHANGE HAS BEEN TAKING PLACE IN THE AUTO GLASS REPAIR INDUSTRY. INSURANCE COMPANIES HAVE BEEN MAKING DEALS WITH NATIONWIDE COMPANIES KNOWN AS "NETWORKS". WE BELIEVE THESE ARRANGEMENTS AT BEST TO BE VERY QUESTIONABLE UNDER THE FAIR TRADE PRACTICE ACT. AFTER A NUMBER OF MEETINGS WITH THE AUDITORS OFFICE, ATTORNEY GENERALS OFFICE AND THE DEPARTMENT OF COMMERCE. EACH AGENCY HAS INDICATED THAT DO TO THE LACK OF STAFF, THEY CANNOT INVESTIGATE THE PROBLEMS IN THE INDUSTRY AND HAVE SUGGESTED THAT WE COME TO THE LEGISLATURE WITH LEGISLATION TO ADDRESS THE ISSUES INVOLVED. REPRESENTATIVES FROM THESE AGENCIES ARE HERE TODAY, SHOULD THE COMMITTEE HAVE QUESTIONS.

WHAT ARE NETWORKS? THEY ARE LARGE NATIONAL AUTO GLASS REPAIR COMPANIES THAT HAVE MADE EXCLUSIVE CONTRACTS WITH MAJOR INSURANCE COMPANIES TO DO ALL THEIR GLASS REPAIR WORK. IF A INDEPENDENT GLASS SHOP WANTS TO DO BUSINESS WITH THE INSURANCE COMPANY, THE SHOP MUST SIGN A CONTRACT WITH THE NETWORKS AND PAY A BROKAGE FEE AND AGREE TO THEIR PRICING STRUCTURE AND THAT STRUCTURE CHANGES WITH THE WIND. I ASK THAT YOU REVIEW THE ATTACHED MATERIALS AND IT WILL GIVE YOU A QUICK OVER VIEW OF THE PROBLEMS IN THE INDUSTRY.

THIS BILL IS ABOUT:

1. PRO SMALL TOWN MONTANA - MAIN STREET MONTANA
2. FREEDOM OF CHOICE FOR THE INSURED
3. PRO COMPETITION-NOT ANTI-COMPETITION
4. PRO CUSTOMER SERVICE
5. LEVEL PLAYING FIELD FOR ALL PLAYERS
6. ECONOMIC DEVELOPMENT
7. SURVIVAL OF A TAX PAYING INDUSTRY THAT MAY BE HISTORY, IF WE DO NOT ADDRESS LEGISLATION TO PREVENT THESE UNFAIR BUSINESS PRACTICES.

WE URGE A STRONG DO PASS VOTE FOR HB 273. THANK YOU FOR THE

AUTOMOTIVE GLASS REPLACEMENT INSURANCE REFERRAL REFORM LAWS

STATES THAT HAVE PASSED LAWS

Colorado
Connecticut
Illinois
Kentucky
Louisiana
Maryland
Maine
Massachusetts
Minnesota
Mississippi
Nebraska
New Hampshire
New York
North Carolina
Pennsylvania
South Dakota
Texas
Vermont
Virginia
West Virginia
Wisconsin

STATES THAT HAVE INTRODUCED BILLS

Arizona
Idaho
Indiana
Iowa
Michigan
Montana
New Jersey
Ohio
Rhode Island
South Carolina
Tennessee

STATES THAT HAVE NOT INTRODUCED BILLS

Alabama
Alaska
Arkansas
California
Delaware
Florida
Georgia
Hawaii
Kansas
*Missouri
Nevada
New Mexico
North Dakota
Oklahoma
Oregon
Utah
Washington
Wyoming

Twenty-one states have passed legislation and eleven states are pending.

* Will be introducing a bill in the upcoming legislative session.



National Automotive Glass Consultants Update

Vol. 1 No. 3

NAGC UPDATE

December 1992

Bridging the Gap

Who is to say that insurance agents will still be around in ten years? A Farmers agent who has been very active with the various insurance agents associations predicts eight years.

Allstate agents are constantly dealing with Sears financial troubles, one 20 year Allstate agent said, "It's difficult for an agent to make a living when your book of business is shrinking and it's the company's intention that it do so. What's happening is Allstate's financing a floundering retailer and paying the price through its agents because it's restricting the kinds of business it will write."

Then there is the ongoing battle between agent and carrier regarding their contracts. Carriers have introduced new contract terms which undermine an agents ownership of expirations, cut their compensation or force them to shoulder new liabilities.

Six months ago, Farmers agents filed two lawsuits against Farmer Insurance seeking some \$600 million in damages for alleged violation of antitrust laws.

The agents allege that Farmers Insurance has coerced agents into purchasing its computer equipment so they can have access to their "Agency Network System."

The system allows them to gain rating, marketing and policyholder information. They feel there is an illegal tie-in of its computer sales to its Agency Network System.

The first class action suit was brought by two Farmers agents in Texas, that are representing numerous agents, the second class action suit was filed by the United Farmers Agents Association (UFAA) representing approximately 2,500 agent members. UFAA also agrees with the other suit regarding the computer sales and additionally seeks to prohibit Farmers

from engaging in practices which agents claim violate their contract, like terminating and threatening to terminate agents without good cause.

It doesn't take an expert to see the writing on the wall. The wave of the insurance future with the latest technology will eventually replace CSR's, receptionists, sales staff, and unfortunately even your local community agent. One of the ways is through "Company Service Centers".

Safeco has implemented service centers that "support" the local independent agents office. For two percent of an agent's personal line premiums they can hook up with a service center, get rid of their staff and go out and sell all day. One agent who was tired of hearing peoples complaints, tired of spending money to educate his staff, likes his new role of being a one man office and referring his policy holders to the "800" number. He believes by the year 2001 a total electronic telecommunication transition will be in effect. "By then the average agent of today, who is 55 years old will be gone," said the agent. Do you think even he will be gone by then?

The Maryland Group is another company that has implemented service centers. The program includes 24 hour access to underwriting, endorsement and claims service for insureds. Out of the 2,400 agents nationwide, 130 are currently participating in this optional program. A spokesman for the Maryland Group suggested that in the future, only agents in the service center would maintain Maryland appointments.

With the HMO's, PPO's, and now auto glass preferred providers the carriers have continued to whittle away an agents responsibility to serve their policy holder. The ground work has been laid, the steps falling into place. We are not the only industry facing extinction, except for the elect few, are we?

The general public has always had a

Auto Glass Highlights

Auto glass legislative wrap-up

During 1992, the U.S. Congress and 44 state legislatures met.

Federal lawmakers and regulators considered several issues important to the auto glass industry, such as design copyright, window tinting, periodic motor vehicle inspections, and so forth.

At the state level, numerous bills were considered that dealt with insurance referral reform, buy downs, kickbacks, window tinting, and so forth.

(For further details on any of the following issues, please contact NGA's Government and Industry Affairs department.)

Design Copyright (H.R. 1790): This bill would have had a disastrous effect on the auto glass industry. This legislation would have placed a 10-year copyright on all automotive glass parts. Only aftermarket glass suppliers obtaining a license from the car manufacturer would have been able to reproduce the glass. More importantly, the license would likely have limited the distribution of those glass parts only to car dealerships. Fortunately, NGA successfully negotiated an exemption for auto glass.

A hearing was held by a House Judiciary subcommittee, but no further action was taken. '93 Outlook: Probably will be re-introduced early in the session with the auto glass exemption intact.

Window Tinting: In January 1992, the National Highway Traffic Safety Administration (NHTSA) issued a notice of proposed rulemaking that would reduce the light transmittance level for cars and light trucks to a minimum 60 percent for windshields and front sidelites, 50 percent for rear windows, and 30 percent for back sidelites. The agency is also suggesting that the angle for testing light transmittance levels on windows be changed to reflect actual driving conditions. '93 Outlook: Decision from NHTSA should be forthcoming.

Anti-Car Theft Act (H.R. 4542/S. 2613): This bill, passed by Congress and signed by the President, will require that a car's vehicle identification number (VIN) be affixed to its major parts, including the windshield and other auto glass parts. This program will be phased in over the next five years.

American Automobile Labeling Act (H.R. 4228/S. 2232): This legislation, also approved by Congress and the President, will require that cars, beginning with model year 1995, have a label prominently displayed near the current price sticker with the following information: city, state, and country of final assembly; the country of origin of the engine and transmission; and the overall percentage of U.S.- and Canadian-made parts. Auto glass would be counted in with the percentage of parts made in the U.S. or Canada unless the auto glass was fabricated in a foreign country.

Insurance Referral Reform: Colorado, Connecticut, Illinois, Kentucky, Maryland, Minnesota, Mississippi, Nebraska, South Dakota, Vermont, Virginia, West Vir-

ginia, and Wisconsin passed new or strengthened existing insurance referral reform laws in 1992. '93 Outlook: As many as 25 states are expected to strengthen existing laws or propose new legislation.

Kickbacks: Colorado and Maryland passed statutes in 1992 outlawing kickbacks. '93 Outlook: Many states are considering kickback legislation in the upcoming session.

Buy Downs: Colorado, Kentucky, Mississippi, and West Virginia passed laws in 1992 prohibiting buy downs. '93 Outlook: Many states are considering buy down legislation in the upcoming session.

Periodic Motor Vehicle Inspection (PMVI): Although little happened with PMVI this year, the '93 Outlook is much better—this issue is expect to get a great deal of attention. NGA will be working closely with the Coalition for Safer Cleaner Vehicles in many states to promote safety inspections that include windshield inspections.

Farmers goes nationwide with 4 AG networks

Farmers Insurance Company has recently announced its intention to utilize four auto glass networks to do all of its insureds' glass repairs and replacements.

According to a company bulletin, the four networks that agents will be required to refer to insureds are Harmon Glass Company, Safelite Glass, USA-Globe, and Windshields America.

In 1991, Farmers processed over 300,000 glass replacement and 66,000 glass repair claims at a cost of \$62 million.

The program goes into effect nationwide on January 1, 1993.

Farm Bureau violating TX "free choice" law

On September 21, 1991, the Texas Insurance Department filed a notice of disciplinary action against Texas Farm Bureau Mutual for violating the state "consumers' right to choose" law. According to the notice, the Farm Bureau allegedly misled policyholders who needed windshield repairs or replacements.

The Farm Bureau denied the charges and was granted a closed hearing in mid-October. The Insurance Department has turned over its findings to the Insurance Commissioner, who will rule on the case soon.

Penalties for proven violations of the law could involve a large fine or the loss of license.

Earlier this year, the Insurance Department subpoenaed several insurance companies, charging them with failure to inform consumers of their right to choose an auto glass shop when needing repair or replacement.

There are now over two dozen insurance companies being investigated by the Texas Insurance Department.

If you would like further information on the issues covered in this *GOVERNMENT AFFAIRS UPDATE*, please contact NGA's Government and Industry Affairs department at 703/442-4890.

Continued from Page 3

managed to start a snow ball rolling that is going to eventually cause a huge avalanche leaving many in desolation. And where is the insurance industry going to be in five years when the four or five national glass chains, after working without a profit, raise their prices - "Oops, I guess it's time to raise our policyholders premiums." As the State Farm representative said, "This would make the industry less competitive, less innovative and less service-oriented."

As you look to find ways of streamlining your costs by laying off personnel, cutting back employees hours, selling excess equipment, etc., maybe you should look at saving premium dollars. Maybe Hunters pay-at-the-pump plan might really benefit you, the consumer, and save you hundreds of dollars per year.

Do you think State Farm would approve of thousands of glass dealers nationwide supporting legislation to "pay-at-the-pump?"

CGA Seeks an Investigation

In October 1992, the California Glass Association (CGA) filed a petition to the California Attorney General and Insurance Commissioner requesting that an investigation be conducted in regard to the practices of certain auto glass network operations.

CGA's petition seeks an investigation of potential violations of California antitrust, unfair competition and insurance laws. CGA maintains that a thorough inquiry is necessary to preserve fair competition in the glass industry. The contention is that the rights of insureds to choose the repair shop of their choice and the right of independent repair shops to negotiate with insurance companies for their business has been abrogated.

The state agencies are currently reviewing the allegations. The petition is not available to the public at this time.

What is Reasonable?

There has always been a very good profit

margin in the construction industry until winter approaches. Then that excellent profit margin becomes their main source of income as the construction industry sleeps until spring.

The same could be said for the glass industry. In the winter months auto glass installations are far and few between. And if the shop also glazes windows then he faces the same dilemma as the builder. Needless to say, they must learn to budget wisely!

Three years ago independent glass shops use to be able to make a fair profit to carry them through the winter months. That's not the case anymore. With insurance companies continually signing contracts with national chains to do their auto glass replacement, independent glass shops go through the "winter slump" all year.

Two years ago a large insurance company in Minnesota looked for a bidder who would offer them a very low price in exchange for a guaranteed large volume of work. The large glass company initially contacted said they could not do it for the price the insurance company wanted and still make a profit.

The insurance company persevered until they eventually found a company that agreed to do the work for a very low price. After 16 months had gone by, the contract was discontinued.

That same insurance company recently surveyed the local independent glass shops. The purpose of that survey was to come up with a list of preferred shops. The glass dealer, is then faced with two choices, knowing beforehand, that in order to be on their list you have to offer to do the work for the similar amount the former preferred provider was charging, which was based on large volume; 1) Do I lower my prices to get on the list, even though I won't make a profit, and hope to get a job now and then, just to pay my bills? Or; 2) Do I maintain my minimal profit price structure and hope that the other jobs that I get in will compensate for the losses I will incur from not getting on that particular carriers preferred list?

This scenario is not unique to Minnesota - it is nationwide and has been for several years. As long as insurance companies are allowed to contract with a prime provider to do all their glass replacement, national glass chains will continue to vie for that contract.

How do you compete with the guy down the street to get that customer to walk in your

TO: Helena Branch Office Agents

DATE: July 23, 1991

FROM: Helena, MT B. O., Claim - J. R. Williams, Manager

SUBJECT: National Auto Glass Program

~~Safelite Glass Corp.~~, phone 1-800-392-7500
~~USA-GLAS~~, phone 1-800-872-4527 (USA-GLAS)

USF&G has announced a national program to contain auto glass claim costs. This program is not optional. ALL GLASS REPAIRS AND REPLACEMENTS must be arranged via an 800 number provided us by Safelite and USA-GLAS. See special brochure attached.

Effective on receipt of this NOTICE, all agents and claim personnel must refer all auto glass replacement claims to one of the vendors, Safelite Auto Glass or USA-GLAS at the phone numbers listed above.

Guaranteed Prices

- * Windshields - 52% discount
- * Tempered glass - 40% discount
- Labor rate (4.00) \$25.00 (flat)
- Kit Cost (1.00) \$ 7.91 (flat)

* Includes foreign and domestic.

Procedures for Reporting Losses to the Vendors

When insureds contact Agents or the Claim Department, they should be provided with one of the above toll free numbers. If you wish to initiate the call for your insured, that is perfectly all right. The toll free numbers **MUST** be used for all losses in order to obtain the pricing benefits. Assignments made directly to local outlets of the same vendors are not covered by the national pricing agreement, and must therefore be avoided. When the toll free number is called, a telecon will be set up with a nearby glass shop and arrangements made for repairs at the convenience of the insured. Mobile and drive-in service are available at the same price.

Insureds must be prepared to provide the vendor with (1) the identity of the agent, (2) the agent's telephone number, (3) the USF&G policy number and (4) the special

4

INTERNAL MEMO

Allstate's decision to develop and participate in the Network was driven by several factors:

1. Glass claims are projected to reach 155 million dollars this year and 236 million by 1995. Our current glass system does not take advantage of Allstate's buying leverage. The network concept was recognized as the most efficient method to realize financial savings.
2. The [redacted] currently uses over [redacted] glass vendors. Quality and consistency of service combined with billing concerns highlight our need to change. Under the network concept, we deal with one primary vendor which in turn maintains the network and ensures that quality service is provided. We are billed by the one primary vendor.
3. The need to make the glass claims process customer friendly was recognized and stressed in the development of the Glass Network.

Globe/USA Glas was selected as the primary vendor for the Autoglass By Sears Network because of their 75 year commitment to quality and customer satisfaction. Their management capability, financial stability and high quality standards were all contributing factors in the decision. Globe/USA Glas's existing network of shops throughout [redacted] is being expanded to accommodate Allstate's business. In many cases, the shops in the network are already Allstate vendors and recognize the importance of customer service. We have requested that shops be added in areas where we have a high number of policies in force to ensure that glass services in those areas can meet the demand. If there is a shop that you would like added to or deleted from the Network, please contact the Central Glass Unit.

There are several benefits for Allstate in utilizing the Network:

Allstate
Rebate
SYSTEM

1. We are guaranteed quality and customer satisfaction.
2. We will receive most favored pricing by markets.
3. The venture is funded 100% by Globe/USA Glas.



4. Referral Incentives:

We will receive a rebate based on the volume we refer to Globe:

<u>Referral</u>	<u>% of Gross Referral Recovered</u>
\$0-\$25 m	0
\$25-\$50 m	10.0
@ \$50 m	10 retroactive to first \$25 m
\$50 m plus	15.0

5

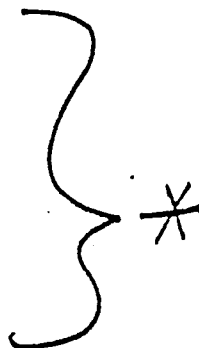
This provision alone should provide us with substantial savings.

- 5. Allows development of claim handling procedures that meet our customer service requirements.

There are also several benefits for Sears in sponsoring the Network:

- 1. Sears will receive a license fee of 7% of the net revenue generated, including all Allstate revenues.
- 2. Countrywide presence in over 250 locations.
(Local Sears Store utilization projected for 1993)
- 3. Dividend participation in Globe's appreciated value,
To be shared by the participating business units:

Allstate	60%
Sears	25%
Dean Witter Reynolds	15%



An Autoglass Focus Group was convened to determine our customers' requirements and to establish procedures that meet those requirements. The Focus Group consisted of agents and claim employees to ensure that the customer's needs were addressed from different perspectives. The Focus Group was challenged to establish procedures that were both concise and customer friendly. These procedures are intended to provide uniformity in our claim reporting practices and to simplify the glass claims process for all involved parties.

The following procedures were established for agents and claim employees to report glass claims to the Autoglass By Sears Network:

- 1. You are contacted by customer with glass claim.
- 2. Confirm comprehensive coverage and deductible on applicable auto.
- * If there is a coverage problem, claim should be reported to Central Glass Unit.

- 3. Determine scope of damage.

** Damage other than glass or mouldings should be reported to MOO.

- 4. Secure insured's address, phone number.

Vehicle identification including vehicle identification number.

Policy number with coverage and deductible information.

Damaged area.

- 5. Agent or Claim employee calls Autoglass By Sears and reports all information from Item 4 - 1/800/626-4527.

BILLING DO'S and DON'TS

DO'S:

Do call the Network Member Hotline 1-800-456-7014 for:

- * Any job requiring additional parts or labor.
- * If you cannot complete a job within 24 hours.
- * If an order we qualify for repair is determined by the installer as non-repairable.
- * If the insured canceled the order.

Do submit an Authorization/Driver's Release Form signed by the insured or lease vehicle driver with every invoice.

Do provide the insured the customer's copy of the Authorization/Driver's Release Form.

Do forward all invoices that fall below the insured's deductible referencing a zero balance due.

Do note to the insured before installation any previous damage within the work area to prevent possible false accusations.

DON'TS:

Don't provide the insured a copy of your priced out invoice, the Driver Release Form will act as a receipt.

Don't hold invoices for bulk billing. Send them as soon as the job is completed.

Don't price out your invoices according to other price books like PPG or Mitchell. USA-GLAS will only pay according to the NAGS list price.

AMENDMENT TO HB 273

1.

Page 2, Line 1

Following "INSURANCE COMMISSIONER"

Insert "AND THE DEPARTMENT OF COMMERCE"

2.

Page 2, Line 6

Following "company, including its"

Delete "agents"

Insert "producers"

3.

Page 3, Line 13

Following "NONLISTED"

Delete "SHOP"

Insert "COMPANY"

4.

Page 5, Line 4

Following "(b) (A) establish an agreement with"

Delete "a company"

Insert "any person"

5.

Page 5, Line 5

Following "an agent A GLASS BROKER"

Insert ", as defined in [Section 5(4)],"

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 2
DATE 3/11/93
BILL NO. HB 273

6.

Page 5, Line 10

Following "(e) (B) establish an agreement with any"

Strike "company"

Insert "person"

7.

Page 5, Line 11

Following "requires a GLASS repair shop to bill through"

Delete "the company"

Insert "that person"

8.

Page 5, Delete Lines 18 - 25

9.

Page 6, Delete Lines 1 - 3

10.

a.

Page 6, Line 4

Move Section 4, and replace with Section 5

Renumber Section 5

b.

Following "New Section. Section 4."

Delete "Rebates AND INCENTIVES prohibited"

Insert "prohibited practices"

c.

Page 6, Line 17

Insert "(3) A company may not manage, handle, or arrange automobile glass replacement or glass repair work for which the company retains a percentage of the claim or a set fee paid by

the insurance company to the glass repair shop for an amount in excess of the amount paid to the glass repair shop.

(4) As used in this section, "glass broker" means an automobile glass company that acts as a third-party agent for the insurer for the purpose of entering into agreements with other automobile glass dealers to perform glass replacement or glass repair work."

11.

Page 9, Line 8

Insert Section 4, Renumber as Section 5

12.

Page 9, Line 9

Following "[Sections 1 through"

Strike "4"

Insert "3"

13.

Page 9, Line 13

Following "(2) [Section"

Strike "5"

Insert "4"

14.

Insert subsection (3)

"[NEW SECTION 5. PROHIBITED PRACTICES.] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 30, CHAPTER 14, PART 2, AND THE PROVISIONS OF TITLE 30, CHAPTER 14, PART 2, APPLY [SECTION 5]."

Excluded 02
3-11-93
HB 273

NEW SECTION. Section 1. Designation of specific repair shops prohibited -- lists allowed. (1) ~~(a)~~ An insurance company, including its agents and adjusters, that issues or renews a policy of insurance in this state covering, in whole or part, a motor vehicle may not:

(A) ~~require or recommend~~ that a person insured under the policy use a particular company or location for providing automobile glass replacement, repair services, or products insured in whole or part by the policy; OR

(b) ~~An insurance company, including its agents and adjusters, may not engage in any act or practice of intimidation, coercion, OR threat, incentive, or inducement for or against an insured person to use a particular company or location to provide automobile glass replacement, GLASS repair services, or GLASS products INSURED IN WHOLE OR IN PART UNDER THE TERMS OF AN INSURANCE POLICY.~~

NEW SECTION. Section 3. Prohibited activities -- GLASS BROKER DEFINED. (1) It is unlawful for an insurance company, individually or with others, to directly or indirectly:

~~(a) establish an agreement with a company to manage, handle, or arrange automobile glass replacement or repair work;~~

~~(b) (A) establish an agreement with a company to act as an agent A GLASS BROKER for the insurance company AND REQUIRE THE INSURED TO UTILIZE SUCH GLASS BROKER under which the insurance company or the agent GLASS BROKER sets a price that must be met by a GLASS repair shop as a condition for doing glass replacement or GLASS repair work for the insurance company; OR~~

~~(c) (B) establish an agreement with any company that requires a GLASS repair shop to bill through the company as a condition of doing glass replacement or GLASS repair work; or~~

~~(d) (C)(B) establish a price that must be met by a GLASS repair shop as a condition for doing glass replacement or GLASS repair work that is below the lowest prevailing market price as provided in [section 2].~~

(2) A company may not REQUIRE AN INSURED TO UTILIZE A GLASS REPAIR SHOP WHICH manages, handles, or arranges automobile glass replacement or GLASS repair work for which the company retains a percentage of the claim OR A SET FEE paid by the insurance company to the GLASS repair shop ~~or bills the insurance company~~ for an amount in excess of the amount paid to the GLASS repair shop.

(3) AS USED IN THIS SECTION, "GLASS BROKER" MEANS AN AUTOMOBILE GLASS COMPANY THAT ACTS AS A THIRD-PARTY AGENT FOR THE INSURER FOR THE PURPOSE OF ENTERING INTO AGREEMENTS WITH OTHER AUTOMOBILE GLASS DEALERS TO PERFORM GLASS REPLACEMENT OR GLASS REPAIR WORK.

EXHIBIT NO. 3DATE 3/11/93BILL NO. HB 223

10 March 1993

My name is John Knox. I am co-owner and President of Auto Glass Specialists, a Montana corporation founded in Great Falls in 1980. Our company has auto glass replacement stores in Great Falls, Montana, in Kalispell, Montana, in Missoula, Montana, and here in Helena, Montana. We have funded our expansion entirely through internal funds generated by sales from our existing shops as opportunities presented themselves. We are truly a self-starting company in that we started with nothing and created, by mid 1991, a Montana company that provided 13 skilled Montanans with good paying jobs. During this eleven years of competition, we went head to head with the largest national glass companies on a daily basis and in every shop area. As long as we were allowed to compete for the customer on the basis of service, ability, and price, we earned substantial increases--averaging 23% average annual sales increases through the end of the 1991 year. Despite the entrance of a new market factor, the remote glass network (or glass broker), in late 1990 and early 1991, we earned a record sales year in 1991 of over ~~100,000~~ in glass sales and service in our four Montana stores. *Since then we have earned 40% - 23% more*

The glass networks originally entered the Montana market as an alternative and voluntary brokering service for agentless insurance writers who had no knowledge of glass services in Montana. The networks accepted the current market prices for the local area and offered it to these not dominate insurance companies, along with their handling fees and charges, I'm sure. By early 1991, the glass networks began demanding lower prices in exchange for increased volume as they contracted out with more and more insurance companies for their glass claims. In addition, these remote networks began subcontracting the now hostage Montana insureds glass work to other remote vertically integrated (manufacturing their own glass) suppliers. In order for a Montana shop to participate, it would now have to meet the unsubstantiated lowest price of a direct manufacturer. In addition, the local shop would have to pay extra fees (usually 10% of the invoice amount) for "handling"--fees which the favored national subcontractors did not have to pay. We, as a local shop, could during this time still compete because the insured customer still was allowed the choice of using local qualified shops if they chose to.

In early 1991, Allstate Insurance entered into a contract with USAGLAS of Chicago for all of their insureds glass services nationwide. Any and all glass claims that could not be completed in their own Auto Glass by Sears (they have no stores in Montana) had to be routed through USAGLAS network. We have masses of evidence which we presented to the Insurance Commissioner, the Attorney Generals Office, and the Dept. of Commerce Consumer Affairs Division showing that this was not a voluntary program and was, in fact funded by millions of dollars in rebates to Sears and Allstate by USAGLAS. The local Allstate agents who tried to circumvent the program by utilizing qualified and lower cost local shops were penalized by revocation of claims authority. Allstates' market share in Montana is approximately

*Our sales to Montana Allstate
insureds dropped*

10% of vehicles insured. Montana shops are not allowed to access Montana Allstate insureds unless they agree to bill only through this third party network, accept the networks lower than cost of doing business price, agree to not allow the customer to see the price of his glass, and list USAGLAS as a NAMED insured on their (the glass shops) liability insurance policy. Necessary glass parts needed for proper replacement are not authorized even at our cost. Not one state office in Montana nor our US Senator (Burns) was able to determine what the network was charging the Montana insured.

*-622
no list
noted
Oct 19*

By the end of 1991, approximately 80% of the independent insurance Home Offices had signed contracts with either this network or similar ones--most of which are linked by internetwork subcontracts. Several sympathetic local agencies were able to obtain copies of their companies contracts with some of these networks. In every contract, local shops (who were not allowed to bid--and they tried to) were 20% to 40% lower than the network contracted prices. Some were 100% higher--double local prices--on repairs and related services. Unknowingly, the Montana consumer was being forced to out of state services at secret prices. And wondering why local businesses were closing and his premiums were going up.

*4.7 F. 6
F. 12*

When the largest insurer in Montana (with 29% of insureds) would not allow local shops to bid on their glass business but instead issued a contract to a Canadian Company with no shops in Montana (until 1 July 1991 when the bid went into effect) and a New York company, we were forced to appeal to the state for assistance. Their ultimate response was that legislative action--as is being tried in Montana and 28 other states--was the only recourse as the Attorney Generals office was unfunded to investigate let alone prosecute these industry giants. The opportunity and the right to compete in any business is at stake here. The assumed right of insureds to determine the quality of a service--let alone the price-- that they have already funded through premium payments is at stake. Is Montana going to lead or follow the nation in protecting this basic American right? We ask you to do what is right and support House Bill 273 today.

John M Knox

*Propent
HB 273*

DATE March 11, 1993

SENATE COMMITTEE ON Business & Industry

BILLS BEING HEARD TODAY: House HB-273, HB577

Name Representing Bill No. Check One Support Oppose

Charles R. Brooks	MT Retnl. Assoc	HB 273	✓	
Harold Nason	"	HB 273		
GENE PHILLIPS	N. A. I. I.			X
DAVE BROWN	SPONSOR - HB #72	HB 577	✓	
Roger McLean	IZAM	HB-273 AMCOSA		
Elizabeth Jackson	Sec of State	HB 577	✓	
Jane Mellon	allstate	HB 273		
Mary Jo Peiges	Globe/USA-GIHS	HB 273		
Scott Talley	Scott's Glass	HB 273	✓	
George Hess	Polar Paint & Glass		✓	
Rep. Jay Mann	SETC	H-273	✓	
Steve Wilkinson	NORTHWEST GLASS	273	✓	
Thomas Strout	Magic City Glass	HB 273	✓	
Pat Strout	Magic City Glass	HB 273	✓	
Tony Rothacher	RALISPELL	273	✓	
LARRY ANTHONY	QUALITY GLASS WEST	273	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE March 11, 1993

SENATE COMMITTEE ON Business and Industry

BILLS BEING HEARD TODAY: HB 273, HB 577

Name	Representing	Bill No.	Check One	
			Support	Oppose
Shel Deather	Auto Glass Specialist	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Don Goshel	Leno's Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bob Rich	Hi-Line Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mike Hertzog	7th & Main Auto Glass	273	<input type="checkbox"/>	<input type="checkbox"/>
Chuck McAlpine	Glass Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jean Wilkinson	Northwest Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Brett Dally	Scott's Glass	273	<input type="checkbox"/>	<input type="checkbox"/>
John Krey	Auto Glass Specialist	273	<input type="checkbox"/>	<input type="checkbox"/>
Jeff Albery	Temple A Glass	273	<input type="checkbox"/>	<input type="checkbox"/>
Larry Lasar	Econo Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Skip & Beena Cuenca	Bi-Hazard Glass	273	<input type="checkbox"/>	<input type="checkbox"/>
Don J. Myrtle	RHC Home Imp	273	<input type="checkbox"/>	<input type="checkbox"/>
Bob Schulte	Schulte Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ron Waterman	Farmers Insurance	273 ^{as} amended	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Greg Van Horssen	State Farm Ins. Co	273	<input type="checkbox"/>	<input type="checkbox"/>
Mark Meek	Frontline Glass	273	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

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DATE March 11, 1993

SENATE COMMITTEE ON Business and Industry

BILLS BEING HEARD TODAY: HB 273, HB 577

Name Representing Bill No. Check One Support Oppose

Name	Representing	Bill No.	Support	Oppose
<i>Bob Deane</i>	<i>Northwest Man</i>	<i>273</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
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VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY