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BILL ANALYSIS



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Senate Bill 306 (as introduced 3-24-11)
Sponsor: Senator Joe Hune
Committee: Insurance

Date Completed: 10-31-11

CONTENT

The bill would amend the Insurance Code to require an automobile insurer's third-party biller that also provides automobile glass repair or replacement service to adopt and follow a code of conduct, and file with the Commissioner of the Office of Financial and Insurance Regulation (OFIR) monthly information pertaining to automobile glass repair and replacement claims.

Specifically, an automobile insurer or producer could not permit a third-party biller also to provide automobile glass repair or replacement services for the insurer unless the biller adopted and followed a code of conduct when processing, paying, administering, or monitoring a repair or replacement service.

("Third-party biller" would mean any person that meets all of the following:

- Provides automobile glass repair or replacement services directly or through any other business entity that is related to or affiliated with the biller by stock ownership, license agreement, franchise agreement, or direct family ownership.
- Is not an automobile insurer.
- Processes, pays, administers, or monitors the payment of automobile glass claims on behalf, directly or indirectly, of an automobile insurer with a certificate of authority in Michigan.)

The code of conduct would have to comply with all of the following:

- If an insured stated a preference for an automobile repair or replacement facility and the facility, if applicable, were a network provider for the insurer, no other repair or replacement facility could be suggested.
- The third-party biller could not promote or otherwise discuss its own or any affiliated repair or replacement facilities, including discussions concerning national warranties, deductibles, waivers, or cash pricing offered by those facilities.
- The third-party biller would not close its network to new applicants if the network contained glass repair or replacement facilities that were related to or affiliated with the biller.
- If an insured did not state a preference for a repair or replacement facility, or if the preferred facility were not, if applicable, a network facility for the insurer, the biller would have to suggest three facilities.

The three suggested facilities would have to be network facilities, if applicable, and would have to be suggested on an objective basis that alternated between all automobile glass repair or replacement facilities in the network and that was designed not to give a preference to facilities related to or affiliated with the third-party biller that was responsible for suggesting the facility to the insured.

By the 15th of each month, each third-party biller would have to file with the OFIR Commissioner information he or she prescribed as necessary for him or her to enforce the bill's provisions and Section 2110b (described below), including all of the following:

- All scripts used by the biller for training employees and for employee use in handling automobile glass repair and replacement claims.
- Statements of ownership and all third-party biller contracts with automobile insurers or producers.
- The total number of glass repair or replacement claims for each automobile insurer that were processed, paid, administered, or monitored in the immediately preceding month.
- Whether a claim in the preceding month was for glass repair or replacement.
- The number of glass repair or replacement claims in the preceding month that were processed for each insurer for which the insured stated a preference for a particular facility, and the names of those facilities.
- The number of glass repair or replacement claims in the preceding month that were processed for each automobile insurer for which the insured did not state a preference, the three listed facility names given to the insured, and the name of the chosen facility.

(Section 2110b prohibits an automobile insurance policy and an automobile insurer from unreasonably restricting an insured from using a particular person, place, shop, or entity for any automobile repair or glass repair or replacement service or product covered by the policy. Before or at the time a claim is filed, the insurer must disclose whether it has an agreement with any facility to provide a repair or replacement service or product to an insured, and must inform an insured that he or she is under no obligation to use a particular facility.)

Proposed MCL 500.2110c

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would require the Office of Financial and Insurance Regulation to receive filings from third party billers, presumably to ensure that the billers were complying with requirements in the bill. There would likely be some additional administrative costs associated with this requirement; however, OFIR would have to pay for them from its existing resources as no additional funding would be appropriated under the bill.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.