

Testimony in Opposition to

LD 1540, An Act To Protect Consumers' Freedom of Choice in Auto Collision Repairs

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Before the Joint Standing Committee on Insurance and Financial Services

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Senator Whittemore, Representative Lawrence and distinguished members of the Committee on Insurance and Financial Services, my name is Amy Olfene. I am an attorney with Drummond Woodsum here today on behalf of State Farm Insurance testifying in opposition to LD 1540.

Typically, we do not object to proposals which seek to protect consumers' freedom of choice in selecting an auto repair shop or technician. At State Farm, we do not steer, meaning we do not limit the choices our insureds have in selecting an automobile repair shop. While there are "select" State Farm service shops, the company does not require the use of a particular shop, leaving that decision up to the policyholder.

However, this bill does more than limit an insurer's ability to steer or coerce an insured into selecting a particular shop; it requires the use of mandatory talk tracks, increased administrative burdens on both the insurer and the Bureau of Insurance, and limits companies like State Farm from advising policyholders about the benefits of working with a select service provider. We do not see these additional restrictions as beneficial to anyone—not the insurer, the insured, or the Bureau. And it is for these reasons—which I will outline in more detail—we are speaking out in opposition today.

For one, LD 1540 restricts the ability of an insurer to communicate the benefits of select (and vetted) service providers. Not only are these providers insurer approved, State Farm has negotiated special benefits available to our policyholders for working with those select providers. Special services may include (a) written national limited lifetime repair warranties; (b) guaranteed completion date for repairs; (c) the washing and detailing of the vehicle upon repair completion; (d) pick-up and delivery of the insured's vehicle when requested; (e) direct payment to the repair facility; and (f) other shop-specific convenience services. While select service programs are not expressly prohibited by the bill, the bill bans an insurance company from communicating these benefits to a policyholder when a claim is made and repair services are necessary. Without awareness, benefit programs are without much value to our policyholders. While we appreciate the desire to prevent unfair trade practices, this bill creates a system where consumers are left to make the decision on where to have their vehicle serviced with only part of the available information. This does nothing to protect insureds and can preclude them from

taking advantage of benefits available to them by being a State Farm policyholder. We don't see this as prudent or fair.

Second, the bill requires word or "talk" tracks that severely restrict what information can be shared or assistance provided to a company's insured. As a result, it effectively restricts, rather than promotes, consumer choice. For example, in Maine, it is not uncommon for a State Farm policyholder to request repairs at a shop outside of the state and, due to the remoteness of many Maine communities, shops more than 20 miles from one's home. Currently, State Farm has no word track used in Maine, but by requiring the adoption of such a script, the bill significantly limits the universe of information we can share with our policyholders and our ability to assist them in identifying a service shop that meets their individual needs.

Third, LD 1540 adds an unnecessary layer of administrative burden and expense, requiring insurers to file with the Bureau of Insurance a prearranged script and talking points that must be used when communicating with their insureds about auto repairs. The aim of this legislation—to eliminate threats, coercion, and unfair trade practices—is not benefitted by this provision of the bill and, as noted, does more harm to consumer awareness and choice than it does to improve it.

For these reasons, we respectfully request that the Committee issue an 'ought not to pass' report on LD 1540.

Thank you for your time and attention. I am happy to answer any questions.