

March 28, 2025

Arizona Department of Insurance and Financial Institutions
ATTN: Barbara Richardson
100 North 15th Avenue
Suite 261
Phoenix, AZ 85007

Re: Action Must be Taken Regarding Safelite's Monopoly and Recent Developments in the Auto Glass Industry

Dear Ms. Richardson,

This letter reiterates our serious concerns regarding the **increasing market dominance and potential monopolistic practices of the Safelite Group** and its affiliated entities within the auto glass repair and replacement industry. The confluence of recent developments, including significant **whistleblower settlements**, the **Independent Glass Association's (IGA) strong rebuttal to the NCOIL Motor Vehicle Glass Model Act**, the reported alignment of **State Farm with Safelite Solutions**, and persistent reports of unfair tactics, underscores the urgent need for enhanced regulatory scrutiny and intervention to protect consumers and ensure a fair and competitive market.

The **Safelite Group**, through its subsidiaries including **Safelite AutoGlass** (the nation's largest repair and replacement provider) and **Safelite Solutions** (a dominant third-party administrator or TPA), wields substantial influence across the auto glass sector. Their acquisition by foreign-owned **Belron**, the world's largest vehicle glass company, further amplifies their global reach and market power. **Safelite Solutions' role as a TPA for over 200 insurance and fleet companies** provides them with a pivotal position in directing claims and influencing repair choices.

However, this dominance has fueled persistent and well-documented concerns about **steering**. Investigations in **Minnesota** by the Department of Commerce revealed issues with objectivity and compliance during an inquiry into alleged steering by Safelite Solutions towards **Safelite AutoGlass**. Similarly, the enactment of **Public Act 13-67 in Connecticut** demonstrates legislative recognition of the need to safeguard consumer choice from potential steering by affiliated TPAs. The **Independent Glass Association (IGA)** has also been actively engaged in addressing these issues through various avenues.

The reported shift of **State Farm**, a major insurance carrier, to **Safelite Solutions** for claims administration is a particularly concerning development. This move further **consolidates market power within Safelite's control**, potentially exacerbating existing issues related to competition and steering on a national scale.

Recent legal actions have further illuminated problematic aspects of Safelite's operations:

- **Significant Whistleblower Settlements:** Settlements in **California** for **\$19,440,000** and in **Illinois** for **\$7,560,000**, along with substantial expense payments to the Relator, stemmed from allegations of **fraudulent billing practices** related to windshield moldings and COVID-19 sanitization services. While Safelite denies liability, these settlements highlight serious concerns about their billing transparency and adherence to fair practices.
- **IGA's Vehement Opposition to the NCOIL Model Act:** The IGA has issued a comprehensive rebuttal to the NCOIL Motor Vehicle Glass Model Act, which Safelite participated in the draft and without any input from the industry as a whole, outlining critical concerns:

- **Unacceptable Insurer Overreach:** The Act grants insurers undue authority over pricing and steering, undermining consumer autonomy.
- **Harmful Pricing Restrictions:** Standardized pricing frameworks imposed by insurers threaten the financial stability of independent shops.
- **Lack of Genuine Consumer Choice:** Provisions appear to facilitate steering towards insurer-preferred networks, limiting options for policyholders.
- **Potential Compromise of Safety and Quality:** Insufficient measures to ensure high standards among insurer-preferred providers raise concerns about consumer safety.
- **Fundamental Violation of Free Market Principles:** The Act distorts competition by giving insurers excessive control over the industry. The IGA urgently calls for a rejection of the current Model Act and advocates for a collaborative approach that prioritizes consumer rights, fair business practices, and safety.

Furthermore, the **Independent Glass Association (IGA)** has been actively gathering data and documenting instances of short and late payments, steering tactics, and problematic claim authorization processes, as reported by numerous independent auto glass shops who continue to experience issues with these practices attributed to Safelite and the insurance networks they manage. This ongoing collection of real-world experiences further substantiates the widespread concerns about the imbalance of power and potential for unfair practices within the industry.

The ramifications of unchecked market dominance by Safelite are far-reaching and detrimental:

- **Erosion of Fair Competition:** Independent repair shops face an increasingly uneven playing field, struggling to compete against the integrated model of Safelite.
- **Restricted Consumer Choice:** Policyholders may be subtly or overtly directed towards Safelite's services, hindering their ability to choose local or preferred providers.
- **Inherent Conflicts of Interest:** Safelite's dual role as claims administrator and repair provider creates a clear conflict, incentivizing them to steer business inward.
- **Potential for Inflated Costs:** Lack of competition and the ability to control claims processes could lead to higher costs for insurers and, ultimately, consumers.
- **Compromised Quality and Safety:** Pressure to meet network pricing agreements may incentivize the use of lower-quality materials or less rigorous repair standards.
- **Undue Influence on Market Standards:** A dominant player like Safelite has the potential to influence industry standards and practices in ways that benefit their business model to the detriment of others.

To address these critical issues and foster a healthy, competitive auto glass market that prioritizes consumer welfare, we strongly urge State Insurance Commissioners and legislators to take decisive action, including:

- **Scrutinize and act upon the findings of the whistleblower settlements** to ascertain the extent of potential fraudulent or improper billing practices within your state and implement necessary safeguards.
- **Reject the NCOIL Motor Vehicle Glass Model Act in its current form** and instead champion regulations that actively promote fair competition, transparency, and unhindered consumer choice, taking into account the IGA's detailed concerns.
- **Implement rigorous oversight of third-party administrators** in the auto glass sector, ensuring their operations adhere to the highest standards of fairness, transparency, and consumer protection.
- **Enforce stringent anti-steering regulations** that clearly define prohibited practices and impose significant penalties for violations, ensuring policyholders are unequivocally informed of their right to choose and can exercise that right without coercion or misleading information.

- **Establish clear guidelines and mechanisms to prevent and mitigate conflicts of interest** arising from the dual roles of TPAs and affiliated repair providers, potentially requiring greater separation or heightened transparency.
- **Ensure fair and reasonable reimbursement practices** for all auto glass repair providers, preventing dominant entities from using their market power to dictate unsustainable prices that could negatively impact quality and service.
- **Support initiatives that enhance transparency in claims handling processes**, ensuring policyholders have clear visibility into how their claims are managed and who is influencing repair decisions.

Furthermore, we believe it is imperative to consider regulating entities like Safelite, particularly their TPA operations (Safelite Solutions), in a manner similar to how Pharmacy Benefit Managers (PBMs) are increasingly being regulated.

Similarities between Safelite Solutions and PBMs warrant this comparison:

- **Intermediary Role:** Both act as intermediaries between payers (insurance companies/health plans) and service providers (auto glass shops/pharmacies).
- **Network Management:** Both manage networks of preferred providers, which can influence where consumers seek services.
- **Potential for Steering:** Both have the potential to steer consumers towards affiliated entities or those offering more favorable terms to the intermediary.
- **Concerns about Transparency:** The financial arrangements and decision-making processes of both PBMs and TPAs like Safelite Solutions can lack transparency, raising questions about whether decisions are always in the best interest of the consumer or the payer.
- **Impact on Independent Businesses:** Independent pharmacies and auto glass shops have both voiced concerns about the impact of these intermediaries on their ability to compete and serve patients/customers.
- **Influence on Pricing:** Both PBMs and TPAs can significantly influence reimbursement rates and pricing within their respective industries.

Considering the increasing regulatory attention on PBMs to address issues such as lack of transparency, steering, and unfair pricing, a similar regulatory framework should be explored for TPAs in the auto glass industry, such as Safelite Solutions. This could include:

- **Increased Transparency Requirements:** Mandating clear disclosure of financial relationships between TPAs and affiliated repair shops, as well as the criteria used for network inclusion and exclusion.
- **Stricter Anti-Steering Regulations:** Implementing more robust rules against steering, with clear definitions and stronger enforcement mechanisms, potentially mirroring "any willing provider" laws seen in some pharmacy regulations.
- **Fair Reimbursement Standards:** Establishing standards for fair and reasonable reimbursement rates for all in-network providers, preventing dominant TPAs from dictating unsustainably low prices.
- **Fiduciary Duty to Consumers:** Exploring the establishment of a fiduciary duty for TPAs to act in the best interests of the policyholder.
- **Regular Audits and Oversight:** Implementing regular audits of TPA practices by state insurance departments to ensure compliance with regulations.

By drawing parallels to the regulation of PBMs, which aims to bring greater transparency and fairness to the pharmaceutical supply chain, states can develop more effective regulatory strategies for the auto glass industry, ensuring a level playing field and protecting consumer rights.

A competitive, transparent, and fair auto glass repair market is essential for protecting consumers, supporting numerous independent businesses, and fostering a healthy state economy. We believe that proactive and comprehensive measures are now more critical than ever to ensure a level playing field, prevent the detrimental effects of monopolistic tendencies, and safeguard the rights and interests of all stakeholders in the auto glass industry.

Thank you once again for your time and expertise in addressing this **critical matter**. Your immediate attention is not just essential; it is **imperative to safeguarding the interests** of independent automotive glass repair and replacement shops, as well as the consumers who rely on our services. By standing together, we can protect our industry from the **predatory practices** of this Third-Party Administrator (TPA), ensuring fairness and integrity prevail. Your involvement is crucial in this fight for justice and equity. We count on your support as we move forward to protect our community and uphold the values we all cherish in our work. Sincerely,

A handwritten signature in black ink, appearing to read "Gary A. Hao". The signature is fluid and cursive, with a long horizontal stroke at the end.

Owner

Shades Auto Glass
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