

WISCONSIN STATE  
LEGISLATURE  
COMMITTEE HEARING  
RECORDS

**2005-06**

(session year)

**Senate**

(Assembly, Senate or Joint)

**Committee on  
Agriculture and  
Insurance  
(SC-AI)**

File Naming Example:

- Record of Comm. Proceedings ... RCP
- > 05hr\_AC-Ed\_RCP\_pt01a
  - > 05hr\_AC-Ed\_RCP\_pt01b
  - > 05hr\_AC-Ed\_RCP\_pt02

> Committee Hearings ... CH (Public Hearing Announcements)

> \*\*

> Committee Reports ... CR

> \*\*

> Executive Sessions ... ES

> \*\*

> Record of Comm. Proceedings ... RCP

> \*\*

\*\*\*\*\*

> Appointments ... Appt

> \*\*

> Clearinghouse Rules ... CRule

> \*\*

> Hearing Records ... HR (bills and resolutions)

> **05hr\_ab0827\_SC-AI\_pt01**

> Miscellaneous ... Misc

> \*\*

# Schiefelbein Body Shop, LLC

---

545 S. ALBERT AVENUE  
P.O. BOX 196  
REEDSBURG, WI 53959  
PH: (608) 524-2714  
FAX: (608) 524-3015

Regarding: AB827 and SB472

We've been in the auto-body repair business in Reedsburg for 45 years and we're increasingly concerned with the direction in which our industry is being forced to go.

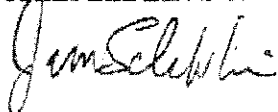
Some insurance companies are more concerned about their financial interests than the consumer's right to safe, quality repairs. Using intimidation and pressure, insurance companies are steering customers to specific repair shops, who do not have the consumers best interest in mind.

The consumer must be able to choose a collision repair facility without undue influence from the insurance industry.

Please made sure they have that right!

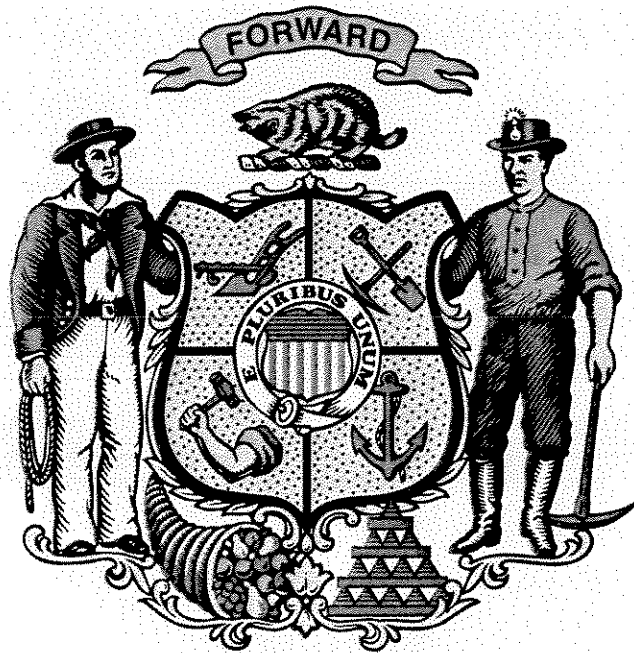
Any questions, please call.

SCHIEFELBEIN BODY SHOP, LLC



Jim Schiefelbein





Sentry Insurance  
1800 North Point Drive  
Stevens Point, WI 54481  
(608) 255-7115 Madison office  
(608) 255-2178 fax

Misha Lee  
Director of Government Relations  
[misha.lee@sentry.com](mailto:misha.lee@sentry.com)



**SENTRY**  
INSURANCE

TO: Senate Committee on Agriculture and Insurance  
Assembly Committee on Insurance

FROM: Misha Lee  
Director of Government Relations

DATE: February 21, 2006

RE: **OPPOSITION to Senate Bill 472 and Assembly Bill 827**

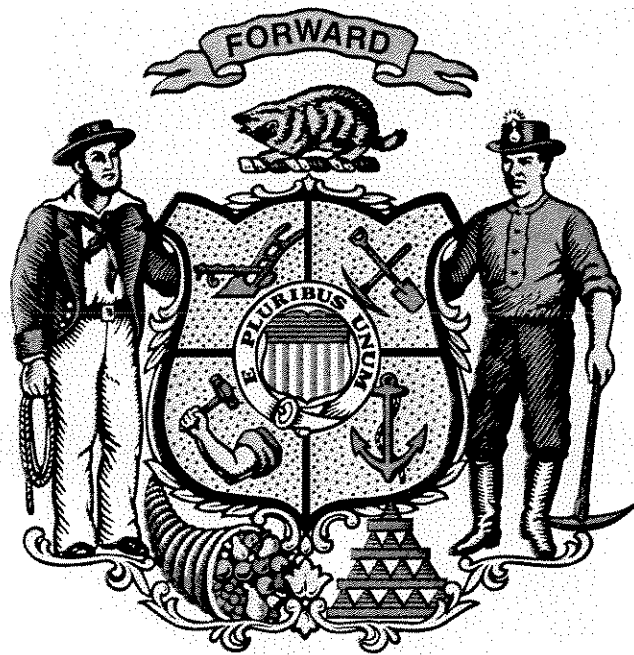
On behalf of Sentry Insurance, we urge you to **OPPOSE** Senate Bill 472 (SB 472) and Assembly Bill 827 (AB 827). We believe this legislation is a solution in search of a problem and ultimately will be detrimental to Sentry and our Wisconsin customers.

As the Legislative Reference Bureau (LRB) acknowledges in its bill analysis, current law already prohibits an insurer from conditioning coverage on the use of a specified repair shop. Sentry always honors our customers' choice of a repair facility. Contrary to what the legislation implies, we do not force any first or third party claimants to use our direct repair program. Sentry offers the option of using a direct repair program because we recognize the benefits it provides our customers. In the normal course of covering an auto claim, Sentry seeks to use professional repair businesses that can provide a high quality repair for our customers at a reasonable price. These repair shops service our customers' needs in a timely, reliable and professional manner. Lower expense means less cost for consumers.

SB 472 and AB 827 mandate by statute that insurers provide notice to our customers of their ability to choose a repair facility. We believe this requirement is unnecessary because we already allow our customers the choice under existing state law.

We respectfully request that you **OPPOSE** Senate Bill 472 and Assembly Bill 827 and preserve current law that already protects consumer choice AND allows for a healthy, competitive marketplace in Wisconsin.

Thank you for your consideration.





WISCONSIN STATE REPRESENTATIVE

# Jennifer Shilling

95TH ASSEMBLY DISTRICT

## Rep. Shilling's Testimony on AB 827/SB47- Consumer Choice Act

2/22/06

Thank you chairman Nischke and committee members for holding this hearing.

Imagine you are back in your district attending a meeting. As you leave the meeting you are stopped at a red light and are suddenly rear ended. You and the other driver get out, inspect the damage and exchange insurance information.

Your insurance company recommends auto body shop A; your neighbor recommend's body shop B because he's had excellent service there for a low cost. Or perhaps, your preference is simply any shop *besides* shop A, because you know they have a reputation for a poor quality work.

Should you really be forced to take your business to them?

Under current law, if your windshield was damaged, you can go to your neighbor's recommended shop.

But if it was your bumper that needs replacement, depending on your insurer, you may be forced to take your business to body shop A.

This bill is simply about fairness and consumer choice. Fairness to the consumer to have a choice in where they take their business. Fairness to our local auto body shop owners to gain business by reputation and quality of service, not by being forced into deals with insurers. And fairness in our laws, so that one part of your car is not insured differently than another.

In the automotive repair industry, insurance companies routinely direct their customers to shops based on the cost and comprehensiveness of the repairs involved. While some "Direct Repair Programs" are perfectly legitimate, other DRP's are designed solely to limit the cost to the insurer – resulting in a decrease in quality of repair to the vehicle. In these cases, insurers require policyholders to have work completed only at shops with which they have established a DRP.

This process, called "steering," occurs regularly in the auto insurance industry, and unfortunately, automobile owners and policy holders are rarely informed of these relationships. The existence of steering programs is often not disclosed at the time an insurance policy is purchased.



Auto body repair shops generally guarantee that covered repairs will restore the policy holder's vehicle to its pre-accident state. But a preference for bottom line-driven repairs pushes shops to cut corners or use sub-standard replacement parts to limit costs. In these cases, the agreements could endanger the safety of the driver. In addition, steering places unnecessary restrictions on the free market system.

Small and large business owners dedicated to protecting the safety of their customers by providing quality, comprehensive repairs find it difficult to compete in a controlled marketplace that rewards low-cost, sub-standard work. Economic efficiency is discouraged as fewer and fewer shops look to enter the automotive repair market.

Under current law in Wisconsin, the practice of steering is already prohibited in auto glass work. Representative Kerkman and I have introduced this legislation to expand current safeguards to guarantee consumer choice in all automobile repairs.

Michigan, Minnesota, and Illinois have all implemented Consumer Choice legislation in recent years to address this issue. Some states have required the insurance companies or the shops to notify the customer of any relationships they may have with an insurer--though not what the conditions of those agreements may be. Our bill does not. Other states have even gone so far as to completely ban insurance companies from forming direct relationships with repair shops and other vendors all together. Our bill does not. Many states have hefty penalties and fines for engaging in DRP agreements. Our bill does not.

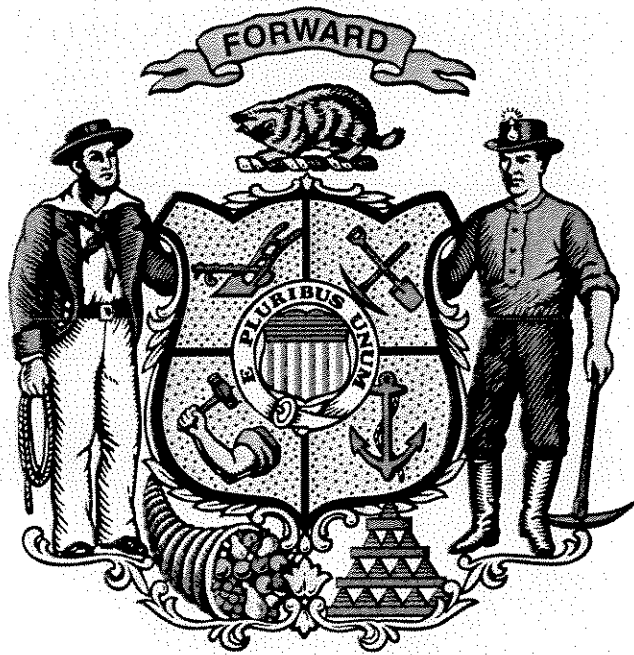
Our legislation is a common-sense compromise that guarantees market competition and protects consumers from predatory business practices. The Consumer Choice in Auto Repairs Act does not prohibit insurers from forming positive working relationships or DRP's with vendors. It merely ensures that the reasonable cost of auto repairs and service will be covered at the location the policy holder has chosen.

In the case of our hypothetical accident, under this bill my insurer would be required to inform me that I may choose any garage, repair shop, or vender for repair and that they will pay the reasonable cost of my repair regardless of my choice. They would ask if I have selected a repair shop. If I say "no," or request a recommendation, they can recommend a shop to me. If I say "yes, I have a body shop" they can no longer attempt to influence my decision.

Insurer referrals to preferred providers are still allowed under this proposal. This legislation is simply about consumer choice.

Thank you.

Jennifer Shilling  
Representative  
95<sup>th</sup> Assembly District







State Representative

**Samantha J. Kerkman**

February 22, 2006

Senate Committee on Agriculture and Insurance  
Assembly Committee on Insurance  
Senator Kapanke, Senate Chair  
Representative Nischke, Assembly Chair

Dear Chair Kapanke, Chair Nischke and members of the committee,

Please accept this letter as a written statement of my support for Assembly Bill 827 and Senate Bill 472 relating to prohibiting an insurer from requiring a certain vendor for repairing a motor vehicle.

I have heard from many constituents of my district regarding this consumer choice in auto repairs legislation. In many of their statements, they have indicated that they felt "steered" to certain auto body shops by their respective insurance companies.

While I am sure that steering is not practiced by all insurance companies, I think that Representative Shilling's and Senator Wirch's legislation will enhance consumer choice for Wisconsinites while also guaranteeing market competition and consumer protection from predatory business practices to protect the consumer when steering practices are used.

Thank you for your consideration of Assembly Bill 827 and Senate Bill 472.

Sincerely,

A handwritten signature in black ink, appearing to read "Samantha J. Kerkman".

Samantha J. Kerkman  
State Representative  
66<sup>th</sup> Assembly District