

Honorable Alessandro A. Iuppa
Bureau of Insurance
34 State House Station
Augusta, ME 04333

Re: Report of Examination:
State Farm Mutual Automobile Insurance Company
Motor Vehicle Glass Claim Practices

Dear Honorable Iuppa:

Pursuant to 24-A M.R.S.A. §221 and in accordance with your instructions, a targeted examination has been made of

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

(hereinafter referred to as "the Company"), through a desk audit of the relevant materials. The following report is respectfully submitted.

SCOPE OF THE EXAMINATION

The purpose of this targeted examination was to determine compliance with the Maine statute concerning motor vehicle glass claims, 24-A M.R.S.A §2164-C. To this end, the examination consisted of a review of the company's Maine motor vehicle glass claims for the calendar year of 1998 and the first quarter of 1999.

The above consisted of a total of 10,835 claims. The payments thereunder totalled \$3,248,923. The average claim was \$300.

The company contracts with "Lynx Services" to administer its motor vehicle glass claims. The review therefore included the manuals and related materials pertaining to this arrangement, in order to facilitate an accurate understanding of the company's method of handling such claims.

EXAMINATION FINDINGS

The statute in question, Title 24-A M.R.S.A §2164-C, states in its entirety:

An insurer, domestic or foreign, or its agent or employee, may not require, directly or indirectly, that appraisals or repairs to motor vehicle glass be made or not be made in a specified place of business.

A domestic or foreign insurer or its agent or employee may not contract with any person to act as its agent for purposes of managing, handling or arranging repair or replacement of motor vehicle glass when that person is compensated by payment of a portion of the difference between the list price of the product or services provided and the amount paid to the person providing repair and replacement service.

First paragraph of 24-A M.R.S.A §2164-C

The examination of the company's glass claims for the period in question, as summarized above, did not give rise to evidence that the company, either directly or indirectly through its administrator, required motor vehicle glass appraisals or repairs to be made in a specific place of business.

Second paragraph of 24-A M.R.S.A §2164-C

The second portion of the statute pertains specifically to the insurer's arrangement with its administrator. We accordingly reviewed materials pertaining to the company's arrangements with its glass claims administrator, including the governing contractual terms.

As a part of its "Offer and Acceptance" ("O&A") program, the company negotiates discounts with glass repair facilities pursuant to a schedule based upon the geographical location of the facility. Glass facilities which agree to participate in this program are accordingly compensated according to the company's standard price schedule.

When the insured's preferred facility has not agreed to participate in this program, the price for the particular job is established through a "competitive bid" process, under which the administrator secures a bid both from this shop as well as from a participating O&A shop.

In all cases, the company pays the administrator a fixed fee per claim. This amount is the same for all claims. An additional "manual processing" fee of \$7.50 applies to claims which cannot be processed electronically.

The compensation paid to the administrator is not tied to the difference between the glass facilities' list prices and the amounts paid to those facilities. Accordingly, the examination uncovered no evidence that the company's processes violate the second paragraph of Section 2164-C.

CONCLUSION

The examination indicates that the company does not require motor vehicle glass appraisals or repairs to be done at a specified place of business. Nor did the data indicate that the network administrator is being inappropriately compensated in the manner proscribed by 24-A M.R.S.A. §2164-C. The Bureau acknowledges the company's cooperation and assistance in this examination.

STATE OF MAINE

Kennebec, ss

Paul C. Greenier, Examiner in Charge, being duly sworn according to law, deposes and says that, in accordance with the authority vested in him by Alessandro A. Iuppa, Superintendent of Insurance, and pursuant to the Insurance Laws of the State of Maine, he has made a targeted examination of the motor vehicle glass claim practices of

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

as of March 31, 1999, and that the foregoing report of examination, subscribed to below, is true to the best of his knowledge and belief.

Paul C. Greenier
Examiner in Charge

Subscribed and sworn to before me

this _____ day of _____, 2001;

Notary Public/Attorney at Law

(printed name)

My commission expires: