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SUMMARY REPORT

A COMPARATIVE STUDY ON GENUINE FORD OE VERSUS AFTER-MARKET CRASH PARTS

November, 1994

OVERALL OBJECTIVE

The overall objective of the testing program was to compare a random sample of genuine Ford OE, CAPA, and Non-CAPA parts in four basic areas generally used to determine the quality of automotive replacement crash parts.

In addition, the ordering/fulfillment process, the quality of parts packaging, and the installation of parts on vehicles also was examined.

Based on the results, a determination was made as to the validity of claims that aftermarket crash parts are of "Like Kind and Quality" and/or "Functionally Equivalent" to their genuine Ford OE counterparts.

TEST SAMPLE

Late-model Taurus fenders, Tempo hoods and header panels, Ranger fenders and doors, and F-150 hoods were used in the testing program. Parts selection was based on the following factors: CAPA certification; high volume; late model.

Orders for two samples of each part in each category (genuine Ford OE, CAPA-certified, Non-CAPA) were placed by an independent Midwestern collision repair shop through their regular parts suppliers. In certain instances, three or four samples were ordered because test procedures called for the cutting, separation or other manipulation of parts, thereby rendering them useless for subsequent tests.

OVERALL FINDINGS

The four basic areas generally used to determine the quality of automotive replacement crash parts are as follows: Fit, Finish, Structural Integrity and Corrosion Resistance. A fifth category, Dent Resistance, also was tested. Testing was conducted in accordance with ASTM standards, as appropriate.

Fit

All genuine Ford OE parts met specifications on master checking gauges. No CAPA or Non-CAPA part met specifications. Defects included variations in contour; lack of or misalignment of mounting holes; and unacceptable variations in gaps to adjacent parts.

EXAMPLE: There were 17 and 18 specific defects identified on the CAPA and Non-CAPA Taurus fenders, respectively.

Finish

All genuine Ford OE parts were well-formed and had primer coats that were more uniform and thicker than the CAPA and Non-CAPA copies. All CAPA and Non-CAPA parts had primer coats that were inconsistent and thinner than the genuine Ford OE parts.

EXAMPLE: The average primer thicknesses on the CAPA and Non-CAPA parts were .029 mills and .036 mills, respectively 50% and 38% thinner than on the genuine Ford OE parts.

In addition, some of the CAPA and Non-CAPA parts were poorly formed with waves and wrinkles apparent to the eye. Certain CAPA and Non-CAPA parts failed to meet the genuine Ford OE part standard in primer adhesion tests.

Structural Integrity

All genuine Ford OE hoods and doors exhibited quality construction with sufficient welds, epoxy and adhesives to properly bond panels, latching mechanisms and hinges. None of the CAPA and Non-CAPA parts had equivalent welds, adhesives and epoxy.

EXAMPLE: On the CAPA Tempo hood, there were 13 missing welds, 10 areas with missing adhesives, and 5 areas with missing epoxy. On the Non-CAPA Tempo hood, there were 5 missing welds, 5 areas with missing adhesives, and 4 areas with missing epoxy.

Shortcomings in the number, location and quality of the welds in crucial latch and hinge areas were particularly noticeable.

Two other significant differences were apparent:

- The geometries of crush darts on CAPA and Non-CAPA hoods were different than those on the genuine Ford hoods. Crush darts on genuine Ford hoods are designed to control the points and direction of hood buckling in a front-end accident to prevent intrusion into the passenger compartment. The performance of CAPA and Non-CAPA hoods is unknown because they are not crash-tested.
- Sound-deadening material was not used on the interior of CAPA and Non-CAPA door shells. Ford uses sound-deadening material on the interior of its doors to improve interior quietness.

Corrosion Resistance

Galvanized (zinc-coated) steel is used on genuine Ford OE parts for superior corrosion resistance, which is further enhanced by consistently thicker primer. Uncoated steel, as well as thinner and inconsistent primer, render the CAPA and non-CAPA parts less resistant to corrosion.

Dent Resistance

The genuine Ford OE parts proved significantly more resistant to denting in a simulated hail storm. The CAPA and Non-CAPA copies were significantly more dented in the simulated hail storm.

Ordering/Fulfillment

The independent body shop placing the parts orders found little difference in time between ordering and receipt of nearly all parts. However, for two of the six groups of parts to be tested there was difficulty in obtaining CAPA-certified parts.

EXAMPLE: Three of the 13 (23%) CAPA parts ordered were unavailable, despite repeated calls to multiple distributors. In addition, 2 of the 13 (15%) of the CAPA parts ordered arrived without certification stickers and were returned.

Packaging

The overall quality of packaging for the genuine Ford OE parts was far superior to that for the CAPA and Non-CAPA parts, with the most significant differences apparent in packaging for sheet metal parts.

The packaging for all genuine Ford OE parts consisted of sturdy cardboard containers with stabilizing corner/cushion blocks and heavy plastic banding.

EXAMPLE: Shortcomings in packaging for CAPA and Non-CAPA sheet metal parts included large, unprotected sections of parts; loose-fitting packaging; crushed, ripped and missing packaging sections; thinner cardboard stock; and loose or broken string ties.

Installation

Sets of Taurus and Ranger fenders were used for the installation tests, which were conducted by an experienced collision repair technician. Problems in elapsed time and finished repair were detected with the CAPA and Non-CAPA parts.

EXAMPLE: It took the technician 12½ minutes to complete an acceptable installation for the genuine Taurus fender. That compared to 18:29 for the CAPA and 28:03 for the Non-CAPA parts, both of which required shims to bring the fenders flush with the hood line. In addition, lamp mounting holes had to be drilled in the CAPA fender.

EXAMPLE: For the Ranger fender, it took one minute less (17:29 to 16:29) to install the Non-CAPA part. However, the technician had to use a shim to get the door open so mounting bolts could be installed and, because of a visible difference in the flushness of the hood and fender edges, the finished repair was considered unacceptable.

OVERALL CONCLUSIONS

The testing program clearly showed that CAPA and Non-CAPA parts are substandard in Fit, Finish, Structural Integrity, Corrosion Resistance and Dent Resistance when compared to genuine Ford OE parts.

Based on these findings, it is obvious that CAPA and Non-CAPA parts are neither of "Like Kind and Quality" nor "Functionally Equivalent" to genuine Ford OE parts.

The nature and consistency of shortcomings found in the sampled CAPA-certified parts strongly suggests that either certification standards require improvement, or that quality control processes and procedures need upgrading to achieve the performance levels of genuine Ford OE parts.

In addition, several shortcomings were revealed when the ordering process, packaging and installation of CAPA and Non-CAPA parts were analyzed.

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ADDITIONAL FINDINGS/OBSERVATIONS/IMPLICATIONS

Fit -- Master Checking Fixture

Deficiencies of CAPA and Non-CAPA parts detected on master checking fixtures included:

- Inconsistent contours, with waves and wrinkles visible on certain parts.
- Styling lines and design cues incompatible with those on adjacent parts.
- Significant variation in the appropriate size and/or location of holes/tabs. In some instances holes/tabs were missing.
- Poor part formation causing significantly inconsistent and unacceptable gaps to adjacent parts.

The master checking fixture -- an essential device in the control of dimensional accuracy for stamped sheet metal parts -- reveals the quality and consistency of a part's contour, hole sizes and locations, and gaps that result when the part is installed on a vehicle.

Failure of a sheet metal part to pass master checking fixture tests means one or more of the following when the part is installed on a vehicle:

- The overall dimensional accuracy of a part determines its ease of installation. The dimensional inaccuracies of the CAPA and Non-CAPA parts are likely to require more labor to install, thereby increasing the cost of this most basic of all collision repair operations.
- The inaccurate styling lines/design cues detected on the CAPA and Non-CAPA parts will result in disruption of these key elements between adjacent parts, thereby creating a visible shortcoming in the finished repair.
- Each hole/tab in a genuine Ford OE sheet metal part serves a precise function -- mounting the part to the vehicle; mounting accessories to the part; or assuring adequate drainage. The missing, improperly sized, and improperly positioned holes found in the CAPA and Non-CAPA parts are likely to: Result in more labor being needed to install the parts; compromise the quality of the finished repair; and may limit the useful life of the replacement part.
- One of the most basic determinants of a quality finished repair is consistency in the gaps between the newly installed part and adjacent parts. The dimensional inaccuracies in the CAPA and Non-CAPA parts mean that the resultant gaps between those parts and adjacent parts will be inconsistent, thereby visibly compromising the quality of the finished repair.

Finish -- Primer Thickness

Deficiencies in CAPA and Non-CAPA parts revealed during primer thickness testing included:

- The primer used on the CAPA and Non-CAPA hoods and fenders was at least 28% thinner than that on the genuine Ford OE parts. In the majority of cases, the primer on the genuine Ford hoods and fenders was nearly twice as thick as that used on the CAPA and Non-CAPA sheet metal copies.

- The uniformity in the thickness of primer on the CAPA and Non-CAPA parts was significantly lower than it was on the genuine Ford OE parts. The variation in the thickness of primer on the genuine Ford OE sheet metal parts was about 19%; it was as high as 46%, and averaged 29%, on the CAPA and Non-CAPA sheet metal.

Primer is crucial to preventing corrosion on sheet metal parts. In addition, its thickness and proper application directly equates to the quality of subsequent paint/finish system applications.

The minimum amount of primer and uneven application of primer on the CAPA and Non-CAPA parts:

- Are likely to make them more susceptible to corrosion than genuine Ford OE parts.
- Are likely to jeopardize the quality and durability of subsequent paint/finish system applications.
- Call into question the quality of primer application processes and quality control processes used in the manufacture of CAPA and Non-CAPA parts.

Finish -- Primer Adhesion

Primer adhesion testing revealed the following:

- Primer adhesion was roughly equivalent on genuine Ford OE, CAPA and Non-CAPA fenders.
- Primer adhesion was significantly better on genuine Ford OE hoods when compared to the CAPA and Non-CAPA copies.

Primer coats that have better adhesion offer better protection to the base metal, thereby improving the appearance of the primed body panel, the appearance and durability of subsequent finishes applied over the primer, and the resistance of the primer to stone chipping.

Primer coats applied to genuine Ford OE sheet metal parts are consistent and have superior adhesion to base metal, thereby maximizing:

- The appearance of primed body panels.
- The appearance and durability of subsequent finishes applied over the primed body panels.
- The resistance of primer coats to stone chipping.

The poor primer adhesion detected on the CAPA hood calls into question either the organization's certification standards or its ability to monitor the quality of the parts it certifies.

Structural Integrity -- Physical Examination/Weld Testing

Deficiencies of CAPA and Non-CAPA parts detected during structural integrity examination and testing included:

- On average, CAPA and Non-CAPA hoods and door shells had fewer, smaller and weaker welds than those on the genuine Ford OE parts tested.
- The geometries of crush darts on the CAPA and Non-CAPA hoods were different than those on the genuine Ford OE hoods.
- There was no sound-deadening material on the inside of the CAPA and Non-CAPA door shells.

Hoods

Fewer, smaller and weaker welds reduce the structural integrity of a hood. Welds -- as well as epoxy and adhesives -- are used to bond the two hood panels so they act as one unit. In the crucial hood latch and hood hinge areas, welds are used to solidly anchor the hood latch and hinge mechanisms.

In a front-end accident, the hood unit is designed to crumple in a controlled manner to prevent intrusion into the passenger compartment. This controlled crumpling is caused by the hood being held in place at the hood latch/hinge areas, and the bending occurring at mid-hood, where special darts are added to weaken the entire hood system.

Fewer, smaller and weaker welds, as well as different crush dart geometries, have the potential to cause the following problems in a front-end accident:

- Separation of hood panels, and the potential for passenger compartment intrusion.
- Hood latch failure, thereby negating the controlled crumpling of the hood and resulting in potential passenger compartment intrusion.
- Hinge failure, thereby negating the controlled crumpling of the hood and resulting in potential passenger compartment intrusion.
- Unknown hood crumpling performance because of differences in crush dart geometries and lack of crash testing for CAPA and Non-CAPA hoods.

In addition, fewer, smaller and weaker welds may lead to premature failure of hoods -- either between hood panels, or at the hood latch/hinge areas.

Doors

Fewer, smaller and weaker welds reduce the structural integrity of door shells. Welds are used to bond door shell components into an integral unit. In addition, welds are crucial in anchoring the door latching and hinging mechanisms.

In all but the most severe accidents, door units -- as a crucial component in the overall vehicle safety package -- are designed to remain functional for driver/passenger egress.

Fewer, smaller and weaker welds on door shells have the potential to cause the following problems in accidents:

- When compared to the performance of a genuine Ford OE part, the integrity of CAPA and Non-CAPA door shells in equivalent accidents is more likely to be compromised -- such as jamming or malfunction of latching/hinging mechanisms.

In addition, fewer, smaller and weaker welds may lead to premature failure of door shells -- between components or at latching/hinging areas.

Lack of sound-deadening material on the interior of CAPA and Non-CAPA door shells is likely to increase interior noise while driving.

Structural Integrity – Sheet Metal Tensile Strength

Deficiencies in CAPA and Non-CAPA sheet metal parts discovered during tensile strength testing included:

- The sheet metal used for the CAPA and Non-CAPA parts is up to 15% weaker than that used in genuine Ford OE parts.
- The uniformity in the strength of the sheet metal used in CAPA and Non-CAPA parts is significantly lower than that used in genuine Ford OE parts. The variation in the tensile strength of sheet metal used in the genuine Ford OE parts is about 3%; it is as high as 15.5% in the CAPA and Non-CAPA sheet metal.

Two of the most crucial tests for the quality of sheet metal are tensile strength and the consistency of tensile strength. Both tests help demonstrate the durability of finished products, the quality of raw materials, and the caliber and quality control of manufacturing processes.

Proponents of CAPA and Non-CAPA sheet metal claim it is of "like-kind-and-quality" to genuine Ford OE sheet metal. Tests results indicate the contrary:

- The sheet metal used in the CAPA and Non-CAPA parts tested is 15% weaker than that used in sheet metal for genuine Ford OE parts, therefore raising questions as to its durability.
- The lack of uniformity in the strength of the CAPA and Non-CAPA parts suggests that the quality of raw materials and/or the manufacturing processes used to produce CAPA and Non-CAPA sheet metal are substandard when compared to those used to produce sheet metal for genuine Ford OE parts.

Structural Integrity – Plastic Tensile Strength

Deficiencies in CAPA and Non-CAPA plastic parts discovered during tensile strength testing included:

- The CAPA and Non-CAPA plastic header panels tested were found to have significantly greater variations in tensile strengths within parts than the genuine Ford OE header panel.

The tensile strength testing results:

- Call into question the processes used in production of CAPA and Non-CAPA plastic header panels because of the substantial variations in tensile strength for the same part.

Corrosion Resistance

Corrosion resistance testing revealed the following:

- Galvanized (zinc-coated) steel is used for genuine Ford OE parts to provide superior corrosion resistance.
- Uncoated steel is used on CAPA and Non-CAPA parts.

The corrosion resistance of a sheet metal part is determined by many factors:

- Sheet metal parts made from galvanized steel and with consistent, thicker primer are substantially more corrosion-resistant than sheet metal parts made with uncoated steel and covered with inconsistent, thinner primer. This is especially true when analyzing a part's resistance to corrosion from stone chipping.

Dent Resistance -- Material Composition/Microhardness

Testing to determine sheet metal composition and microhardness revealed:

- The CAPA and Non-CAPA sheet metal parts, on average, contained nearly 80% less carbon, a key element in determining the strength of steel, than the genuine Ford OE parts.
- Subsequent microhardness testing revealed that the CAPA and Non-CAPA sheet metal parts had 20% to 25% lower hardness than the genuine Ford OE parts.

Carbon content, to a large extent, determines the strength of steel, while microhardness testing is an accepted method to determine the dent resistance of steel.

The sheet metal materials and/or manufacturing processes used to produce CAPA and Non-CAPA sheet metal parts:

- Result in finished products with less carbon and, therefore, less hardness. Sheet metal parts with less hardness are generally less durable and more susceptible to dings and dents.

Dent Resistance -- Simulated Hail Storm

Testing to determine sheet metal resistance to denting in a simulated hail storm revealed:

- The CAPA and Non-CAPA hoods were significantly more dented than the genuine Ford OE parts after the test, which was designed to simulate an average Midwestern hail storm.

Steel used for genuine Ford OE parts contains more carbon. In addition, many genuine Ford OE sheet metal parts used for horizontal surfaces are developed from a "bake-hardenable" materials/manufacturing process that increases the dent resistance of the sheet metal as it cures.

The traditional materials/manufacturing process used to produce CAPA and Non-CAPA sheet metal parts:

- Makes those parts more susceptible to dents from hailstones, as well as to dings and dents caused by other factors.

Ordering/Fulfillment

Two basic problems with CAPA-certified parts were identified during the ordering and fulfillment phase of the program:

- Unavailability of CAPA-certified parts.
- Delivery of Non-CAPA parts when CAPA-certified parts are ordered.

Nearly 25% (3 of 13) of the CAPA parts ordered were unavailable, despite repeated calls to multiple distributors. In addition, 15% (2 of 13) of the CAPA parts ordered arrived without certification stickers and were returned.

Both problems negatively effect efficient collision repair facility operations, drive up repair costs, and jeopardize customer satisfaction (additional administrative time is incurred attempting to locate the parts, additional costs are incurred returning parts, the flow of work through collision repair shops is disrupted, and total repair time is increased).

Packaging

Packaging for CAPA and Non-CAPA parts, especially sheet metal, was substandard, especially in contrast to that used for genuine Ford OE parts. The packaging for all genuine Ford OE parts consisted of sturdy cardboard containers with stabilizing corner/cushion blocks and heavy plastic banding.

Shortcomings in packaging for CAPA and Non-CAPA sheet metal parts included large, unprotected sections of parts; loose-fitting packaging; crushed, ripped and missing packaging sections; thinner cardboard stock; and loose or broken string ties.

Substandard packaging negatively effects efficient collision repair operations and drives up repair costs because of the additional preparation work required for parts damaged in transit, or the time and cost incurred in returning and re-ordering damaged parts.

Installation

CAPA and Non-CAPA parts took longer to install than genuine Ford OE parts, or resulted in an unacceptable finished repair.

For the Taurus fender test, it took the technician 12½ minutes to complete an acceptable installation. This compared to 18:29 for the CAPA part and 28:03 for the Non-CAPA part, both of which required shims to bring the fenders flush with the hood line. In addition, lamp mounting holes had to be drilled in the CAPA fender.

For the Ranger fender, it took one minute less (17:29 to 16:29) to install the Non-CAPA part. However, the technician had to use a shim to get the door open so mounting bolts could be installed and, because of a visible difference in the flushness of the hood and fender edges, the finished repair was considered unacceptable.

Both problems reflect the primary complaint collision repairers have with CAPA and Non-CAPA parts -- they just don't fit. Fit problems negatively effect efficient collision repair operations, drive up repair costs, and jeopardize customer satisfaction (additional labor is required to achieve acceptable repairs, work flow is disrupted and additional costs are incurred returning unacceptable parts, and total repair time is increased).

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GENERAL MOTORS POSITION: WISCONSIN ASSEMBLY BILL 416

General Motors and the other member companies of the American Automobile Manufacturers Association are in full support of Wisconsin Assembly bill 416. We feel that customers must have the right to be informed about the type or brand of collision parts that will be used for repair of their vehicle and should also have the right to choose new Original Manufacturer produced parts if they wish.

Auto manufacturers and our customers have a vested interest in the use of OEM parts and the proper repair of collision damage to our products for a variety of reasons including:

CUSTOMER SATISFACTION WITH OUR PRODUCT AND REPEAT PURCHASE
AFFECTS ON THE NEW CAR WARRANTY COVERAGE
RESALE OR TRADE-IN VALUE OF OUR PRODUCTS
VEHICLE SAFETY

1. VEHICLE SAFETY

General Motors and the other auto manufacturers have a significant concern for our customers' safety that may be sacrificed through the use of imitation non-OEM parts in collision repairs.

General Motors spends thousands of hours of engineering, development and testing time to effectively develop safe vehicles for our customers.

- Crush zones are strategically designed and placed to absorb impact energy in a collision.
- Front end cradles, hoods and fenders are specifically designed to deform in certain patterns during impact.
 - Hood compaction
 - Engine assembly downward and rearward transfer
- Front end crush rates are measured for each body style to establish thresholds and timing for Airbag deployment.
- All of the above are put through numerous NHTSA crash tests set specifically on Federal Government crash test standards and requirements.

GENERAL MOTORS POSITION: WISCONSIN ASSEMBLY BILL 416

All of this should lead us to one question. Do the imitation parts manufacturers each buy new vehicles, bolt on their various replacement parts, and then complete each of the NHTSA crash tests for crashworthiness and airbag deployment?

General Motors is not aware that these tests occur.

2. CUSTOMER SATISFACTION WITH OUR PRODUCT AND REPURCHASE INTENTIONS:

A vehicle's exterior appearance, fit, and finish greatly affect a customer's satisfaction level with their vehicle and later repurchase intent. The vehicle's resale or trade-in value also directly affects a customer's perception of the value of the product they purchased from us and our dealer. The fit and finish appearance of our vehicles on the road are also front line advertising of our product quality to all passing observers. According to study results, General Motors customers typically lose between 8 and 19% of the resale value of their vehicle when imitation parts are used instead of new genuine GM Parts during auto body repair.

- General Motors owns its own blue-prints, specifications and stamping dies.
- Imitation parts are not built to GM spec but are copied off of purchased components.
- Imitation parts quality often do not meet manufacturer's specifications:
 - Metal thickness
 - Zinc phosphate coating on both sides
 - Primer thickness
 - Shipping cartons which reduce damage during shipping
 - Mounting hole and bracket location vary.
 - Body line contour and gap specifications are hard to hold.

Both increase installation time

3. AFFECT OF NON-OEM OR USED OEM USED IN COLLISION REPAIRS ON NEW CAR WARRANTIES:

The above parts when used to repair one of our vehicles will void the remaining new car warranty for those NON-OEM parts or used OEM parts utilized as well as any adjoining parts or associated systems which may fail or not perform properly due to the above parts being used.

**GENERAL MOTORS POSITION:
WISCONSIN ASSEMBLY BILL 416**

- Not just the 3 year 36,000 mile Bumper to Bumper Warranty but also the 6 year 100,000 mile warranty corrosion or rust thru warranty provided on all GM vehicles.
- Loss of this warranty coverage is not just a customer relations negative for the manufacturer and our dealers, but more importantly is a source of significant dissatisfaction for our customers.
- New GM replacement collision parts carry a lifetime warranty for as long as the purchaser owns the vehicle.

4. RESALE / TRADE-IN VALUE OF OUR PRODUCT

- THIS IS EVEN MORE IMPORTANT TO OUR CUSTOMERS THAN IT IS TO US.
- REVIEW INDEPENDENT STUDY

Conducted by two independent companies for General Motors:

- Campbell & Company and Rousch Technologies
- Two identical 1994 Chevrolet Cavaliers were used
- Study was conducted in 14 major U.S. Markets across the United States
- 410 professional automotive appraisers
- 362 customers who had purchased or sold a vehicle worth over \$5,000 within the last 3 years.
- 9 out of 10 of both the professional appraisers and customers picked the vehicle with General Motors replacement parts as having a higher value than the vehicle with imitation parts.
- Professional appraisers on average devalued the vehicle with imitation parts at \$740 below NADA wholesale prices.
- Customers on average devalued the vehicle with imitation parts at \$1670 below NADA retail prices.
- 20% of the customers surveyed stated that they would not buy the vehicle with imitation parts at any price!



October 17, 1997

Representative Cliff Otte
PO Box 8953
Madison WI 53708

AB 416 / AFTERMARKET PARTS

Representative Otte, I understand you are co-sponsor of the above referenced bill. I am asking and requesting you to vote against this bill because if it does pass, it does nothing but increase the cost of vehicle repair for the citizens of the state of Wisconsin.

It also appears to me to be in restraint of trade and just completely contrary to common sense and good business judgment.

I would appreciate hearing from you relative to your position.

A handwritten signature in black ink, appearing to read 'M. L. Wagner'. The signature is fluid and cursive.

Michael L. Wagner
President & CEO

MLW:cl

cc: James P. Thomas

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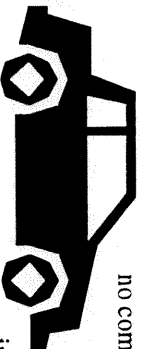
Should Your Car Be Repaired With Aftermarket Parts?

We'd Like You to Decide.

What do you think about aftermarket parts — sheet metal automobile parts made by independent automobile parts manufacturers? Also known as non-OEM parts, many of these independently made parts cost considerably less than those made by original equipment manufacturers (OEMs), and have brought competition into the replacement parts market. But the OEMs are losing business to their competitors, and have convinced some states to enact or consider legislation restricting the sale of aftermarket parts. We want to know what you think, because these restrictions concern something you care about — the cost of auto insurance.

What are Aftermarket Parts?

Sometimes referred to as cosmetic parts, replacement parts are sheet metal components such as hoods, fenders, bumpers and doors, which account for the majority of damage in auto accidents. Until the 1970s, OEMs had virtually

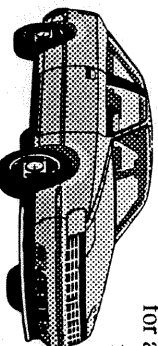


no competition in this market. When independent manufacturers in several countries, including the United States, began making sheet metal replacements, the OEMs found themselves facing some tough competition. Not only are most of the independently made

parts lower priced, they also have resulted in bringing down the prices of OEM parts.

The Present Concerns

The exorbitant cost of car repairs is creating a problem for consumers and insurers. Anything that drives up the cost of paying claims contributes to increasing auto insurance costs. Studies done for the past 12 years by the Alliance of American Insurers show that the cost of repairing a totally demolished car is three times the cost of purchasing a new one. Using non-OEM parts can greatly reduce that cost. However, some states have passed, or are considering, regulations with deceptive disclosure statements for aftermarket parts —



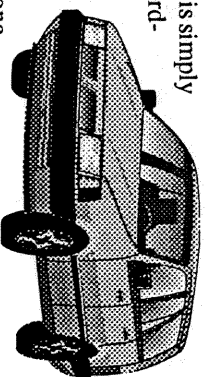
regulations that prohibit insurers from requiring the use of these parts. Included is language which alarms consumers and falsely suggests that all aftermarket parts may be inferior to OEM parts.

Another concern centers on the question of warranty. Some consumers are falsely led to believe that repairing a vehicle with an aftermarket part negates their vehicle's warranty. This is simply not true. The Magnuson-Moss Warranty Act provides that the placing of an aftermarket part on an automobile does *not* affect the warranty on the remaining parts.

Is Safety an Issue?

No. Insurers have to continue insuring a vehicle and its driver after it has been repaired. Therefore, they would not put themselves in the position of insuring an unsafe vehicle. Doing so would be risking a future claim payment. Additionally, the Insurance Institute for Highway Safety (IIHS) has repeatedly

stated that safety is simply not at risk. According to IIHS President Brian O'Neill, "there is no reason to believe — let alone assume — that cosmetic body parts significantly affect car crash worthiness."



What Do We Recommend?

o We believe in free market competition between OEMs and independent manufacturers, and strongly urge this competition be encouraged through reasonable regulation. Furthermore, we suggest:

o Non-OEM parts be equal to or better than the OEM parts in terms of fit, quality and performance. To ensure the quality of parts, the insurance industry helped form and actively supports the Certified Automotive Parts Association (CAPA), which works with Entella Laboratories in performing tests and certifying aftermarket parts.

o Disclosure statements be given to policyholders when non-OEM parts are used in repairs. The statement should inform the insured that aftermarket parts of "like kind and quality" to OEM parts were used to repair the vehicle.

o The identification of non-OEM parts with a manufacturer's logo affixed to the part.

What Do You Think?

If competition brings down the cost of auto repairs, slows down the rise in auto insurance rates, and does so without jeopardizing safety or quality, does it make sense to restrict that competition?

Alliance Stance on Legislative Restrictions

The summary contains reasons why the Alliance of American Insurers *opposes* certain legislative restrictions:

- o Restricting the use of aftermarket parts is anti-competitive to business and creates a monopoly for auto manufacturers.
- o Imposing strict regulations on non-OEM part manufacturers and distributors would virtually eliminate those businesses. The resulting monopoly by automakers would mean higher prices charged for parts and higher auto repair costs. This, in turn, would result in higher auto insurance costs. Insurance consumers would foot the bill.
- o Much of the legislation requires competitive replacement parts to meet unknown standards. Even though OEMs have refused to disclose their standards, non-OEM parts would be required to meet the same standards and specifications as OEM parts.
- o Some bills under consideration impose standards on non-OEM parts that the OEM parts do not meet. If standards are imposed, both OEM and non-OEM should be subject to the same requirements.

The Alliance *supports* legislation that provides for consumer protection while permitting fair competition. Such legislation includes:

- o Identification of non-OEM parts;
- o Non-OEM parts be of like kind and quality to OEM parts in terms of fit, finish and performance;
- o Policyholders be informed that a non-OEM part is being used in the repair of the automobile.

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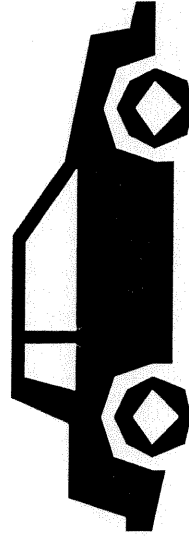


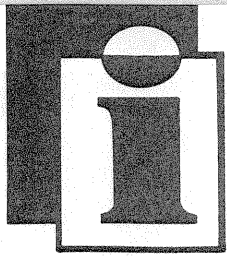
**The Alliance
Of American Insurers
Presents:**

**The Case For
Aftermarket Parts**

OR

**Why Pay More Money
For The Same Quality?**





ALLIANCE

OF AMERICAN INSURERS

1501 Woodfield Rd., Suite 400 West □ Schaumburg, Illinois 60173-4980

Information for the News Media

For Release: March 26, 1996

Contact: Susan Miura (847) 330-8542

Alliance Study Demonstrates High Cost of Auto Replacement Parts

Building a Chevy Lumina From OEM Parts Costs Three Times Original Retail Price

Schaumburg, IL--Even without the cost of paint and labor, a Chevrolet Lumina built entirely from original equipment manufacturer (OEM) replacement parts costs more than three times its original retail price, according to the Alliance of American Insurers.

During the past 15 years, the Alliance has conducted numerous "replacement parts" studies, using a variety of vehicles and automakers, to demonstrate the excessive cost of automobile replacement parts. The result is generally triple the original cost of the car. The 1996 Lumina, with a few non-standard options, retails for approximately \$19,340. Building it from OEM parts, however, would cost more than \$72,600.

"The study is conducted to make two points," said Bill Schroeder, Alliance vice president, claims. "It shows that excessive prices for car parts play a major role in the cost of collision insurance, and it further proves the need for legislation allowing the sale of aftermarket parts. When aftermarket parts are available to repair a car, they not only sell for less than OEM parts, but also bring down the price of those parts. Car manufacturers have enjoyed a monopoly on parts for too long, and their prices show it."

How can the rebuilt car reach a price of \$72,000? Just look at some of the prices for Chevy parts. Replacing the Lumina's engine assembly would cost \$3,785. The transaxle assembly costs \$2,463.52, while the electronic fuel injection system is priced at \$3,460. Other prices include: Left front door with power window, power lock and tinted

(more)

2 - Alliance of American Insurers

glass, \$1,976; emergency brake, pedal and accelerator assemblies, \$439.25; front suspension, \$2,257.89; and nuts, bolts, caulks and fluids, \$1,200.

High prices for auto parts affect consumers in two ways. If they are buying the parts independently, they pay the excessive price. If their insurer is picking up the tab, it may affect their premium. For these reasons, the Alliance and others in the insurance industry support the sale of aftermarket parts approved by the Certified Automotive Parts Association (CAPA), which tests auto parts produced by independent manufacturers. To earn the CAPA stamp of approval, an aftermarket part must pass stringent tests to assure that it is equal to its OEM counterpart. The difference is in the price. For example, the Chevy Lumina's OEM front bumper cover costs \$290, however the same part made by an independent manufacturer costs \$200. Other comparisons of Lumina parts include:

	<u>OEM</u>	<u>Aftermarket</u>
Front Bumper Reinforcement	\$248	\$163
Rear Bumper Cover	\$301	\$200
Rear Bumper Reinforcement	\$261	\$180
Cooling Radiator	\$267.80	\$188.22
A/C Condenser	\$252.60	\$132.57

"It is easy to see why the big automakers are seeking legislation to prohibit the sale of aftermarket parts," Schroeder said. "Most people don't want to spend \$80 to \$100 more for a part, just because it has a brand name on it. They also don't want to spend a lot on auto insurance. By repairing cars with aftermarket parts, we can control one of the factors which contributes to high auto insurance premiums. And by using CAPA

(more)

3 - Alliance of American Insurers

certified parts, we can ensure the quality of repairs.”

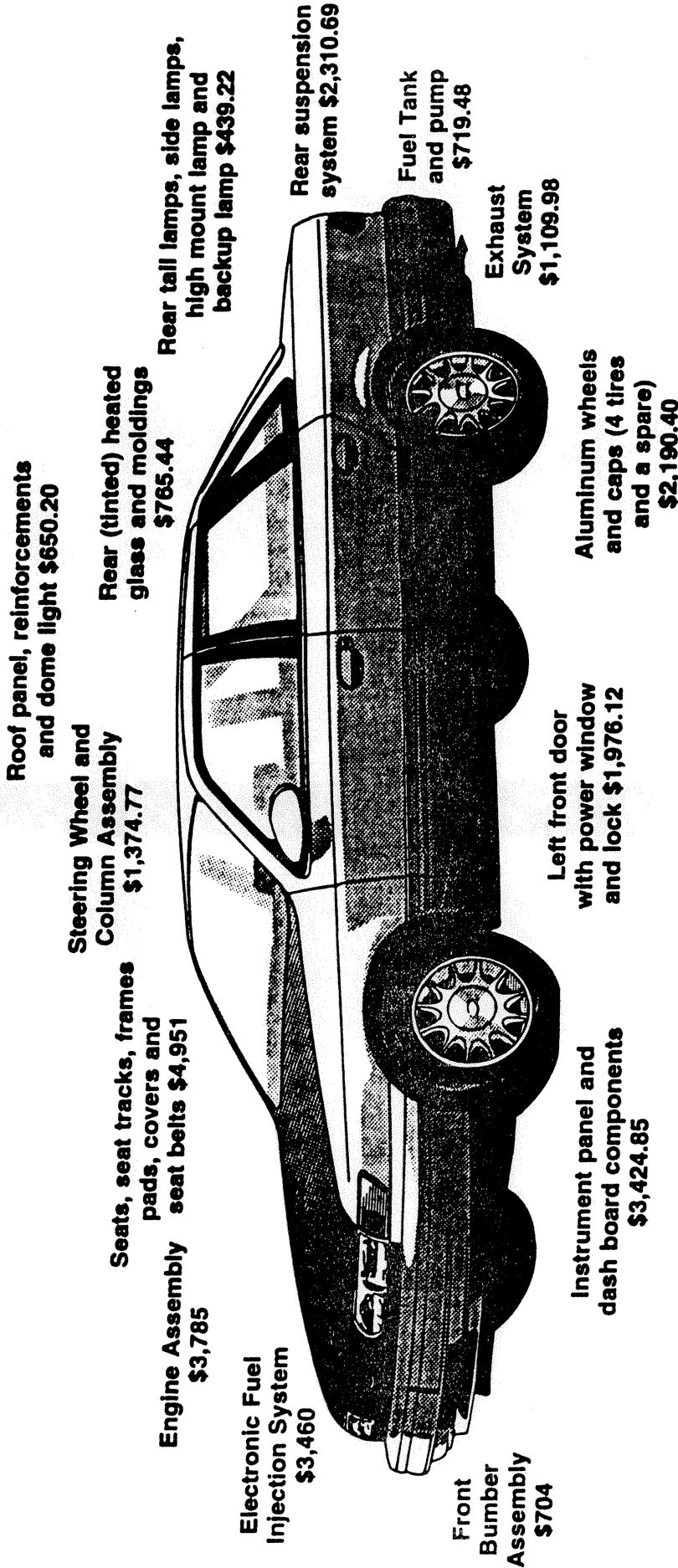
Schroeder said two of the other primary cost drivers in auto insurance are fraud and litigation. The insurance industry is working with consumer groups, law enforcement and government to put a dent in these problems as well, he explained.

The Alliance of American Insurers, based in Schaumburg, Illinois, is a national trade association representing more than 250 property and casualty insurance companies.

*Cost of Replacing Parts for a 1996 Chevrolet Lumina

Manufacturers Suggested
Retail Price: \$19,340

Cost to Rebuild with
OEM Replacement Parts: \$72,621.23



*Limited space allows for only some of the prices to be shown in this diagram.

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Testing and Certification Of Aftermarket Parts

Quality.

It is the center of controversy in the debate over competitive replacement parts (also known as aftermarket or non-OEM parts).

During the past 10 years, tremendous attention has been focused on the cost, availability and quality of these parts for use in repairing damaged automobiles. Allegations that non-OEM parts are inferior in quality are fueling the political debate. The difficulty in proving that competitive replacement parts are as good or better than OEM parts increased the chances that restrictive legislation would be imposed. In order to confront the threat of such restrictions, the insurance industry actively supports the Certified Automotive Parts Association (CAPA). CAPA has developed a program for competitive replacement parts to increase the availability of quality non-OEM parts at competitive prices. The testing-certification program commenced in November 1987 through an agreement between the Certified Automotive Parts Association (CAPA) and the Detroit Testing Laboratories (DTL), an independent laboratory. In 1992, DTL was replaced by Entela Laboratories.

Made by independent automobile manufacturers, rather than the original equipment manufacturers (OEMs), sheet metal replacement parts (or "aftermarket" parts) are less expensive than those made by OEMs, with very few exceptions. The resulting competition caused a rift in the automotive industry, which previously had a monopoly on sheet metal parts. It is easy to see from the attached chart that automakers were forced to dramatically lower the price of many parts which were offered by the competition.

Price reductions like these led OEMs to engage in an all-out advertising war against the independent manufacturers. At the forefront of their attack were two issues -- safety and quality.

Claiming the aftermarket parts were not up to OEM standards, the automakers portrayed the parts as unsafe, inferior, counterfeit, imitation, or said they void original equipment warranties. However, the Magnuson-Moss Warranty Act provides that the placing of an aftermarket part on an automobile does *not* affect the warranty on the remaining parts. In fact, the vast majority of competitive replacement parts offer lifetime warranties -- an offer not available for OEM parts. Allegations regarding safety and noncompliance standards are unfounded, according to the Insurance Institute for Highway Safety (IIHS).

"The source of the cosmetic parts used to repair cars has little to do with the possibility of injury in these cars after they've been repaired," said IIHS President Brian O'Neill. "With but one exception (windshields), there are no federal standards for replacement parts because there's no reason to believe -- let alone assume -- that such parts significantly influence car crashworthiness."

In addition to the unfounded allegations, and more importantly for automobile insurers, the campaign against competitive parts has been extended to legislative, regulatory, and judicial forums where success could lead to a monopoly for the benefit of original manufacturers.

What does this have to do with consumers? It affects them because the cost of paying claims is directly linked with the cost of insurance. If OEMs have a monopoly on automobile replacement parts, they will continue to keep prices high, without threat of competition. Insurers would have to pay those prices through claims and consumers will experience a resulting premium increase.

Testing-Certification Program

CAPA was developed to ensure that the independently made parts were not only lower-priced, but also safe and of good quality. The independent manufacturers voluntarily use the testing certification program, and parts that pass the test are marked with a CAPA seal of approval, as well as the name of the manufacturer.

Consumers and automobile insurers have a huge financial stake in the outcome of the attacks against competitive replacement parts. Competition in the manufacture and sale of sheet metal parts is the greatest cost containment opportunity ever presented to auto insurers -- cost containment that directly affects the insurance consumer.

It is clear that the political debate between the OEMs and the insurance industry and independent manufacturers will continue well into the 1990s. The ability of insurers to win these battles will be greatly enhanced by CAPA, which provides assurance that only quality aftermarket parts are used in automobile repairs.

Test Shows Less Expensive Cosmetic Parts Do Not Compromise Safety Compliance

Prior to 1970, auto body repair shops had to buy replacement parts like fenders, door panels, and grills from auto manufacturers. These parts, produced by the original equipment manufacturer (OEM), were excessive in their cost, as studies by the Alliance of American Insurers demonstrate year after year.

Now, these crash parts are being marketed by other suppliers at lower prices. A heated debate has erupted about the relative quality of replacement parts from these independent manufacturers.

Some automobile manufacturers contend that using parts from suppliers other than OEMs may mean that the car no longer meets the requirements of several federal motor vehicle safety standards. However, Insurance Institute for Highway Safety specialists say it should not, because with the exception of hoods, the cosmetic parts used to repair cars are irrelevant to safety. Parts like fenders, door panels, and grills cover the car like a skin; they serve no structural or safety function.

At the height of this debate, the Institute conducted a 30-mph front-into-barrier crash test of a 1987 Ford Escort equipped with automatic seat belts to measure compliance with the Federal Motor Vehicle Safety Standards (FMVSS). The Escort's front fenders, door panels, and grill were removed. If compliance could be achieved without the parts, Institute specialists reasoned, it would demonstrate that cosmetic parts are irrelevant to meeting federal safety requirements.

The Escort's original equipment hood was replaced with a competitive part to measure compliance with FMVSS 219, which requires that exterior parts may not intrude into the windshield or defined zone in front of it in a 30-mph crash test.

The car met and far exceeded all federal requirements. Here is a breakdown of the results:

FMVSS 204 limits the rearward displacement of the steering column to lower the likelihood of chest, neck, and head injury. In the Institute test, there was no appreciable movement of the steering column.

FMVSS 208 sets requirements for occupant protection provided by either manual belts or automatic restraints. The dummies used in the crash test were restrained by the automatic shoulder belt and manual lap belt provided in the Escort as standard equipment. The Escort performed impressively, with a driver-head-injury criterion rating of 196 and a passenger rating of 339, far below the federal maximum of 1,000. Femur loads and chest deceleration forces were also well within safety limits.

FMVSS 212 requires the windshield mounting to retain at least 75 percent of its periphery in cars with manual belts. For cars with automatic restraints, the retention requirement is reduced to 50 percent. In the Institute test, 100 percent of the windshield was retained.

FMVSS 219 prevents the intrusion of vehicle parts -- usually the hood -- into the windshield or a protected zone in front of it. This is the only standard that could be affected by replacement parts. Key to the standard is whether the competitive hoods will buckle without separating, as new car hoods are designed to do. In the Institute test, the hood buckled and did not intrude into the prohibited zone or windshield, easily meeting the standard's requirements.

Other competitive hoods were also examined by Institute engineers, who found they have built-in buckle points, indicating that they will buckle as they should in frontal crashes.

FMVSS 301 limits fuel spillage in front, side and rear crash tests followed by a rollover. In the Institute's 30 mph crash test, no fuel was spilled.

COST COMPARISON HISTORY: OEM vs. Non-OEM (aftermarket) Parts

One of the arguments supporting the sale of aftermarket parts is the positive impact they have made on OEM prices. As you can see from the prices below, the majority of OEM parts have come down in price when faced with aftermarket competition.

The following price information was compiled by Iowa Auto Damage Appraisers in August, 1996 from the Mitchell International, Inc., "Collision Estimating Guide;" Motor Publication's "Crash Estimating Guide;" and Keystone Automotive Industries, Inc.

	1992	1993	1994	1995	1996
<i>Chevrolet Caprice</i>					
OEM Fender	259.00	267.00	267.00	226.00	238.00
Non-OEM Fender	None	None	186.00	148.00	153.00
<i>Buick Century</i>					
OEM Fender	122.67	122.67	122.67	129.00	136.00
Non-OEM Fender	122.67	104.00	108.00	108.00	108.00
<i>Pontiac Grand Prix Coupe</i>					
OEM Fender	284.00	293.00	309.00	324.00	354.00
Non-OEM Fender	None	165.00	171.00	171.00	131.00
<i>Toyota Camry</i>					
OEM Fender	253.00	264.33	265.79	259.96	143.88
Non-OEM Fender	None	202.00	209.00	104.00	60.00
<i>Ford Thunderbird</i>					
OEM Fender	286.42	205.00	205.00	211.15	211.00
Non-OEM Fender	205.00	160.00	166.00	166.00	166.00
<i>Ford Escort</i>					
OEM Fender	146.32	154.05	171.45	180.02	180.02
Non-OEM Fender	100.00	76.00	79.00	79.00	65.00

COST COMPARISON:

OEM vs. Non-OEM (aftermarket) Parts

The following price information was compiled by Iowa Auto Damage Appraisers in August, 1996. It was taken from the most current publications of Mitchell International Inc. "Collision Estimating Guide," and the Keystone Automotive Industries, Inc. most current catalog.

Year Make/Model	Bumper		Hood		Fender	
	OEM	Non-OEM	OEM	Non-OEM	OEM	Non-OEM
95 Buick Century	112.00	93.00	223.00	174.00	136.00	108.00
96 Chevy Beretta	377.00	238.00	192.00	134.00	99.00	64.00
94 Chevy Corsica	320.00	127.00	192.00	138.00	99.00	65.00
94 Ranger Pickup	261.18	206.00	247.78	176.00	168.37	120.00
95 Ford Taurus	385.00	294.00	400.12	202.60	214.53	89.00
95 Ford F150 PU	277.05	210.00	312.60	206.00	167.40	106.00
96 Ford Escort	487.72	330.00	227.60	178.00	180.02	65.00
95 Honda Accord	181.13	148.00	305.34	170.00	145.00	66.00
96 Mazda 626	446.35	370.00	286.75	198.00	248.55	122.00
95 Nissan Altima	143.25	80.00	336.89	186.00	180.04	124.00
95 Pont. Grand Am	322.00	238.00	307.00	154.00	216.00	59.00
95 Toyota Corolla	114.84	88.00	250.00	136.00	110.26	55.00
95 Chev. 1500 PU	197.00	146.00	223.00	164.00	108.00	87.00
95 Plym. Acclaim	225.00	168.00	250.00	195.00	245.00	65.00
94 Jeep Cherokee	140.00	103.00	310.00	141.00	187.00	72.00
94 Chevy Lumina	175.00	140.00	370.00	242.00	242.00	143.00
96 Dodge Intrepid	460.00	288.00	315.00	220.00	174.00	146.00
96 Toyota Camry	234.70	180.00	383.51	149.00	143.88	60.00
95 Chevy S10 Blazer	304.00	128.00	337.00	132.00	296	141.00
96 Ford Explorer	370.07	278.00	214.58	180.00	110.02	86.00

State Laws Affecting The Sale Of Aftermarket Parts

Several states have enacted, or are considering, laws which restrict the sale of competitive replacement parts (aftermarket/non-OEM). Such restrictions result primarily from the required wording of disclosure statements. While most insurers agree that car owners should be notified when competitive replacement parts are used in place of parts made by the original equipment manufacturer (OEM), they oppose wording that suggests that non-OEM parts are inferior.

The Alliance of American Insurers recommends that states use the disclosure statement adopted by the National Association of Insurance Commissioners (NAIC) when enacting legislation on competitive replacement parts. The NAIC disclosure statement, to be given to vehicle owners by body shop owners, reads:

"This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal, of like kind and quality in terms of fit, quality and performance to the original manufacturer parts they are replacing."

The attached chart lists the states which have enacted laws or regulations on competitive replacement parts, and outlines the primary requirements. Following the chart are footnotes stating the exact wording to be used in disclosure statements.

File behind tab: Aftermarket Parts

AFTERMARKET PARTS

ALABAMA - 9/96

State law or regulation citation	Public Act 89-662, 27-12-24
Effective date of law or regulation	5/11/89
Law or regulation applicable to	Insurer or repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (1)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	N/A

ARIZONA - 9/96

State law or regulation citation	20-461
Effective date of law or regulation	9/26/90
Law or regulation applicable to	Insurer, installer or repair facility
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (2)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Violations constitute unfair trade practices

ARKANSAS - 9/96

State law or regulation citation	23-66-206
Effective date of law or regulation	7/15/91
Law or regulation applicable to	Insurer, installer or repair facility
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (3)
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Penalty prescribed in Code Section 5-4-201(c)(1)

2 - Aftermarket Parts

CALIFORNIA - 9/96

State law or regulation citation	Section 2695.8
Effective date of law or regulation	1/1/90
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (4)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair trade practice

COLORADO - 9/96

State law or regulation citation	Section 10-3-1301
Effective date of law or regulation	7/1/89
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (5)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair or deceptive practice

CONNECTICUT - 9/96

State law or regulation citation	Section 38a-355
Effective date of law or regulation	10/1/87
Law or regulation applicable to	Insurer or repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (6)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair or deceptive insurance practice under Section 38a-816 of the general statutes

3 - Aftermarket Parts

FLORIDA - 9/96

State law or regulation citation	4-166.027
Effective date of law or regulation	6/28/89
Law or regulation applicable to	Insurer or repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (7)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair insurance trade practice

GEORGIA - 9/96

State law or regulation citation	Section 33-6-5
Effective date of law or regulation	1/1/90
Law or regulation applicable to	Insurer or repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (8)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair trade practice

HAWAII - 9/96

State law or regulation citation	431:10C-305
Effective date of law or regulation	9/1/87
Law or regulation applicable to	Motor vehicle repair dealer, mechanic, or apprentice
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	No (9)
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	N/A

4 - Aftermarket Parts

IDAHO - 9/96

State law or regulation citation	Section 41-1328B, C, and D
Effective date of law or regulation	1/1/90
Law or regulation applicable to	Insurer, repair facility, or insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (10)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair claim settlement practice

ILLINOIS - 9/96

State law or regulation citation	215 ILCS 5/155.29
Effective date of law or regulation	1/11/89
Law or regulation applicable to	Insurer or repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	N/A

INDIANA - 9/96

State law or regulation citation	27-4-1.5
Effective date of law or regulation	7/1/91
Law or regulation applicable to	Insurer, only to vehicles into their sixth model year
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair claim settlement practice

5 - Aftermarket Parts

*IOWA - 9/96

State law or regulation citation	Section 537B.1
Effective date of law or regulation	7/1/90
Law or regulation applicable to	Repair facilities
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (11)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Failure to comply is a deceptive act or practice

KANSAS - 9/96

State law or regulation citation	4-2,155
Effective date of law or regulation	5/10/89
Law or regulation applicable to	Insurer or repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (12)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair trade or deceptive practice

LOUISIANA - 9/96

State law or regulation citation	Section 2180
Effective date of law or regulation	1/1/91
Law or regulation applicable to	Insurer or repair facility
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (13)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Enforced through the unfair trade practices

6 - Aftermarket Parts

MARYLAND - 9/96

State law or regulation citation	Section 240J
Effective date of law or regulation	7/1/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	No
Is a written estimate disclosure statement needed in addition to a written estimate?	No
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair or deceptive trade practice

MASSACHUSETTS - 9/96

State law or regulation citation	211 CMR 89.00
Effective date of law or regulation	4/13/90
Law or regulation applicable to	Insurer or repairers
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (14)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair or deceptive act or practice

MINNESOTA - 9/96

State law or regulation citation	Section 72A.20
Effective date of law or regulation	5/7/87
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	No
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair claims settlement practice

7 - Aftermarket Parts

MISSISSIPPI - 9/96

State law or regulation citation	83-11-503
Effective date of law or regulation	7/1/90
Law or regulation applicable to	Insurer, installer or repair facility
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (15)
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	N/A

MISSOURI - 9/96

State law or regulation citation	Section 100-1-.050
Effective date of law or regulation	1/1/90
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (16)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair claims settlement practice

NEBRASKA - 9/96

State law or regulation citation	44-1540
Effective date of law or regulation	1/1/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (17)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair claims settlement practice

8 - Aftermarket Parts

NEW HAMPSHIRE - 9/96

State law or regulation citation	407-D:2
Effective date of law or regulation	1/1/89
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (18)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair insurance trade practice

NEW JERSEY - 9/96

State law or regulation citation	N.J.A.C. 11:2-17.3 and 17.10
Effective date of law or regulation	10/17/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (19)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair claims settlement practice

NEW YORK - 9/96

State law or regulation citation	11 NYCCR 216.7
Effective date of law or regulation	9/1/87
Law or regulation applicable to	Motor vehicle repair shop
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	No
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	N/A

9 - Aftermarket Parts

*NORTH CAROLINA - 9/96

State law or regulation citation	Regulation 4.0424
Effective date of law or regulation	4/1/89
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (20)
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair trade practice

OHIO - 9/96

State law or regulation citation	3901-1-54
Effective date of law or regulation	10/16/90
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	If the person requesting the repair chooses to receive a written estimate
Is a written estimate disclosure statement needed in addition to a written estimate?	If the person requesting the repair chooses to receive a written estimate (21)
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair and deceptive act or practice

*OKLAHOMA - 9/96

State law or regulation citation	36 §1250.8
Effective date of law or regulation	9/1/91
Law or regulation applicable to	Insurer and repair facility
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (22)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair trade practices

10 - Aftermarket Parts

OREGON - 9/96

State law or regulation citation	ORS 746.292
Effective date of law or regulation	7/1/87
Law or regulation applicable to	Motor vehicle body shop or frame repair shop
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (23)*
Must parts be certified by an independent laboratory?	Yes
Are insurers required to warranty parts?	Yes
Penalties	N/A

RHODE ISLAND - 9/96

State law or regulation citation	Chapter 27-10.2-1 and 2; Regulation LXXIII
Effective date of law or regulation	2/14/94
Law or regulation applicable to	Insurer or auto body repair shop
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	No
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair claims settlement practices

SOUTH DAKOTA - 9/96

State law or regulation citation	58-33-71
Effective date of law or regulation	7/1/90
Law or regulation applicable to	Insurer, repair facilities, or installers
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (24)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Enforced under the unfair trade practices section of insurance code

11 - Aftermarket Parts

TENNESSEE - 9/96

State law or regulation citation	Regulation Chapter 0780-1-59
Effective date of law or regulation	9/18/89
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (25)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair claims settlement practice

TEXAS - 9/96

State law or regulation citation	Article 5.07-1
Effective date of law or regulation	9/1/91
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	N/A
Is a written estimate disclosure statement needed in addition to a written estimate?	N/A
Must parts be certified by an independent laboratory?	N/A
Are insurers required to warranty parts?	N/A
Penalties	N/A

UTAH* - 9/96

State law or regulation citation	31A-22-317
Effective date of law or regulation	4/23/90
Law or regulation applicable to	Insurer, repair facility, or installer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (26)
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Division of Consumer Protection is authorized to enforce under the Utah Consumer Sales Practices Act

12 - Aftermarket Parts

VIRGINIA - 9/96

State law or regulation citation	Section 38.2-510
Effective date of law or regulation	7/1/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (27)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair insurance claims settlement practice

WEST VIRGINIA - 9/96

State law or regulation citation	Article 6B; Chapter 46A-6B-1
Effective date of law or regulation	7/1/88
Law or regulation applicable to	Repairer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (28)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair or deceptive practice

WISCONSIN - 9/96

State law or regulation citation	632.38
Effective date of law or regulation	1991
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes (29)
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	N/A

13 - Aftermarket Parts

WYOMING - 9/96

State law or regulation citation	W.S. 16-3-101; 16-3-115; W.S. 26.2-110; W.S. 26-13-101; 26-13-202
Effective date of law or regulation	7/29/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes - and written consent
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (30)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Fine not to exceed \$2,500 for each offense or \$25,000 in a 3-month period. Violations by agents or adjusters are \$500 for each offense and \$5,000 in a 5-month period

Disclosure Section

The following are footnotes on the exact language that insurers and/or repairers must use in their disclosure statements to the consumer.

- *(1) **Alabama** "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket cash parts used in the preparation of this estimate are warranted by the manufacturer or distributor of such parts rather than the manufacturer of your vehicle."
 - *(2) **Arizona** "This estimate has been prepared based on the use of replacement parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle."
 - (3) **Arkansas** "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the preparation of this estimate are warranted by the manufacturer or distributor of such parts instead of the manufacturer of your vehicle."
 - *(4) **California** "This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Any warranties applicable to these replacement parts are provided by the manufacturer or distributor of the parts, rather than by the original manufacturer of your vehicle."
 - *(5) **Colorado** "This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties, if any, applicable to these replacement crash parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."
 - *(6) **Connecticut** "Repair estimate is based in part on the use of replacement parts which are not made by the original manufacturer or the damaged parts in your motor vehicle. "
 - *(7) **Florida** "This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the preparation of this estimate are warranted by the manufacturer or distributor of such parts rather than the manufacturer of your vehicle."
-

14 - Aftermarket Parts

- *(8) Georgia "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the preparation of this estimate are warranted by the manufacturer or distributor of such parts rather than the manufacturer of your vehicle."
- (9) Hawaii "Body shops may include information concerning any non-OEM warranty and the part's compliance with any certified testing program."
- *(10) Idaho This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle.
- *(11) Iowa "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Any warranties applicable to these replacement parts are provided by the manufacturer or the distributor of these parts rather than the manufacturer of your vehicle."
- *(12) Kansas "This estimate has been prepared based on the use of one or more aftermarket parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."
- *(13) Louisiana "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or the distributor of these parts rather than the manufacturer of your vehicle."
- *(14) Massachusetts "The repair estimate is based on the use of replacement parts which are not made by the original manufacturer of the damaged parts in your vehicle. Warranties, if any, applicable to these replacement parts are provided by their manufacturer or supplier rather than the manufacturer of your motor vehicle."
- (15) Mississippi "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the estimate are warranted by the manufacturer or distributor of such parts instead of the manufacturer of your vehicle."
- *(16) Missouri "This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the parts manufacturer or distributor rather than the manufacturer of your vehicle."
- *(17) Nebraska "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, quality and performance to the original manufacturer parts they are replacing."
- *(18) New Hampshire "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, quality and performance to the original manufacturer parts they are replacing."
- *(19) New Jersey "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, performance and warranties to replacement parts available from the original manufacturer."
- (20) North Carolina **Disclosure statement required on written estimate:** "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in terms of fit, quality, and performance to the original manufacturer parts they are replacing."

"In the repair of your covered auto under the physical damage coverage provisions of this policy, we may require or specify the use of automobile parts not made by the original manufacturer. These parts are required to be at least equal in terms of fit, quality and performance to the original manufacturer parts they replace."

15 - Aftermarket Parts

- (21) **Ohio** "This estimate has been prepared based on the use of one or more aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these aftermarket crash parts are provided by the parts manufacturer or distributor rather than your own motor vehicle manufacturer."
- *(22) **Oklahoma** This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle.
- *(23) **Oregon** "This estimate has been prepared based on the use of a motor vehicle crash part not made by the original equipment manufacturer. The use of a motor vehicle crash part not made by the original equipment manufacturer may invalidate any remaining warranties of the original equipment manufacturer on that motor vehicle part. The person who prepared this estimate will provide a copy of the part warranty for crash parts not made by the original equipment manufacturer for comparison purposes."
- *(24) **South Dakota** This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle.
- *(25) **Tennessee** "This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."
- *(26) **Utah** "This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle."
- *(27) **Virginia** "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, quality and performance to the original manufacturer parts they are replacing."
- *(28) **West Virginia** "This estimate has been prepared based on the use of aftermarket crash parts that are not manufactured by the original manufacturer of the vehicle or by a manufacturer authorized by the original manufacturer to use its name or trademark. The use of an aftermarket crash part may invalidate any remaining warranties of the original manufacturer on that crash part."
- (29) **Wisconsin** "This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties, if any, applicable to these replacement crash parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."
- *(30) **Wyoming** "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your motor vehicle by other than the original manufacturer are required to be at least of equal quality in terms of fit and performance to the original manufacturer parts they are replacing."
-

Len Glass



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TO: The Assembly Committee on Consumers Affairs

RE: In support of aftermarket legislation. Specifically bill AB-416 and Senate bill 225.

Is the aftermarket part controversy a problem for Wisconsin consumers?
Don't insurance companies have policies of new parts on newer cars?

Please! Study this issue carefully and look past the surface. The questions above will compound and the answers will indicate the public needs, and deserves this legislation.

While it is true many companies have a policy of new parts on newer cars, these policies are loosely interpreted and generally pertain to the current model year. In the competitiveness of insurance rates (and loss control) a few ground rules can prevent the consumer from loosing all control.

The aftermarket part industry should establish it's self by providing a quality product not by the railroad tactics of the insurance industry. My experiences with the Certified Automotive Parts Association (CAPA) indicate the CAPA seal much touted by the insurance industry is worth little more than the ink used in it's printing. It is obvious the aftermarket part industry is unable to regulate itself to provide a quality product.

The consumer deserves some protection, the LEAST of which should be a legal choice regarding replacement parts.

Sincerely,

A handwritten signature in cursive script that reads 'Steven Humblet'.

Steven Humblet

Bill's Auto Body, Inc.



RE: AB-416/SB-225

My name is Bill Luckenbill. I've owned a collision repair business (Bill's Auto Body, Inc.) in Superior for the past 17 1/2 yrs. I feel very strongly that Assembly Bill AB-416/SF-225 should be passed. I'd have been here in person today, but a previous commitment, scheduled several months ago could not be changed.

Our shop has an excellent reputation for quality, service and honesty, so when I have an opportunity to provide even better service, I won't hesitate in doing so.

The issue of aftermarket parts has been a powder keg for as long as these parts have been around. A majority of these parts, including the C.A.P.A. certified parts, just plain don't fit or the quality is not the same as the original manufacturer's parts. We won't compromise quality for cost, so we decline using them in most cases.

We are asked time after time by the insurance companies to try to use them, but with the inconsistent quality, we have been very reluctant. If we totally refuse to use them, we are told that the job will go elsewhere or the customer will have to pay the difference.

I was brought up believing we live in a free country. Having certain rights and the opportunity to make decisions. Apparently these rights don't stand when it comes to the use of these sub-standard parts.

Please give us, both the consumer and the repairer the right to choose for ourselves on this parts issue. The states that have adopted legislation concerning these parts, don't seem to have the problems between the consumer, insurance industry and the repairer that we have in the State of Wisconsin.

Please vote YES for 1997 Assembly Bill 416.

Thank You,

Bill Luckenbill

Crash Parts Legislation Sparks Debate

By ELEANOR YAP
Senior Associate Editor

Ron Christensen, owner of Swede's Auto Body, Peabody, Mass., has a reputation in his state for being headstrong and unwavering. Christensen spends most of his time defending his customers' rights to have original equipment manufacturer (OEM) parts installed on their vehicles. If an insurance company won't pay for OEM, Christensen gives his customers several options: pay the difference, allow Christensen to take the case to court, or go somewhere else. Christensen is one of many shop owners who are determined not to let insurance companies control their businesses. The fight has spilled into the corridors of several state legislatures where the goal is keeping the consumer in the repair equation.

In early April, Arkansas Gov. Mike Huckabee signed into law legislation that amends the Arkansas New Motor Vehicle Quality Assurance Act. The amendment mandates that only OEM replacement crash parts be used for repairs made on vehicles still under the manufacturer's original warranty, unless the owner consents in writing to the use of non-OEM parts. A crash part is defined as a non-mechanical replacement part including—but not limited to—a door, fender, panel, bumper, hood, floor or trunk lid.

Under the new law, which supersedes any existing laws or parts of laws that stand in conflict, an insurer must specify in writing to the policyholder the use of non-OEM parts and that these parts are required to be at least equal in terms of fit, quality, performance and warranty to the OEM parts they replace.

Strictest Disclosure Law

The Arkansas bill pales in comparison with the nation's strictest disclosure law, currently in West Virginia. This law, which was passed in 1995, mandates that shops use genuine crash parts sufficient to maintain the manufacturer's warranty for fit, finish, structural integrity, corrosion resistance, dent resistance and crash performance, unless the vehicle's owner consents in writing at the time of the repair to the use of aftermarket crash parts. This law applies to cars up to two years old.

The law states that for three years from the date of purchase, an insurance company cannot require the use of aftermarket crash parts when negotiating repairs of a motor vehicle with any repairer, unless the motor vehicle owner consents in writing to use of those parts prior to the repair. The law does not stop there, though. If the vehicle is three years old or older, the law requires that shops provide vehicle owners with a list of the replacement crash parts the body shop intends to use in the repair; specify whether the parts are genuine crash parts; identify the manufacturer of the parts if the replacement parts are aftermarket crash parts; and advise the owner that the use of aftermarket (also termed generic) crash parts may void a manufacturer's warranty.

While Arkansas joins several states that already have some form of a consumer

disclosure law on their books, other states are playing catch-up:

- **Georgia.** Legislators here are analyzing two aftermarket bills—House Bill 304 and Senate Bill 225. The House Bill prohibits insurance companies from requiring the use of aftermarket replacement parts in the repair of a vehicle during the current model year and the two succeeding years. Under the Senate Bill,

estimate was prepared based on the use of one or more crash parts supplied by a source other than the vehicle's manufacturer and warranties are provided by that manufacturer. In addition, aftermarket parts cannot be used during the original or extended warranty period of the insured's motor vehicle. The bill has been referred to the Department of Motor Vehicle and Traffic Regulations.



repair shops are required to register with the state and identify replacement parts used to rebuild or recondition a vehicle. Currently, HB 304 is in the Insurance Committee, while SB 225 is in the Community Affairs Committee.

- **Massachusetts.** Under House Bill 2744, insurance companies or repair shops are not allowed to tell the consumer anything about generic crash parts unless it is in writing. According to shop owner Christensen, who helped draft this bill, if anyone says the parts are the same, they'll have to indicate it in writing and risk a lawsuit. The measure also states that the use of generic crash parts cannot alter, change or interfere with the vehicle's operational safety or any of its parts or safety systems. Furthermore, the part used must be warranted, and such warranty must accompany the part and be equal to or greater than the warranty period for a genuine crash part. There is also another bill in the House—3316—which mirrors West Virginia's 1995 law. Both bills are before the Committee of Public Safety.

- **Missouri.** House Bill 814 states that any aftermarket part supplied by a non-OEM for use in Missouri after January 1, 1990 must be affixed or inscribed with the logo or name of its manufacturer. In addition, insurers cannot specify directly or indirectly the use of non-OEM crash parts in the repair of a vehicle without disclosing their intended use.

The insurer can use aftermarket parts if a written estimate identifies each part, or if a disclosure document states that the

- **New Jersey.** Senate Bill 2197, which was introduced last month, requires that aftermarket parts used in the repair of a vehicle bear some form of identification. The repairer should detail parts and paint used in the repair and should indicate that the use of aftermarket parts might void the manufacturer's warranty. Also, the measure requires that OEM parts be used during the model year and four following years, unless the owner consents in writing to the use of aftermarket parts. If the insurer is paying the cost of the repair, the owner of the vehicle should be compensated for the part, OEM or aftermarket. Furthermore, the bill defines a "certified aftermarket collision part" as one that has been tested and approved by a testing authority which is independent of the OEM, aftermarket parts manufacturer, insurer or repair shop. The testing authority must certify that the quality of the part is equal to or exceeds that of the OEM part. If the bill is passed, the Director of the Division of Motor Vehicles in the Department of Transportation will be able to impose penalties on any violators.

- **New York.** Assembly Bill 519 proposes to create a certification procedure to ensure that the crash parts other than OEM parts restore the vehicle to its pre-accident condition in terms of fit, quality and performance. If there are no adequate certification programs, the Commissioner of Motor Vehicles would provide alternative procedures. In addition, a repair shop cannot repair a vehicle with a certified crash part without giving prior notice to the vehicle owner and insurance com-

pany. The bill piggybacks other measures including the licensing of shops. Currently, the bill has been referred to the Transportation Committee.

- **Rhode Island.** Under House Bill 5795, repair facilities are not allowed to use non-OEM parts less than 30 months beyond the date of manufacture of a vehicle, unless the owner consents in writing. The insurer cannot require the use of such parts unless the owner consents in writing. With vehicles older than 30 months, the use of non-OEM or OEM parts should be left to the repair shop's discretion. And, in cases where vehicles are covered by original warranties that extend beyond the 30 months and the use of aftermarket parts would adversely affect factory-applied warranties, shops cannot install non-OEM parts unless the owner consents in writing. The bill is before the House Corporations Committee.

Tough Road

Not every bill has met with success this year. Here are some of this year's fatalities:

- **Connecticut.** House Bill 5676 would have required vehicle repair shops to use OEM parts unless the owner consents in writing to waive the right to such parts. The bill died in the General Law Committee.

- **Illinois.** House Bill 1502 was similar to the 1995 law passed in West Virginia. The bill died in the Insurance Rules Committee.

- **Tennessee.** Under House Bill 1500 (same as Senate Bill 373), insurance companies would not be allowed to require or direct the use of aftermarket parts in a vehicle of the current model year or two years thereafter. The bill did not leave the Consumer and Employees' Affairs Committee.

- **West Virginia.** Senate Bill 466, which was introduced in March of this year, died in the Senate Banking and Insurance Committee. It kept most of the original requirements of the state's current law intact but changed the time period of allowing aftermarket parts to after five years.

Automotive Service Association (ASA) Washington Representative Bob Redding says, "Some of these bills are poorly drafted and some are done with the best of intentions. Be it the repairer, dealer or insurer, they go to the legislator and tell him the problem, but they fail to give him a suggested policy statement. As a result, the product going into the system might not do as much as you would like. It might do too much, like the originally drafted Connecticut bill, which dealt with mechanical parts as well."

To resolve the problem of this mixed bag of legislation, Redding proposes to make consumer issues more uniform, such as the time period and the types of parts used. As of press time, he has invited 25 people including the Certified Automotive Parts Association (CAPA), insurers, OEMs, dealers and recyclers to a one-day "crash parts summit" in late June to agree on uniform language.

With an estimated \$10 billion domestic replacement parts market up for grabs, it is no surprise that the OEMs, repairers,

(continued on page 8)

Crash Parts Legislation Sparks Debate

(continued from page 6)

insurers and aftermarket parts distributors are pointing fingers at each other.

According to an article in *Investor's Business Daily*, OEMs control about 85 percent of that market, independents such as Keystone Automotive Industries take 10 percent and the rest goes to auto salvagers. State Farm spokesman David Hurst says the company is against the use of time limits on aftermarket parts. "We feel we should have the freedom to suggest the use of these parts as we would at any other time in the car's life. We recognize that they may not always be available in the first couple of years," says Hurst. "As far as consumer disclosure, we feel we already do a good job of disclosing to the policyholder or claimant."

Hurst adds that while they have no problem complying with the disclosure law, it is not something they feel is absolutely necessary. However, the company does provide disclosure in its policies and estimates, as well as a separate disclosure statement indicating that aftermarket parts are being recommended.

The policyholder can choose not to abide by the company's recommendations, adds Hurst, and if he insists on OEM parts, they can be obtained at additional cost to the consumer. "We feel that laws requiring written consent prior to the use of aftermarket parts creates additional work for the insurer," says Hurst.

The Automotive Body Parts Association (ABPA) shares the same concerns. The group represents 200 manufacturers, suppliers and distributors of aftermarket parts, who in turn operate 350 different distribution locations around the country. ABPA Executive Director Stanley Rodman does not oppose disclosure, but is against the stifling of competition. "I believe under a free enterprise system, the marketplace is the best determinant economically as to who exists and who falls by the wayside," says Rodman. "I think what you're looking at here are a bunch of individuals who are taking their frustration and their adversarial position with the insurance industry out on aftermarket parts. I believe they are very unhappy with their labor rate and they are looking at aftermarket parts as one of the issues that they feel has gutted their profitability."

CAPA, which certifies only about four percent of the aftermarket crash parts in the marketplace, stands by full consumer disclosure regardless of the age of the vehicle and the type of part used on the vehicle. CAPA's Karen Fierst, deputy executive director, says, "We believe that a ban on CAPA-certified parts will enable the car companies to successfully achieve the monopoly that they've been trying to regain for the past 15 years. We think that is very anti-consumer." She adds that if this ban is implemented, consumers would likely see their premiums increase.

According to Rodman, aftermarket parts were initially introduced as rust replacement parts. As more parts applications grew, shops began substituting OEM for these parts. "In many cases, the cost of the parts made it possible for the insurance company not to have to total the vehicle, which would have created more work for the body shop." Rodman explains that aftermarket parts have improved tremendously over the years as most of their Taiwanese manufacturers have passed international manufacturing standards.

In order to compete with the less-expensive aftermarket parts, OEMs have lowered prices on their most popular items. According to Ford's George Gilbert, crash parts merchandising manager, Ford is analyzing its manufacturing process and cutting down on waste. The savings will then be passed onto the consumer.

Gilbert explains that Rodman has accused him of driving imitators out of the market, so that Ford could raise prices. "Ford is in the business of building cars," says Gilbert. "I could have a great year selling sheet metal, but if the company doesn't sell cars, we don't make any money. We're doing it [pushing OEMs] so our parts are not automatically excluded from the estimating system because the insurance companies are looking for the lowest price." Rodman adds that carmakers may have lowered prices on parts, but not on their moldings: "They have raised those

prices to try to recoup what they've lost on their popular items."

So, will the fighting abate for the sake of the consumer? Gilbert says, "I think there's beginning to be a feeling [between the car manufacturers and insurers] that if we're both going to serve the customer, there should be a way to come to some common ground." One way is through state legislation, says Gilbert, which is being accomplished.

Mike Melfi, chairman of the Coalition for Collision Repair Equality (CCRE), disagrees. He explains that insurance companies have power in state legislatures and to beat them, consumers should lead the fight. "Once people start hollering, insurance companies will have to change how they do business," says Melfi. "The ideal situation is for insurance companies to agree to maintain the warranty of the original equipment vehicle with OEM parts for as long as that car is under warranty."

ASA's Redding even suggests the debate will end in federal legislation. Rodman, on the other hand, sees a two-policy system being implemented. One insurance policy, the most comprehensive and expensive, would allow policyholders to use all OEM parts; another policy—at a reduced annual premium—would allow the use of any part, OEM or aftermarket.

At this point, much remains to be seen, but the fight is nowhere near over. ■

ANSWERS TO THE MOST COMMONLY ASKED QUESTIONS ABOUT CRASH PARTS

Q *What are crash parts?*

A Crash parts are exterior sheet metal and plastic body parts, such as hoods, doors, fenders and bumper components, most frequently damaged in vehicle accidents. Genuine crash parts are those made by your vehicle manufacturer or its authorized representatives, and are the same as the parts used on new vehicles. Imitation crash parts are unauthorized copies of vehicle manufacturer parts. Those that have been tested have been found to be of questionable quality.

Q *Who is involved in the genuine vs. imitation crash parts debate?*

A Most consumers want genuine crash parts for repairs, but few are aware that imitations may be used and even fewer are invited to participate in the selection process.*

Insurance companies control or influence the majority of crash parts purchase decisions.** They use imitations as a method to reduce their repair costs, yet auto insurance premiums have risen at more than twice the rate of inflation over the past decade.

Most collision repairers prefer to work with genuine crash parts but, because they are dependent on insurance company referrals, are reluctant to question parts selections by insurers.**

Vehicle manufacturers: Ford believes that substandard imitation crash parts can be travelling billboards that undermine Ford's reputation for quality and customer satisfaction.

*1994 Cambridge Reports consumer survey
**1994 IMR national collision repairer survey



HOW TO PROTECT YOUR INTERESTS

Here are a few tips you can use to help protect your interests when collision repairs are needed for your vehicle:

- Get involved in the collision repair process from the start and ask what crash parts will be used for repairs.
- Closely check your repair estimate before authorizing repairs.

Parts identified by the terms "economy," "quality replacement," "like kind and quality" and "competitive" could be imitation crash parts.

- If imitation crash parts have been selected for repairs and you are uncomfortable with that choice, ask that genuine replacement crash parts be used. Be aware that if your insurer does not authorize use of genuine parts, you may be asked to pay any cost difference between genuine and imitation crash parts.
- Your insurance company may elect to settle your claim directly with you prior to having repairs made. Be sure you agree to all terms of the settlement — including replacement parts — prior to accepting a settlement agreement.
- If you choose to have imitation crash parts installed on your vehicle — or if you learn after the fact that imitation crash parts have been installed on your vehicle — immediately report any problems with the parts to your insurance agent.



GENUINE FORD REPLACEMENT CRASH PARTS REQUEST FORM

GIVE TO INSURANCE ADJUSTER

I prefer that only genuine Ford replacement crash parts be used to repair my vehicle. If you require that imitation crash parts be used for repairs, please provide me written proof that they are equal to genuine Ford replacement crash parts in terms of fit, finish, structural integrity, corrosion protection and dent resistance.

ALSO, PLEASE PROVIDE PROOF THAT:

- Any imitation sheet metal crash part to be used is backed by a written warranty against corrosion that is as good as Ford's Lifelong Sheet Metal Guarantee, which covers both parts and labor; allows repairs at any authorized repair facility; and remains in effect as long as I own this vehicle, and;
- Any other imitation crash part is covered by a warranty equal to the Ford warranty.

Thank you.

Name _____

Address _____

City _____

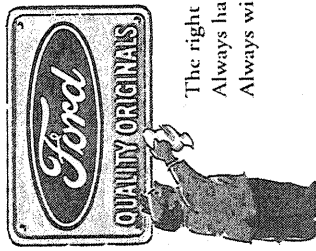
State _____

ZIP _____



FCS-01-CTM3/95

A Consumer's Guide to Quality Collision Repair



The right choice...
Always have been...
Always will be.

QUALITY ORIGINAL
Genuine Ford Replacement Crash Parts

OUR COMMITMENT TO QUALITY

At Ford Motor Company, our commitment to quality is a company philosophy that applies to everything we do — from the time a vehicle is an idea in the mind of a designer, right through your sales and service experiences at our dealerships.

This commitment means that every Ford vehicle is designed, engineered, tested and manufactured to meet exacting automotive standards.

It also means that every dealership experience — whether in the showroom or the service department — should result in your total satisfaction.

There's one other area to which our quality commitment extends — collision repair.

As the owner of a Ford, Lincoln or Mercury vehicle, we hope this situation never becomes a concern to you, but if it does, you can be sure Ford is committed to providing the technical expertise and high-quality parts to return your vehicle to its pre-accident condition.

Be aware, however, that there is one aspect of the collision repair process we do not control — deciding which replacement parts are used to repair your vehicle.

Many insurance companies favor imitation "crash parts" — such as hoods, doors, fenders and bumper components — for repairs simply on the basis of cost. While imitations may appear identical on the surface, there's evidence that imitation crash parts, most of which are produced in Taiwan, are of lesser quality.

Ford Motor Company believes that you should have the right to decide what parts will be used to repair collision damage to your vehicle. This pamphlet has been prepared to assist you in making the decision that is right for you.

REPLACEMENT CRASH PARTS FACTS: QUALITY, WARRANTY, PRICE

Before making your decision on which replacement parts you want used to repair your vehicle, take a few moments to review the facts.

QUALITY

When it comes to quality, there should be no debate.

Genuine Ford replacement crash parts are the same as those used on new vehicles — with equivalent fit, finish, structural integrity, corrosion protection and dent resistance.

The quality picture is much less clear for imitation parts:

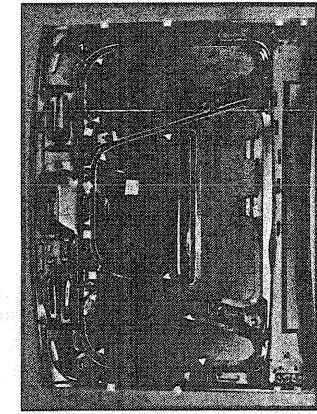
- Recent testing of imitation crash parts commissioned by Ford and performed by an independent research laboratory uncovered a variety of deficiencies in the fit, finish, structural integrity, corrosion protection and dent resistance of the parts tested.

This news is not new. Previous tests by Ford, other vehicle manufacturers and independent collision repair organizations have consistently found similar problems ... despite assurances from the proponents of imitation crash parts that they are of "like kind and quality" or "functionally equivalent" to genuine crash parts.

What could the use of substandard imitation parts mean to you and to the investment you have made in your vehicle? Here are a few examples:

- Poor fit can mean that the gaps between the exterior sheet metal and plastic parts on your vehicle may be uneven, or that the repairer may have to force the parts to fit.
- Substandard finish can mean that unsightly waves and ripples may be apparent on the surfaces of parts — and that inadequate or insufficient surface preparation may jeopardize the durability of finish paints.

- Structural integrity can be compromised when insufficient welds or inadequate adhesives are used ... for example, to connect the two panels that make up a hood.



This imitation hood was found to have missing welds, adhesives and epoxy.

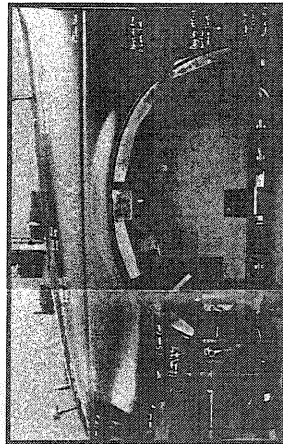
- Insufficient corrosion protection can mean that rust may result in areas where regular steel has been used in place of more corrosion-resistant galvanized steel.

- Less dent resistance can mean that exterior panels on your vehicle are more susceptible to dings and dents.

WARRANTY

When genuine Ford replacement sheet metal parts are used for collision repairs to your vehicle:

- You are covered by Ford's exclusive Lifelong Sheet Metal Guarantee — which covers both parts and labor; allows repairs at any authorized repair facility; and remains in effect for as long as you own your vehicle. See your dealer for details of this limited warranty.



Mounting this imitation fender on a master checking fixture revealed 17 different defects.

- All other terms of your vehicle's original limited warranty remain in effect. See your dealer for details.

Warranties for imitation crash parts are generally less comprehensive:

- Some cover costs for replacement parts only, and exclude labor charges.
- Some require that repairs be made at the same shop that completed the original repair.
- Some limit the coverage term to five years or less.
- When imitation crash parts are used, collateral damage caused by substandard imitations may not be covered by your vehicle's original warranty.

PRICE

In the past several years, Ford has reduced suggested retail prices on many of its genuine replacement crash parts to make sure you have access to the parts, if that is your choice. Ford believes your long-term interests are best protected if genuine Ford replacement crash parts are used for repairs, even if your insurance company asks that you pay a price difference.

Remember — the basic obligation of your insurance company is to return your collision-damaged vehicle to its pre-accident condition. In light of the quality shortcomings identified above, you need to ask if your insurance company can meet its obligation by using imitation parts. The quality of your Ford vehicle can be restored with the use of genuine Ford replacement crash parts.

