AB153

MEMORANDUM

To: All Assembly and Senate Colleagues

From: Representative Stephen Freese
Senator Richard Grobschmidt

Date: February 15, 1999

AB153

Re: Co-sponsorship of companion bills, LRB-1591/1 (Assembly version) and LRB-2124/1 (Senate version), relating to requiring authorization for the use of nonoriginal manufacturer replacement parts in the repair of a motor vehicle.

SB63

We will be introducing legislation very similar to 1997 Assembly Bill 416/Senate Bill 225, relating to the use of original manufacturer replacement parts. Some modifications have been made, but the intent of this legislation is still the same. This bill will finally allow the consumer a true choice in which replacement parts are used in the repair of their motor vehicle.

The February, 1999 issue of Consumer Reports published an unbiased report entitled, Cheap car parts can cost you a bundle: Auto insurers are pushing shoddy collision-repair parts, and consumers may not know it. The magazine did its own independent study on original (OEM) and nonoriginal (non-OEM) fenders and bumpers to test for strength, fit, rust resistance and collision damage. The report concluded that non-OEM parts were inferior by stating, "The imitation bumpers and fenders we tested were inferior to OEM parts. The bumpers fit badly and gave poor low-speed crash protection. Most of the fenders also fit worse than OEM fenders, and they rusted more quickly when scratched to bare metal." Consumer Reports recommends consumers think twice before using non-OEM body parts because "until the quality of imitation parts can be demonstrated to be on par with OEM parts, we cannot make a blanket recommendation to use them."

The analysis by the LRB can be found below. **If you would like to co-sponsor LRB-1591/1 and LRB-2124/1 please contact Rob in the Freese office at 6-7502 or John Sumi in the Grobschmidt office at 6-7505 by *February 22, 1999*.**

Analysis by the Legislative Reference Bureau

Under current law, an insurer may not use nonoriginal manufacturer replacement parts in the repair of an insured's motor vehicle unless the insurer complies with specific notice requirements. (Nonoriginal manufacturer replacement parts are nonmechanical sheet metal or plastic parts for the repair of the exterior of a motor vehicle that are not made by or for the manufacturer of the insured's motor vehicle.) The notice must clearly identify the replacement parts as nonoriginal manufacturer replacement parts and advise

the insured that warranties on the parts are provided by the manufacturer of the parts, not the manufacturer of the insured's motor vehicle. The notice must be on or attached to any repair estimate prepared by the insurer that is based on the use of one or more nonoriginal manufacturer replacement parts. If the insured has obtained one or more estimates and the insurer approves an estimate that is based on the use of one or more nonoriginal manufacturer replacement parts, the insurer must make sure that the insured receives the notice before the motor vehicle is repaired. The insurer may give the notice by telephone after repairs have begun if the insured authorizes repairs to begin before the insurer approves the estimate. The insurer may not require the person repairing the vehicle to give the notice.

This bill changes the requirements that apply in order for an insurer to require the use of nonoriginal manufacturer replacement parts in the repair of an insured's motor vehicle. An insurer must provide an insured with the notice and authorization form. The notice must clearly identify any nonoriginal manufacturer replacement parts that will be used in the repair, if the insured authorizes the use. The notice must also explain that the insured may choose to have replacement parts made by or for the manufacturer of the insured's vehicle used in the repair and that the insurer's obligation to cover the repair is not affected by the type of replacement parts that the insured chooses. The authorization part of the form must allow the insured to choose either a nonoriginal or original manufacturer replacement part for each replacement part that will be used in the repair. The insurer may require the use of a nonoriginal manufacturer replacement part only if so authorized on the form by the insured. The notice and authorization form must be attached to a repair estimate prepared by the insurer or delivered before repairs begin if the insurer approves an estimate obtained by the insured. The bill removes the authority to provide the notice by telephone and removes the prohibition against an insurer requiring the person repairing the vehicle to give the notice.

The provisions in current law do not apply to mopeds, semitrailers or trailers designed for use in combination with a truck or truck tractor. The bill provides that the provisions do not apply to motorcycles, either.