

MEMORANDUM

TO: Members of the Wisconsin Legislature

FROM: Wisconsin Auto Collision Technicians Association
Wisconsin Automobile & Truck Dealers Association
Wisconsin Motor Carriers Association
Wisconsin State AFL-CIO
United Auto Workers (UAW)
Concerned Auto Recyclers of Wisconsin
Ford Motor Company
General Motors Corporation
DaimlerChrysler

DATE: February 16, 1999

RE: Original Manufacturer Replacement Parts – Request for Sponsors

The above organizations request that you sign on as sponsors of legislation being circulated as companion bills by Rep. Freese and Sen. Grobschmidt. Similar legislation passed the Senate last session (SB 225), as well as the Assembly Consumer Affairs Committee (by 6-2 vote). The bill did not pass the Assembly because it failed to get scheduled as session closed – time simply ran out.

This legislation simply gives consumers the right to choose either original or imitation auto body parts. It mitigates the practice of insurance companies requiring the use of imitation replacement parts (“aftermarket parts”) to repair vehicles. These parts reduce the resale value of vehicles, impede quality repairs by body shops, and compromise consumer warranties. (See the enclosed article, over, on related findings by Consumer Reports in its February 1999 issue.)

Problem: Unauthorized copies of OEM parts, usually produced in Taiwan, are often made using thinner, lighter, lower quality materials.

- These imitation parts fail to meet quality standards for fit, finish, structural integrity and corrosion resistance.
- Many imitation parts just do not fit properly, regardless of the amount of time spent by repair technicians.
- Studies show that imitation parts lower a vehicle’s value.
- Auto manufacturers’ warranties do not cover imitation parts, and warranties for associated parts or systems whose failure was caused by the imitation parts are also invalid.

Existing Wisconsin Law: Under current law, an insurer can require the use of non-OEM replacement parts merely by providing a “notice” to the consumer of their decision to use non-OEM parts. These notices have proved ineffective in protecting consumers from inferior parts since consumers are not given a choice.

– Over –

Magazine: Beware cheap auto parts

By John Hendren
AP national writer

NEW YORK — Many insurers push "shoddy" and even dangerous knockoff replacement parts on car owners after a crash, Consumer Reports magazine found in a study issued Monday.

The study, in the magazine's February issue, found replacement bumpers that crumpled with little resistance, poorly fitting fenders prone to rust, and hoods with faulty latches that allow them to open at high speeds. Consumers Union, a non-profit group that publishes the magazine, is urging Congress and states to regulate the industry and require car owners' consent before imitation parts are used.

Most insurers endorse imitation parts because they come as much as 65 percent cheaper. Yet customers complain about knockoff parts twice as often, according to a survey of 500 repair shops done for the auto industry by Industrial Marketing Research.

Daniel Della Rova grew concerned over replacement parts after the hood of his Honda Accord flew into his windshield on the highway near Kutztown, Pa., in 1998. A damage appraiser blamed a cheap imitation hood made in Taiwan.

The difference in price can be substantial. A replacement hood for the Accord cost about \$100, compared with about \$225 for a hood made by Honda.

That's a major reason why insurers call for imitation parts 59 percent of the time, according to Industrial Marketing Research.

Only one major insurer of 10 questioned by Consumer Reports required replacement parts made by the original automaker: the Interinsurance Exchange of the Automobile Club of Southern California. The magazine said Allstate will pick up the cost for original parts if the customer insists. State Farm, Travelers and Erie require the consumer to make up the difference.

Insurers warn that requiring

parts from original equipment makers could drive up the \$59 billion Americans spend each year replacing parts damaged in the 35 million auto accidents that occur annually.

The insurance industry is not aware of widespread problems with replacement parts, said David Snyder, a lawyer with the American Insurance Association.

Nearly everyone agrees that an open market for replacement parts has helped keep prices down. Yet parts from original automakers remain high. The sum of the parts on a 1998 Ford Explorer is more than two-and-a-half times its \$27,145 list price, according to the Alliance of American Insurers.

Consumers Union wants Congress to require the National Highway Traffic Safety Administration to require labeling that would allow authorities to track parts for recalls and to determine legal liability. It also wants states to require insurers to disclose how much they're saving with imitation parts.

Contact Rep. Freese (266-7502) or Sen. Grobschmidt (266-7505) if you would like to review the Consumer Reports article.

To: Dan

Fm: Eric

Re: SB 63

Testifying against.

This order will move things along

1. Jack Gillis
2. Generic parts distributor panel - Ron Koengshoden
- Dave Groewer
3. National panel
- Kirk Hansen
- Don Steasby
4. Insurance panel
- Larry
- Mike
- Joe
5. Insurance agent - Larry
- Paul
6. Body shop panel - Brian
- Tim

7. Keystone - Elrew

8. W.I.A - Etic

WISCONSIN INSURANCE ALLIANCE

44 EAST MIFFLIN STREET • SUITE 305
MADISON, WISCONSIN 53703
(608) 255-1749
FAX (608) 255-2178
wial@execpc.com

Memorandum

TO: Members of the Wisconsin Legislature
DATE: August 19, 1999
FROM: Eric Englund
RE: SB-63/AB-153 – Auto Replacement Parts

We ask that you vote **against** SB-63/AB-153.

Tens of millions of dollars are spent annually in Wisconsin to pay for parts to repair crash damaged automobiles. The question that underlies SB-63/AB-153 is who should supply the replacement parts necessary to repair these vehicles.

Historically, auto manufacturers had a monopoly in the manufacturing and distribution of these parts. However, during the past several decades competition has entered the marketplace and a number of companies now manufacture and distribute these replacement parts. As a result of this competition, prices for replacement parts are reduced by 25-40% and more, depending on the type of repair. The auto manufacturers have not been particularly pleased with the growth of this “generic parts” industry. Why? That’s simple. Competition has forced a decrease in the amount they can charge for replacement parts. That’s right... the squeeze of competition is hurting their pocketbooks and now they are coming to you seeking protection.

The auto manufacturers control 85% of this market, with the generic parts filling the additional 15%. Auto manufacturers don’t like sharing that market, and through this bill are attempting to legislate a monopoly.

No one can appear before the legislature saying “we want a monopoly”. Instead, the auto manufacturers are hiding behind the mantra of “consumer protection”. What’s particularly interesting is that no consumer has ever appeared in either house of the legislature in favor of these bills. That’s right... the “consumer protection” mantra of the auto manufacturers is not supported by the testimony.

Eric Englund
President

Mark Afable
Chairperson
American Family Insurance
Charles Stern
Vice-Chairperson
Wisconsin Mutual Insurance
Andy Franken
Secretary/Treasurer
Wausau Insurance Companies

Members:

American Family Insurance
American Standard Insurance
Badger Mutual Insurance
Capitol Indemnity Corporation
Church Mutual Insurance
CUNA Mutual Insurance Group
Dairyland Insurance
1st Auto & Casualty
General Casualty Insurance
Germantown Mutual Insurance
GRE Insurance Group
Heritage Insurance
IDS Property Casualty Insurance
Integrity Mutual Insurance
Jewelers Mutual Insurance
Manitowoc Cty. Mutual Insurance
Maple Valley Mutual Insurance
Milwaukee Insurance Group
Milwaukee Mutual
Old Republic Surety Company
Partners Mutual Insurance Company
Progressive Northern Ins. Cos.
Retail Lumbermens Mutual Insurance
Rural Mutual Insurance Company
Secura Insurance
Sentry Insurance
Sheboygan Falls Insurance
Society Insurance
United Wisconsin Insurance
Waukesha Co. Mutual Insurance
Wausau Insurance Companies
WEA Insurance Group
West Bend Mutual Insurance
Wilson Mutual Insurance
Wisconsin American Mutual
Wisconsin Assoc. of Mutual Ins. Cos.
Wisconsin Mutual Insurance

Associate Members:

AAA/Michigan/Wisconsin
Allstate Insurance
Farmers Insurance
Liberty Mutual
Rockford Mutual Ins. Co.
State Auto Ins. Cos.
State Farm Insurance
St. Paul Companies
Viking Insurance Company

As auto insurers we have a significant stake in this debate. Why? Our responsibility on behalf of your constituents is to keep automobile insurance affordable in Wisconsin. The benefits of competition in the automobile replacement parts industry has helped achieve this goal. If legislation reducing competition is passed, then our costs will rise, which means that the cost of our product will similarly increase.

Please keep in mind that "generic parts" are designed to do the same job as the parts that come with your car from the manufacturer. They are tested. They are safe. They work. The only reason this legislation is before you is because of lost profits to auto manufacturers.

When was the last time you were "doing doors" and someone complained about the quality of replacement parts on their automobile? The answer to that question tells you the extent of the "consumer dissatisfaction" with a status quo. This bill is a thinly masked attempt on the part of special interest to increase their profits and limit competition. We respectfully request that you oppose this bill.

Enclosure: 1) Testimony of Jack Gillis before the Senate Judiciary Committee in opposition to SB-63.
 2) Background information on the use of competitive crash parts.

WISCONSIN INSURANCE ALLIANCE

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Wisconsin Insurance Companies

Members:

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Church Mutual Insurance
CUNA Mutual Insurance Group
Dairyland Insurance
1st Auto & Casualty
General Casualty Insurance
Germantown Mutual Insurance
GRE Insurance Group
Heritage Insurance
IDS Property Casualty Insurance
Integrity Mutual Insurance
Jewelers Mutual Insurance
Manitowoc Cty. Mutual Insurance
Maple Valley Mutual Insurance
Milwaukee Insurance Group
Milwaukee Mutual
Northwestern National Casualty
Old Republic Surety Company
Partners Mutual Insurance Company
Progressive Northern Ins. Cos.
Retail Lumbermens Mutual Insurance
Rural Mutual Insurance Company
Secura Insurance
Sentry Insurance
Sheboygan Falls Insurance
Society Insurance
United Wisconsin Insurance
Waukesha Co. Mutual Insurance
Wausau Insurance Companies
WEA Insurance Group
West Bend Mutual Insurance
Wilson Mutual Insurance
Wisconsin American Mutual
Wisconsin Assoc. of Mutual Ins. Cos.
Wisconsin Mutual Insurance

Associate Members:

AAA/Michigan/Wisconsin
Allstate Insurance
Farmers Insurance
Liberty Mutual
Rockford Mutual Ins. Co.
State Auto Ins. Cos.
State Farm Insurance
St. Paul Companies
Viking Insurance Company

TO: SENATE JUDICIARY COMMITTEE

DATE: April 29, 1999

FROM: Eric Englund

RE: SB-63

We ask that you vote **against** SB-63.

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Historically, auto manufacturers had a monopoly in the manufacturing and distribution of these parts. However, during the past several decades competition has entered the marketplace and a number of companies now manufacture and distribute these replacement parts. As a result of this competition, prices for replacement parts have reduced by 25-40% and more, depending on the type of repair. The auto manufacturers have not been particularly pleased with the growth of this "generic parts" industry. Why? That's simple. Competition has forced a decrease in the amount they can charge for replacement parts. That's right... the squeeze of competition is hurting their pocketbooks and now they are coming to you seeking protection.

The auto manufacturers control 85% of this market, with the generic parts filling the additional 15%. Auto manufacturers don't like sharing that market, and through this bill are attempting to legislate a monopoly.

No one can appear before the legislature saying "we want a monopoly". Instead, the auto manufacturers are hiding behind the mantra of "consumer protection". What's particularly interesting is that no consumer has ever appeared in either house of the legislature in favor of these bills. That's right... the "consumer protection" mantra of the auto manufacturers is not supported by the testimony.

As auto insurers we have a significant stake in this debate. Why? Our responsibility on behalf of your constituents is to keep automobile insurance affordable in Wisconsin. The benefits of competition in the automobile replacement parts industry has helped achieve this goal. If legislation reducing competition is passed, then our costs will rise, which means that the cost of our product will similarly increase.

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Enclosure: Testimony of Jack Gillis before the Senate Judiciary
Committee in opposition to SB-63.

State Farm Insurance Companies



State Farm Insurance Claim Office
P.O. Box 7038
Madison, Wisconsin 53707-7038
Phone: 608-242-2200
1-800-362-7450

TO: Wisconsin Senate Members
FROM: Bill Donohue and Chet Gerlach
RE: Senate Bill 63 -- Assembly Bill 153
DATE: June 14, 1999

Senate Bill 63 and Assembly Bill 153 have been introduced, which if enacted would adversely impact the use of non-OEM parts in the repair of damaged vehicles.

The enclosed pamphlet addresses many of the concerns about the use and acceptance of these parts.

State Farm supports the use of CAPA certified non-OEM crash parts based on our experience in Wisconsin. The use of these parts in 1998 saved our policyholders \$1.7 million in premium. In addition, problems with these parts occurred less than 1% of the time.

State Farm policyholders have a choice whether non-OEM parts are used or not. If the estimate was prepared with available non-OEM parts, the policyholder can select OEM parts. They will pay the difference between the non-OEM and OEM if the shop chooses to pass on the cost difference.

State Farm can be a resource to you and your staff on this issue. Please feel free to contact either Chet Gerlach or Bill Donohue. Chet can be reached at 255-9337 and Bill can be reached at 242-2206.

WGD/caz

Enc.



**Automotive Aftermarket
Industry Association**

4600 East-West Highway, Suite 300
Bethesda, MD 20814-3415

Phone 301-654-6664
Fax 301-654-3299
Web Site www.aftermarket.org
E-mail aaia@aftermarket.org

October 14, 1999

*Don
cc Fed W.*

The Honorable Gary R. George
State Capitol, Room 118 South
PO Box 7882
Madison, Wisconsin 53701-0118

Dear Senator George:

The recent Illinois court verdict against State Farm Insurance Company has brought a lot of attention to the aftermarket industry – some positive, some negative, and some misinformed. In the case, an Illinois jury found that State Farm breached its contractual obligations with its policyholders by forcing the use of substandard sheet metal parts and awarded the plaintiffs \$456 million. The judge subsequently awarded an additional \$730 million, primarily in punitive damages.

While some people are arguing the validity of a state court deciding a national class action suit and others continue to dispute the facts of this case, our association believes that state policymakers need to see what can be learned from the trial deliberations. The primary lesson is that **greater disclosure to consumers serves the public by creating a fairer and more competitive marketplace in the crash repair industry.**

AAIA believes that the use of aftermarket sheet metal or “crash parts” benefits consumers by providing more choices, thus promoting competition and lowering collision repair costs. However, consumers are not always aware of the type of “crash parts” covered by their insurance policies or utilized by autobody shops in the repair of their damaged vehicles. AAIA therefore supports the following disclosures that will foster competition through informed consumer choice:

- Insurance companies should disclose to policyholders at the time they purchase their policies the extent of coverage and the options provided by those policies regarding the type of replacement sheet metal parts, whether made by the vehicle manufacturer or an aftermarket manufacturer, that will be used in the repair of covered damages.
- Prior to repair of a vehicle, autobody shops should disclose to the vehicle owner the identity of the manufacturer of any part, and all applicable warranties for that part, that will be used in the repair of the damaged vehicle.



**Automotive Aftermarket
Industry Association**

**The Honorable Gary R. George
October 14, 1999
Page Two**

AAIA's members feel strongly that greater consumer awareness in the vehicle service and repair industry is good for their businesses. As our industry has grown, consumers have voted for competition with their wallets, patronizing the independent aftermarket by a three-to-one margin over the car companies and their franchised dealers. Further, the availability of independently produced replacement parts has helped control the rising cost of vehicle service, crash repair, and ultimately, insurance rates.

Using the fair principles I have outlined above, I have asked AAIA's government relations department to draft model legislation that could establish or strengthen customer disclosure requirements in Wisconsin. If you are interested in sponsoring pro-consumer legislation on this issue, please contact our government relations staff at (301) 986-1500.

For your additional information, I am enclosing a fact sheet that provides information about aftermarket crash parts and automotive aftermarket in general. If you need any more information about our industry, please feel free to contact me.

Thank you for taking the time to learn more about our industry. I hope we can work together to foster a competitive marketplace where informed consumers determine the success or failure of businesses.

Sincerely,

A handwritten signature in black ink that reads "Gene G. Gardner". The signature is written in a cursive, flowing style.

Gene Gardner
President

Facts About the Automotive Aftermarket

The following definitions have been prepared by the Automotive Aftermarket Industry Association (AAIA) to help clarify terminology used in news reports about the recent Illinois class action court decision against State Farm Mutual Automobile Insurance Company. This information is intended to help dispel some misconceptions about the aftermarket as a result of the extensive coverage of this court case.

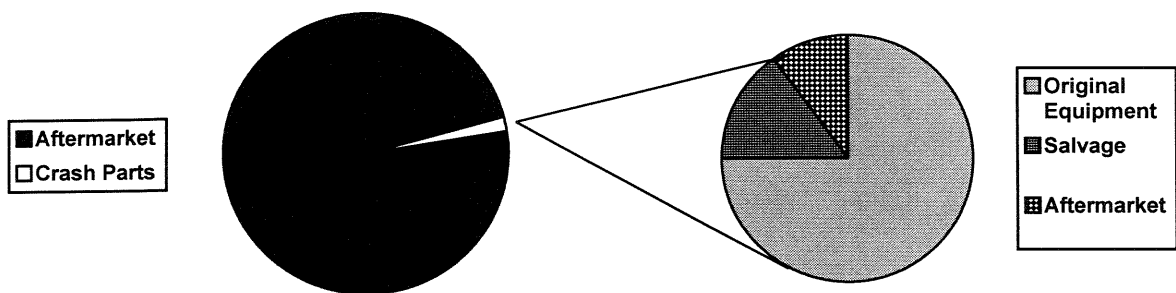
Automotive Aftermarket: The automotive aftermarket encompasses every product and service for maintaining, repairing, accessorizing and customizing a motor vehicle once it leaves the assembly line. Included are replacement parts, accessories, lubricants, fuel, tools and equipment, tires, appearance products and repairs. The aftermarket is an integrated network of mostly independent, privately-owned companies that manufacture, remanufacture, distribute, retail and install parts and products for consumers.

OE Parts: Original equipment parts are parts manufactured by or for the company that builds the original motor vehicle.

Non-OE Parts: These parts, also known as aftermarket parts, are manufactured by companies other than the original carmaker. Many companies produce parts for car companies, but also sell parts under their own brand name in the aftermarket.

Crash Parts: Exterior sheet metal parts or "outer shell" body parts used to replace parts damaged in collisions, such as hoods, fenders, doors, and trunk lids.

Profiling Crash Parts



U.S. motor vehicle aftermarket retail sales will be \$264 billion in 1999.

Crash parts sales are less than 2 percent of the aftermarket, or approximately \$5 billion.

Original equipment (OE) crash parts sales are about 75 percent of total crash parts sales.

Recycled and salvaged parts account for 10 percent.

Aftermarket crash parts account for the remaining 15 percent.

Aftermarket crash parts typically cost from 20 to 65 percent less than OE parts.



**Testimony
of the
Alliance of American Insurers
Wisconsin Senate Bill 63**

My name is Kirk Hansen. I am the Director of Claims for the Alliance of American Insurers. The Alliance is a national trade association representing over 270 property and casualty insurance companies. Alliance member companies write personal and commercial auto insurance in the amount of \$8.5 billion in the United States, and almost \$400 million in Wisconsin. I thank the Committee for this opportunity to present the Alliance's position in regard to proposed Senate Bill 63.

The Alliance is strongly opposed to limitations on the use of aftermarket (competitive replacement) parts. We believe that this bill will eliminate competition within the replacement parts industry and will make automobile insurance more expensive for consumers in Wisconsin.

The expected cost of repairing damaged automobiles accounts for between 40 and 50 percent of the insurance premium for auto insurance. The cost of replacement parts has a significant impact on the price consumers pay for auto insurance.

The Cost of Repairing a Totally Demolished Car

To dramatize for the public the importance of replacement parts in the cost of insurance, several times during the past 17 years, the Alliance has contracted with an independent auto repair appraisal firm to calculate what it would cost to replace all the crash parts of a totally demolished car by using only OEM parts. Each year the Alliance has chosen a different model to study. The result is generally triple the original cost of the car. Appraisers use standard sources of information such as the Motor Crash Estimating Guide, the Mitchell Collision Estimating Guide, Motor Parts and Time Guide, and the Imported Car Parts and Time Guide.

Today I am pleased to share with you the results of the most recent Alliance crash parts study. In 1998, the Alliance chose a brand new Ford Explorer XLT to rebuild. The vehicle information is enclosed in the *Replacement Parts: A Consumer Issue* information it. As you know, the Explorer is an exceptionally popular vehicle with car buyers.

The manufacturer's suggested retail price for the Explorer is approximately \$27,145. However, if the car was totaled and put back together piece by piece with non competitive OEM parts, the cost would be \$77,008.07 -- almost three times the original retail value.

2 - Alliance of American Insurers, Testimony on Wisconsin Senate Bill 63, April 20, 1999

Remember, the \$77,008.07 figure includes only the price of the parts, it does not include mechanical parts or labor costs. This result is similar to our findings from past years with the other car models.

How can a vehicle's replacement parts so grossly exceed its original price tag? Just look at some of the prices for Ford parts. Replacing the Explorer's front doors, including power windows and mirror, inner door components and hardware, would cost \$4,072.99. The rear doors are priced at \$4,700.06. The total for just the four doors is a staggering \$8,773.05!

The Effect of Competition on Parts Prices

Henry Ford is reputed to have said that he would give cars away if he could have a monopoly on the parts. Fortunately for consumers, aftermarket parts are readily available and accepted for most mechanical parts, such as batteries, spark plugs, oil filters, and even a car's most vital safety part: the tires. The subject of Senate Bill 63 is not the vital mechanical aftermarket parts that are produced and accepted in Wisconsin. Rather, the bill concerns cosmetic sheet metal aftermarket parts.

Two things can be done right now to reduce this enormous bill. The first is to allow competitive, non-OEM, aftermarket parts in repairing damaged vehicles. The second is to support and encourage the further development of a healthy competitive parts industry capable of providing suitable substitutes for damaged parts that are now produced only by foreign and domestic OEMs. If the state of Wisconsin allows competition by rejecting Senate Bill 63, the spiraling cost of OEM replacement parts and repairs can be checked through competitive market forces.

A comparison of the prices for OEM and competitive parts suggests the kinds of savings that could be achieved if this market is permitted to flourish. For example, the OEM replacement price for the Ford Explorer rear bumper is \$339.07 according to the Auto Damage Appraisers estimate, while the competitive replacement part sells for only \$240. An OEM Explorer headlamp assembly sells for \$178.88 while a competitive replacement part headlamp assembly is priced at only \$80. An OEM windshield costing \$1,308.09 is available for \$353.18 as an aftermarket part. All available evidence and common sense suggests that consumers have benefited from the competition in the replacement auto body parts industry which emerged in the 1980's.

Conclusion

The Alliance objects to the bill's requirement of a signed written consent for the use of competitive replacement parts. Such a requirement gives a subtle, but strong impression that there is something, somehow, wrong with the parts.

The Alliance and others in the insurance industry support the sale of aftermarket parts approved by the Certified Automotive Parts Association (CAPA), which tests competitive replacement parts. All CAPA parts have warranties that are equal to, or superior to, OEM warranties. To earn the CAPA seal of approval, a part must pass stringent tests by an

3 - Alliance of American Insurers, Testimony on Wisconsin Senate Bill 63, April 20, 1999

independent laboratory to assure that it is equal to its OEM counterpart. CAPA uses the same lab that the OEMs use. The biggest difference in the parts is their price. During 1998, CAPA received complaints on only 0.06 percent of the more 3.2 million parts that it certified. This gives the organization a record of quality that is unrivaled in any industry. During a ten-year period, General Motors recalled 1,183,617 of their own hoods, Ford recalled 1,182,637 of their hoods. The Alliance knows of no accident or injury that has ever been associated with the failure of an aftermarket part. Detroit and Tokyo cannot make that claim about their parts. In their 1998 Public Attitude Monitor, the Insurance Research Council reported that 59% of respondents stated that they would have confidence in the quality of a part certified by CAPA.

Without strong evidence that the economic benefits outweigh the costs to consumers from the grant of monopoly power inherent in Senate Bill 63, the Alliance urges the Committee to reject these bills and the subsidy they would provide to Detroit and Tokyo. The higher cost of repair parts will result in more vehicles that should otherwise be repairable, to be declared as total losses. The cost of insurance is likely to increase. The legislation would harm those that it seeks to protect: the consumers of Wisconsin. Detroit and Tokyo are the sole beneficiaries of this bill. Thank you for the opportunity to present our views on this issue.

Sincerely,

Kirk Hansen
Director of Claims
Alliance of American Insurers

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U.S. TRADE BALANCE - NOVEMBER 1998

1998 Deficit Headed Up

The seasonally-adjusted U.S. merchandise trade deficit was \$19.8 billion in November, up from \$18.4 billion in October and \$15.7 billion in November 1997. The first eleven months of 1998 produced a seasonally-adjusted deficit of \$211.2 billion, 27.6 percent higher than the \$165.5 billion deficit for the same period of 1997. The U.S. manufactured goods trade deficit through November grew to \$221.4 billion from \$162.8 billion in 1997, a 36 percent jump. When full-year figures are released in mid-February, the total deficit for 1998 is expected to be about \$240 billion, breaking the 1997 record of \$181.5 billion by more than 30 percent and establishing a new record deficit for the fourth consecutive year.

Growing Imbalance in Auto Trade

Automotive trade produced a deficit of \$70.2 billion for the first eleven months of 1998, up from \$61.0 billion in 1997. Nearly all of the increase was the result of higher 1998 deficits with Germany (\$10.4 billion, up from \$8.5 billion), Canada (\$11.6 billion), Japan (\$31.0 billion) and Mexico (\$15.0 billion). In addition, the impact of the Asian economic crisis can be seen in U.S. auto trade with Korea, Taiwan and China. Exports of parts to Korea and China and vehicles to Taiwan, though relatively small, fell sharply in 1998, while U.S. imports of parts from all three countries increased, pushing the U.S. deficit up by about \$1 billion.

Big Deficits with Other Developed Countries

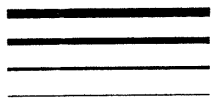
Japan's overall trade surplus with the U.S. for January through November jumped from \$50.9 billion in 1997 to \$58.2 billion in 1998. A big bulge in exports of steel has contributed to large U.S. job losses. Germany's surplus with the U.S. increased from \$16.5 billion in the first eleven months of 1997 to \$20.6 billion last year. The eleven-month U.S. deficit with the European Union as a whole grew to \$23.7 billion in 1998, from \$14.8 billion. Canada accounted for \$16.6 billion of the U.S. trade deficit through November of last year, up from \$14.6 billion in 1997.

Deficit with Mexico Widens

The U.S. deficit with Mexico, which was \$13.9 billion in the first eleven months of 1997, rose to \$14.4 billion in 1998. The shift to a larger U.S. deficit came only in the last few months of the year, indicating that 1999 could bring an even wider imbalance. The pace of economic growth in Mexico is expected to slow in the coming year, which will hurt workers' job prospects. In addition, the peso fell in value in 1998 and could be under further downward pressure in 1999, making Mexican production even cheaper for U.S. companies and contributing to more rapid inflation and less buying power for workers there.



NEWS



IMMEDIATE RELEASE

Contact: Karen Shaughnessy
(313) 446-8323

CRASH PARTS FACT SHEET

What are crash parts?

Crash parts are the exterior sheet metal and plastic automotive parts -- such as hoods, doors, fenders and bumper components -- most frequently damaged in vehicle accidents.

What are genuine crash parts?

Genuine crash parts are replacement parts made by vehicle manufacturers or their authorized representatives. Genuine Ford replacement crash parts are the same as the parts used on new vehicles, with equivalent fit, finish, structural integrity, dent resistance and corrosion protection.

What are imitation crash parts?

Imitation crash parts are unauthorized copies of genuine crash parts. Most are manufactured in Taiwan. They have been in use in the U.S. since the early 1980s.

Quality testing by Ford Motor Company, and similar studies published by other vehicle manufacturers and independent collision repair organizations, have found a variety of deficiencies in the fit, finish, structural integrity, dent resistance and corrosion protection of these parts.

What is the size of the crash parts market?

There are an estimated 35 million vehicle accidents in the U.S. each year. The retail cost of replacement crash parts has been estimated at as much as \$3 billion per year.

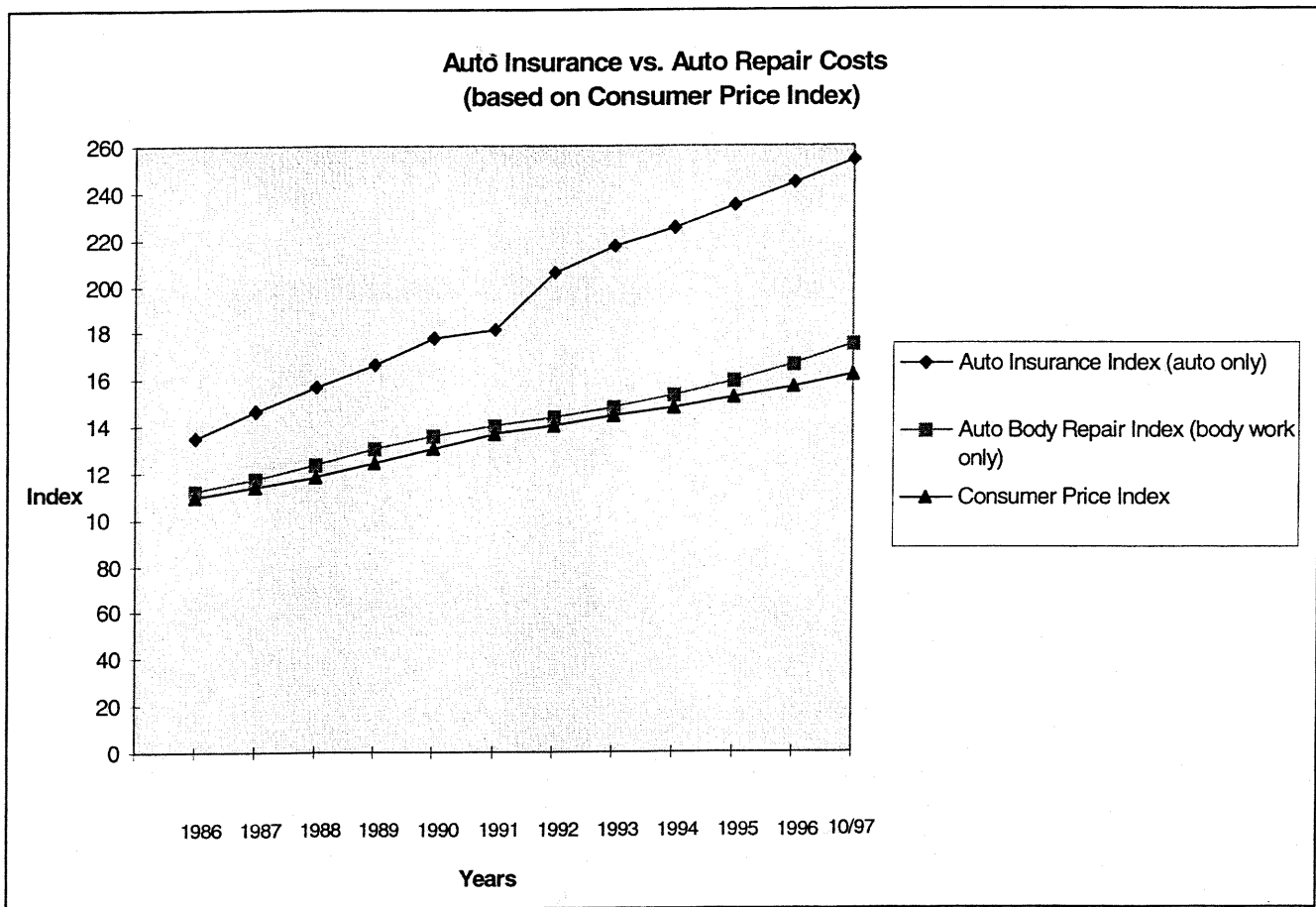
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Who supports the use of imitation crash parts?

Insurance companies, who control or influence 70 percent of crash parts purchase decisions, subsidize and promote the imitation crash parts industry as a method to reduce their repair expenditures.

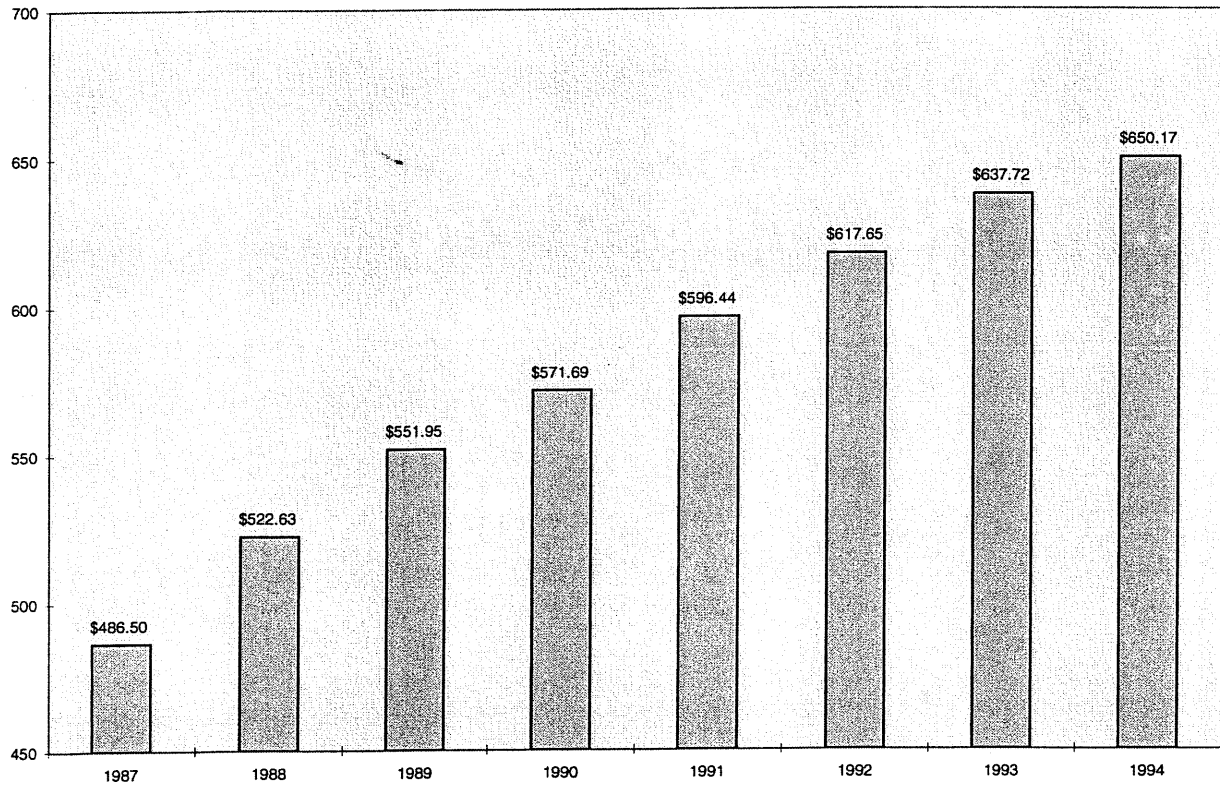
Insurance companies claim that the use of imitation crash parts will help hold down insurance premium costs to consumers through reduced collision repair costs. However, auto insurance costs have risen 72 percent over the last 10 years -- 26 percent more than auto body repair costs.



This chart illustrates the changes in the cost of auto insurance and auto body repair over the last 10 years. The Consumer Price Index measures the price changes of goods and services over time, using a designated reference date as the basis for comparison.

Consumers do not appear to have realized these promised savings from the use of imitation crash parts for collision repair. The average annual auto insurance expenditure by consumers has increased 34 percent over the 1987-94 period, from \$486.50 in 1987 to \$650.17 in 1994.

Average Annual Auto Insurance Expenditures (Nationwide)



This chart illustrates the national average of what consumers actually spent for insurance on each vehicle over an 8 year period. Figures are based on the total written premiums for all coverages -- liability, comprehensive and collision.

Insurance companies have come under fire for their policies regarding crash parts. State Farm has settled two class action lawsuits, in Illinois and California, related to their policy of using imitation crash parts to repair their policyholders' vehicles. The settlements allowed policyholders to collect cash settlements or have their vehicles repaired with genuine crash parts. Similar suits are pending in Alabama, Arizona, Arkansas, Florida, Tennessee and Texas. Additional suits are planned in Kentucky, Louisiana, New Jersey, New York, North Carolina, Ohio, Oklahoma and Pennsylvania. The potential for a national class action lawsuit is under consideration.

How are imitation crash parts classified?

Some imitation crash parts are referred to as "CAPA-certified." The Certified Automotive Parts Association (CAPA) was founded and is subsidized by the U.S. insurance industry to certify the quality of imitation crash parts. While imitation crash parts represent 15 percent of the total crash parts market, CAPA-certified imitation parts currently account for less than 1 percent of that figure. Poor quality problems can lead to a part (either a specific application or a full lot of parts) being decertified or de-listed. CAPA relies on distributors to remove certification stickers from decertified or de-listed parts.

The comparative quality testing program commissioned by Ford and conducted by an independent laboratory in 1994 found that CAPA-certified parts performed no better than non-CAPA-certified parts.

Which crash parts do collision repairers prefer?

An April 1996 national body shop survey found that 61 percent of collision repairers believe imitation crash parts quality to be "somewhat worse" or "much worse" than genuine replacement crash parts.

As in previous surveys, the majority of collision repairers stated that imitation crash parts are of lesser quality than OE parts, don't fit as well, are harder to work with and have a tendency to rust more quickly. They also indicated that imitation parts require 31 percent more time to install than genuine crash parts to insure proper fit and alignment.

Which crash parts do vehicle owners prefer?

In a national survey conducted in September 1996, 70 percent of consumers said they would prefer genuine crash parts be used to repair their vehicles. However, few vehicle owners are aware that imitations may be used and even fewer are given the opportunity to participate in the crash parts selection process.

Nearly all consumers surveyed (94 percent) believe they have a right to know, in advance of the repair, what crash parts will be used to repair their vehicles. A majority (81 percent) feel so strongly about this right to know, they support state laws requiring advance disclosure of the type of parts to be used for collision repair.

Are there laws regarding crash parts?

Currently, 41 states have enacted consumer protection legislation or insurance regulation requiring, at a minimum, disclosure to vehicle owners prior to the use of imitation crash parts for collision repair. Nine states require a vehicle owner's written approval of the parts specified for repair. Three states - West Virginia, Rhode Island and Indiana -- ban the use of imitation crash parts for a specific period of time based on the year the vehicle was manufactured, unless the vehicle owner consents in writing prior to the repair. See attachment #1 for state detail.

Does the use of imitation crash parts affect a vehicle's warranty?

Imitation crash parts are not covered under the Ford new vehicle limited warranty, and any damage to a genuine Ford part caused by the installation or improper performance of an imitation crash part is not covered.

Genuine Ford replacement sheet metal parts are covered by the Ford 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 the consumer owns the vehicle. Warranties for imitation crash parts are generally less comprehensive.

Does the use of imitation crash parts affect a vehicle's resale value?

According to a recent study, if substandard imitation crash parts are used to repair collision damage, and the vehicle is later sold, the value of the vehicle can be reduced by hundreds and even thousands of dollars.

The study asked professional vehicle appraisers and consumers to estimate the value of two identical vehicles -- one repaired with genuine parts, the other with imitations. Nine of 10 appraisers indicated the vehicle with imitation parts would be worth an average of \$740 less at trade-in. Of consumers, nine out of 10 preferred the vehicle with genuine parts, indicating a \$1,670 average reduction in value for the vehicle repaired with imitation parts.

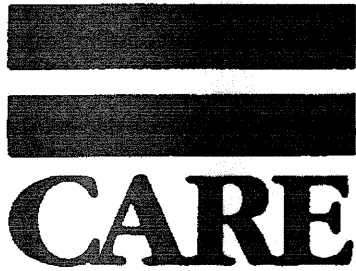
Does the use of imitation crash parts affect a vehicle's air bag system performance?

Air bag systems are rapidly becoming standard equipment in today's cars and trucks. The chart below illustrates the dramatic increase in the number of air bags units estimated through the year 2000.

To Ford's knowledge, no testing has been conducted to verify that the performance of imitation crash parts -- particularly crucial front-end parts, such as hoods, bumper reinforcements and header panels -- in front-end crashes will be compatible with Ford air bag systems. Because so little is known about the effect of imitation crash parts on air bag system and component integrity, Ford believes genuine Ford crash parts should be used for collision repairs.

#

(11/24/97)



FAX: (703) 519-7747

VOICE: (703) 519-7555

VOICE TOLL FREE: (800) 229-5380

FAX COVER SHEET

URGENT

IMPORTANT

INFORMATION

TO: DAN ROSSMILLER

COMPANY/OFFICE: Sen. George - WF

FAX NUMBER: 608-266-7381

FROM: SANDY BASS-CORS

DATE: 3-15-99 TIME: _____

RE: Crash parts, SB63

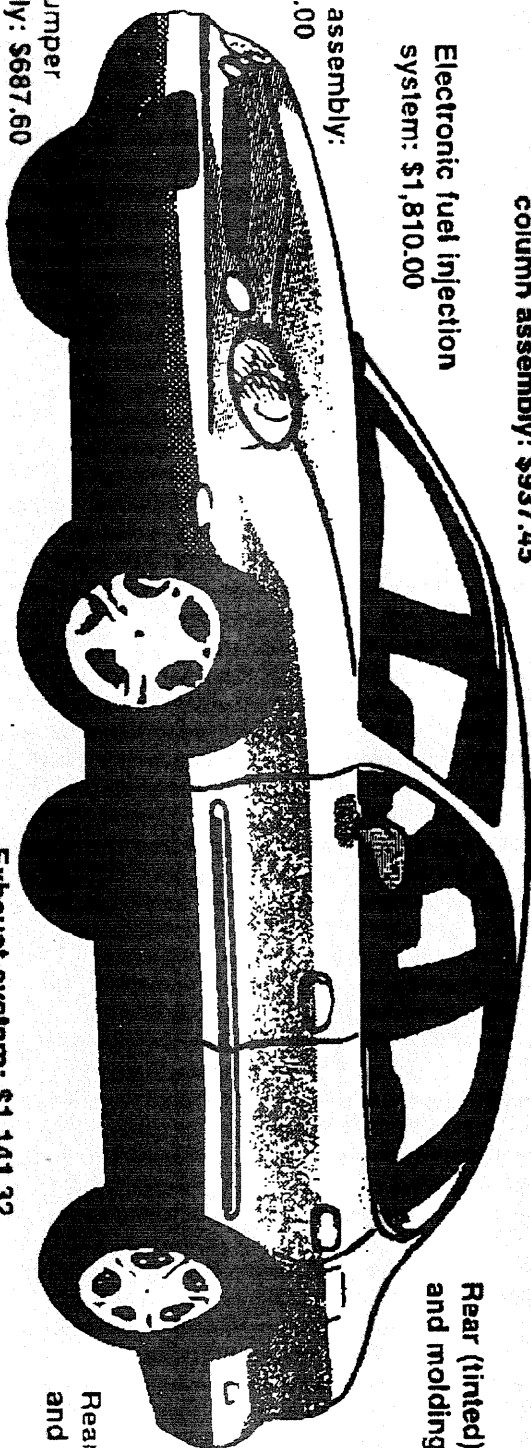
NUMBER OF PAGES INCLUDING COVER: 3

COMMENTS: _____

Cost of Replacement Parts for a 1997 Ford Taurus GL Exceeds \$72,000*

**Manufacturers Suggested
Retail Price: \$18,985.00**

**Cost to Rebuild with OEM
Replacement Parts: \$72,251.60**



Electronic fuel injection
system: \$1,810.00

Steering wheel and
column assembly: \$937.45

Instrument panel and
dash board components: \$3,446.68

Roof panel, reinforcements
and dome light: \$475.89

Seats, including frames, pads,
covers and tracks: \$5,132.08

Rear (tinted) heated glass
and moldings: \$1,809.89

Engine assembly:
\$3,425.00

Rear bumper
assembly: \$622.30

Front bumper
assembly: \$687.60

Rear suspension
and brakes: \$1,921.12

Aluminum wheels and caps
(4 tires and a spare): \$1,433.17

Exhaust system: \$1,141.32

Front power doors, including glass,
mirrors and trim: \$3,842.83

Fuel tank and pump: \$1,025.37

* Limited space allows for only some of the prices to be shown in this diagram.
Copyright 1997 Alliance of American Insurers



TO: Members of the Wisconsin Legislature

FROM: Wisconsin Auto Collision Technicians Association
 Wisconsin Automobile & Truck Dealers Association
 Wisconsin Motor Carriers Association
 Wisconsin State AFL-CIO
 United Auto Workers (UAW)
 Concerned Auto Recyclers of Wisconsin
 Ford Motor Company
 General Motors Corporation
 DaimlerChrysler

DATE: February 16, 1999

RE: Original Manufacturer Replacement Parts – Request for Sponsors

The above organizations request that you sign on as sponsors of legislation being circulated as companion bills by Rep. Freese and Sen. Grobschmidt. Similar legislation passed the Senate last session (SB 225), as well as the Assembly Consumer Affairs Committee (by 6-2 vote). The bill did not pass the Assembly because it failed to get scheduled as session closed – time simply ran out.

This legislation simply gives consumers the right to choose either original or imitation auto body parts. It mitigates the practice of insurance companies requiring the use of imitation replacement parts (“aftermarket parts”) to repair vehicles. These parts reduce the resale value of vehicles, impede quality repairs by body shops, and compromise consumer warranties. (See the enclosed article, over, on related findings by Consumer Reports in its February 1999 issue.)

Problem: Unauthorized copies of OEM parts, usually produced in Taiwan, are often made using thinner, lighter, lower quality materials.

- These imitation parts fail to meet quality standards for fit, finish, structural integrity and corrosion resistance.
- Many imitation parts just do not fit properly, regardless of the amount of time spent by repair technicians.
- Studies show that imitation parts lower a vehicle’s value.
- Auto manufacturers’ warranties do not cover imitation parts, and warranties for associated parts or systems whose failure was caused by the imitation parts are also invalid.

Existing Wisconsin Law: Under current law, an insurer can require the use of non-OEM replacement parts merely by providing a “notice” to the consumer of their decision to use non-OEM parts. These notices have proved ineffective in protecting consumers from inferior parts since consumers are not given a choice.

CARE

FAX: (703) 519-7747

VOICE: (703) 519-7555

VOICE TOLL FREE: (800) 229-5380

FAX COVER SHEET

URGENT IMPORTANT INFORMATION

TO: DAN ROSSMILLER

COMPANY/OFFICE: Sen. Gary George

FAX NUMBER: 608-266-7381

FROM: SANDY BASS-CORS

DATE: 3-16-99 TIME: _____

RE: SB63 - position letter

NUMBER OF PAGES INCLUDING COVER: 6

COMMENTS: _____

VIA FAX

March 16, 1999

Mr. Dan Rossmiller, L.A.
Office of the Honorable
Gary George
Wisconsin State Senate
Madison, Wisconsin



CARE

Re: S.B. 63, Crash parts legislation

Dan:

Thank you for speaking with me regarding S.B. 63, a crash parts bill assigned to the Judiciary and Consumer Affairs Committee. The Coalition for Auto Repair Equality (CARE) is a nonprofit, national organization representing companies in the automotive aftermarket (independent repair industry). **Among our Wisconsin member companies are: NAPA, Midas, CARQUEST, Advance (purchased Western Auto), and AutoZone. Our Wisconsin stores number over 450.** I am writing to alert you to our and our member companies opposition to S.B. 63.

As we discussed, the aftermarket views crash parts bills as anti-competition and anti-consumer. Aftermarket replacement parts are a safe and economic way for motoring-taxpayers to replace and maintain parts on their vehicles. **Aftermarket parts cost an average of up to 50 percent LESS than Original Equipment Manufacturers' (OEM) parts and many aftermarket parts come with life-time warranties. If these parts were unsafe, two things would NOT happen 1) we wouldn't use them on our family cars, which we do and 2) the auto body shops who claim the parts are poor quality would not install them on their customers' cars.**

The catalyst for S.B. 63 and other crash parts bills is that the auto body shops and Ford joined at an auto body shop convention last year and agreed on legislative language that they would drop in several states. **The auto body shops and the OEMs and their car dealers are trying to have business legislated to them because they are unable to compete in the marketplace. In addition, the bottom line is not quality or safety, but profit margin.**

In the memo I faxed to you from the auto body shops, car dealers and unions, it mentions that aftermarket parts are made in Taiwan and are of poor quality. **The truth is that many OEM parts are made in Taiwan also and many OEM parts are made at the same locations. The only difference in the parts is the price.**

Also mentioned in the memo is the invalidation of parts' warranties. **The Magnuson-Moss Act was passed in Congress several years ago which forbids warranties being tied to parts. If a company invalidates a consumer's warranty because of an aftermarket part, claiming it caused another parts failure, the consumer would certainly have the right to take it to a higher authority.**

COALITION FOR AUTO REPAIR EQUALITY
119 ORONOCO STREET, SUITE 300, ALEXANDRIA, VA 22314
(703) 519-7555 (800) 229-5380 FAX (703) 519-7747

Mr. Dan Rossmiller

March 15, 1999

Page two

In addition, we oppose the consumer being mandated to sign an official affidavit agreeing to accept an aftermarket part. This is a common scare tactic and intimidation tool. The auto body shops and the OEMs plant the seed of doubt in a consumer's mind by intimating that there must be something wrong with the part of he or she has to sign for it.

This legislation will hurt many hundreds of jobs in Wisconsin's independent repair industry. The only factor in repairing a vehicle is the consumers' wishes. Monopolies are not part of the American free-market system and S.B. 63 should be rejected as such.

The memo writers also claim that aftermarket parts reduce the value of the automobile. What reduces the value is the lack of proper care, not aftermarket parts. In fact, if you look at the fax I sent to you regarding a Ford Taurus replaced with all OEM parts, it's \$72,000. Does anyone believe that someone would pay that? **How many vehicles have been manufacturer-recalled due to unsafe and faulty OEM parts?**

The phrase "imitation parts" is extremely misleading. Aftermarket parts are not "imitation" but are real and fully functional. They are as real and functional as "generic" medicines. **Would the Wisconsin legislature consider making it more difficult for consumers to buy generic medicines? Of course not. Aftermarket parts should be considered in the same cost-saving, high-quality, PRO-CONSUMER light.**

In addition to the anti-competitive aspects of S.B. 63, it's also strongly anti-consumer. By making aftermarket parts harder to buy, **consumers will ultimately pay a higher price for all car parts and their insurance rates will increase as well.**

Senator George's consideration of this matter is greatly appreciated. We hope that the Senators will consider the importance of the free-market system and instead reject S.B. 63. I look forward to speaking with you.

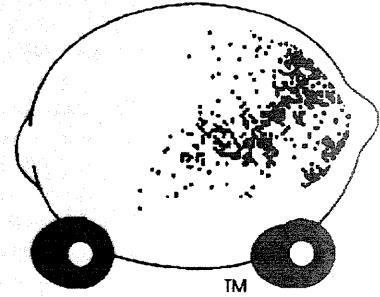
Sincerely,



Sandy Bass-Cors
Executive Director

CENTER FOR AUTO SAFETY

TIMES



Vol.17, No.1&2

Taking the Pain Out of Crash Repairs through Competition

There have been tremendous changes in the vehicle fleet over the past three decades.

- Today, there are over 200 million vehicles on the road, as compared to 71 million in 1968. In 1998, the average cost of a new car is \$22,000 while the average cost of a new car in 1968 was \$3,000.

- Today, the average age of a car on the road is eight years. In 1968, the average age was less than five years. The increased price and reliability of cars has led to longer lives.

- More cars mean more crashes. Over 20 million vehicles are involved in crashes each year; every vehicle will be involved in two to three crashes during its life. The question for the consumer is: If their car survives a crash how much will it cost to repair?

- In 1997, the Ford Taurus with typical options sold for about \$19,000. Rebuilding that same car with Ford parts would cost over \$72,000. No wonder so many cars get totaled out after an accident.

One reason why crash repairs cost so much is that auto companies have a monopoly on most crash parts which are often called original equipment manufacture or OEM. Bumpers are a good example -- today, most bumpers have a hard foam core with a colored plastic cover or fascia that is made of a couple pounds of molded plastic that costs less than \$25 to make. But if there is

Continued on page 6

CRASHPARTS

continued from page 1

no competition for that bumper cover, it costs \$300 to replace. Ouch!! If there is competition, the cover costs half that. In 1968-76, the Federal Trade Commission (FTC) conducted three investigations of the crash parts monopoly, concluding that consumers paid far too much for crash parts but was unable to come up with a remedy. When the FTC forced auto makers to sell crash parts at wholesale through their franchised dealers to independent body shops, auto makers just raised the price of crash parts to cover the difference.

Until the early 1970's, all cars underwent an annual style change so that the fender of a 1971 Ford LTD would not fit a 1970 LTD. In the mid-1970's the annual style change went the way of the dodo bird so that not only does the fender of the Ford Taurus stay the same for years but also it's the same as the Mercury Sable. The demise of the annual style change made it economical for companies to invest in the tools and dies necessary to make crash parts because the model runs for similar parts were bigger and longer. Similar competition in mechanical parts created brand names like DieHard batteries, Fram filters and Monroe shocks.

Beginning in the early 1980's, independent suppliers began making aftermarket crash parts for all auto manufacturers including GM, Ford, Toyota, etc. Although their market share is low at 15%, the economic impact of aftermarket crash parts is great. Where there is a competitive aftermarket crash part, their competition has forced OEM prices down by 30% or more. Consider that cheap to make but expensive to buy bumper cover. As the accompanying table shows, a fender on a Toyota Camry

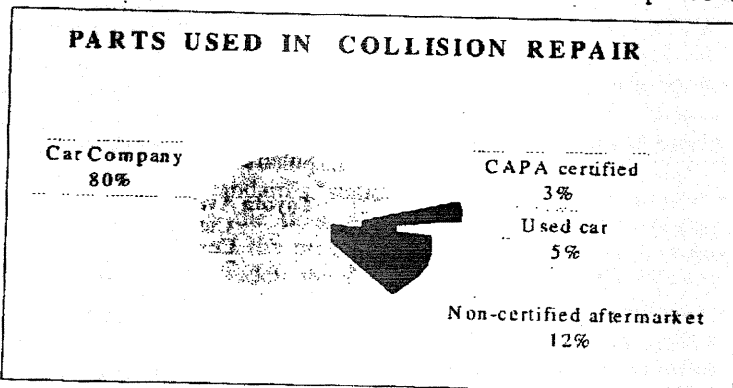
cost \$253 in 1992 when there was no competition. When a \$104 competitive fender was introduced in 1995, Toyota dropped the price of its OEM fender for the Camry by 43% to \$144 in 1996. Thus even when consumers buy OEM parts, they benefit from a lower price driven by competition where no competition existed before. One estimate of the savings to consumers is \$400 million out of a total \$8 billion spent on crash parts each year.

Just having aftermarket parts available is not good enough; they must also be quality crash parts. While the National Highway Traffic Safety Administration (NHTSA) polices the safety of all aftermarket parts by ordering recalls where necessary, no federal agency regulates the quality of aftermarket parts. In order to fill this void, CAS has supported the development of an organization called the

Why have car companies engaged in this battle. when CAPA parts have captured only 3% of the crash parts market? Because they are trying to protect their 80% market share of the \$8 billion parts industry. Today most of the large insurance companies require the use of CAPA certified parts if they are available. The car companies fear that they will lose more of their 80% market share as more CAPA certified parts become available or they will have to drop their monopoly prices to match the CAPA competition.

Consumers have a right to quality parts at non-monopoly prices. The best way to do that is to insist on CAPA certified crash parts in all of your insurance estimates and repairs. If CAPA crash parts are not available, insist on OEM parts. So, to ensure that your car is repaired with quality parts:

- Make sure that if your insurance policy recommends the use of aftermarket parts, it specifies ONLY CAPA certified aftermarket or OEM parts;
- Most states require disclosure of which parts are being put on an auto insurance policy holder's car. Make sure you know what is to be put on your car.



Tell your repair shop that you insist on CAPA certified or OEM parts.;

• Make sure that CAPA parts are actually used in the repair. They are marked by square, yellow, perforated stickers with identical tracking numbers on the sticker itself and the tab. (The CAPA seal is shown below.) The tab should be affixed to your work order to ensure that your car was repaired with CAPA certified parts. If a part does not have a yellow, CAPA seal, it is not certified and should not be put in your vehicle. ■

Certified Automotive Parts Association (CAPA) [see Lemon Times Vol.13:2, 1992]. CAPA is an independent, third party, non-profit organization with representatives from consumer groups, insurance companies, repair shops and crash parts distributors on its board. It serves as the Underwriters Laboratory (UL) of aftermarket crash repair parts, writing standards for certification of alternative parts, comparable to those made by car company. It has standards to certify all sheet metal and many plastic crash parts but does not certify parts which NHTSA deems safety related. Although aftermarket parts make up 15% of the parts used in crash repairs, four fifths of this 15% is not certified by CAPA which has 3% of the market. Another 5% of the repair parts market is used or salvaged parts from vehicles totaled in accidents. (See the accompanying pie chart.)

Car companies have spent hundreds of millions of dollars to convince consumers that they should use only "genuine" parts.



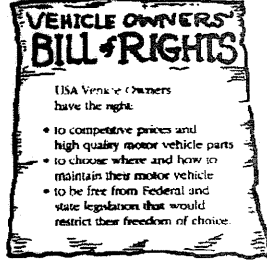
| | '92 | '95 | '96 | Change |
|--|-------|-------|-----|--------|
| Toyota Camry | \$253 | \$144 | | 43% |
| ↓ Competative \$104 fender introduced | | | | |

CARE

What is CARE?

In the beginning...

...There was H.R. 1790, The Design Innovation and Technology Act of 1991. The threat of that bill to the Automotive Aftermarket industry brought together diverse and well-known Aftermarket companies and associations to form a national coalition to defeat H.R. 1790 — The Coalition for Auto Repair Equality (CARE).



CARE'S MISSION...

To continue to fight for **The Vehicle Owners' Bill of Rights** in Congress and in the State Legislatures.

Who is CARE?

Some of the businesses in CARE...to name just a few!

- NAPA-Genuine Parts Company
- AutoZone
- CARQUEST
- Hi-Lo Auto Parts
- Echlin
- Midas International
- Western Auto
- Chief Auto Parts
- Big A Auto Parts
- Trak Auto
- Thousands of "Mom & Pop" Shops (in your community!)

These companies have over **15,000** locations throughout U.S.A.

What is the Automotive Aftermarket?

It's a \$~~100~~²⁰⁰ BILLION a year industry pumping up the American economy!

It's manufacturers, distributors, rebuilders, jobbers, and retailers for parts and service of "Motor Vehicles" which include: automobiles, light and heavy-duty trucks, motorcycles, recreation vehicles and off-road vehicles such as agricultural and construction equipment, marine engines, small and stationary engines, all-terrain vehicles, and lawn-mowers! We touch every facet of your life...everyday.

The Automotive Aftermarket is jobs for the U.S.A.!

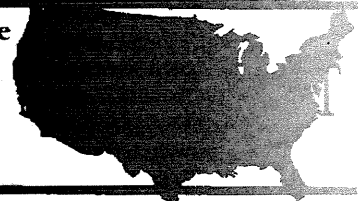
- Provides over ~~three~~^{5 million} million American jobs
- Comprised of approximately ~~375,000~~^{495,000} individual businesses

People, parts and manufacturing...

We're your neighbors!

Related aftermarket businesses who manufacture the "parts" are located in communities across the U.S.A. We're the people who also make and sell equipment, chemicals, accessories, body repair supplies, and products that enhance your vehicle. Polish your vehicle, get a new paint job, buy a "jack" — we're here for you!

There is an Automotive Aftermarket retailer, parts store or service station in every hometown across America!



Facts at your fingers...

- In the last 10 years, the average price paid for a new car has risen 75% to \$20,045
- The average price of a new car 10 years ago was \$11,500
- Total motor vehicle registration for 1994 is over 193 million (includes private and publicly owned vehicles)
- The average age of a passenger car in the U.S. for 1994 is 8.5 years
- Between 1969 and 1990, the number of cars on the road that were 10 years old increased by 40 million vehicles
- Average age of trucks for 1994 was 8.6 years
- Licensed Drivers for 1994 is over 175 million
- Average annual miles traveled per vehicle in 1993:
 - Passenger cars 11,099
 - Trucks 12,156
 - Total miles driven for all vehicles 2,347 billion
- Some aftermarket outlets in 1995:
 - Auto parts stores 40,700
 - Tire stores 11,700
 - Service outlets 253,900
- Total Aftermarket sales in 1993 was over \$170 BILLION

What does the Aftermarket maintain in America?

- 75 to 80 percent of vehicles on the road today are serviced and repaired by the aftermarket

The circle is complete...

The aftermarket circle is complete when you, the consumer, purchase your parts from repair shops or your personal mechanic. Even "do-it-yourselfers" have a wide variety of choices of which retail or jobber stores to purchase their parts!

CARE steers the Automotive Aftermarket in the right direction!

If it deals with motor vehicle parts — it's CARE. Whether it's Design Protection, promoting clean air, or opposing Junker-Clunker bills — CARE is there! CARE monitors the State Legislatures and Federal legislation pending in the U.S. Congress. If it affects motoring-consumers or the Automotive Aftermarket workers — CARE is there! CARE is a "COMPANY-DRIVEN," Pro-Active Coalition.



COALITION FOR AUTO REPAIR EQUALITY

119 Oronoco Street, Suite 300 Alexandria, VA 22314
703/519-7555 • 800/229-5380

Monopolies Are Costly To Consumers SB-63 Facilitates A Monopoly



Would You Pay \$77,000 For A \$27,000 Ford Explorer?

Even without the cost of paint and labor, a 1998 Ford Explorer XLT built entirely from original equipment manufacturer replacement parts costs nearly three times its original retail price, according to the Alliance of American Insurers.

Over the past 17 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 cost of rebuilding the vehicle with original equipment manufactured (OEM) parts is generally triple the original cost. The 1998 Explorer, with a few nonstandard options, retails for approximately \$27,145. Building it from OEM parts would cost more than \$77,000.

How Could A Rebuilt Vehicle Cost So Much?

Consider some of the prices for Ford parts. Replacing the Explorer's front doors — including power windows and mirror, inner door components and hardware — would cost \$4,072.99, while the rear doors, power windows, inner door components and hardware are priced at \$4,700.06. The total for just the front and rear doors is \$8,773.05!

The Ford Explorer's OEM rear bumper cover costs \$339.07; the same part made by an independent manufacturer costs only \$240.

"The study demonstrates the value of free-market competition," said Kirk Hansen, Alliance director of claims.

He said that in the past, Alliance studies showed that building vehicles from OEM parts more than tripled the original retail price. With the increasing acceptance of competitive replacement parts, OEMs are finally starting to lower their prices.

Ford recently reduced its list prices for frequently damaged crash parts — hoods, bumpers and fenders — by an average of 35 percent for the new models of the Taurus, Sable, F150, Escort and Tracer. ■

Chicago Tribune

FOUNDED JUNE 10, 1847

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22 Section 1

Sunday, October 10, 1999

MacNelly's view

The Deformed Party



Editorials

Mandating a car parts monopoly

It didn't take long for State Farm to blink after a Downstate jury awarded plaintiffs \$456 million in damages because the insurance company used cheaper "aftermarket" parts to replace the fenders and bumpers of policyholders' cars after accidents.

State Farm says it will appeal the verdict. But in the meantime, it's going to suspend the use of such parts to prevent "customer confusion and concern over its auto repair estimates."

No doubt that is a sound business decision. But make no mistake: This is no victory for consumers. It means the monopoly enjoyed by the car makers over replacement parts will be restored. Insurance rates will go up and car repair costs will go up because, with no competition, there will be nothing to restrain the pricing of these parts.

The whole aftermarket parts industry surged in the last decade, as insurers and consumers sought alternatives to the high cost of fixing damaged cars using only parts supplied by the automakers. They had a monopoly and could charge pretty much whatever they wanted. Aftermarket hoods, bumpers, fenders and the like—all elements of the so-called outer shell of cars—now account for about 15 percent of a "crash parts" market the American Insurance Association estimates to be about \$9 billion a year.

At issue in the class-action lawsuit heard in Downstate Marion was State Farm's practice of ordering

body shops to use these generic parts—on average 40 to 50 percent cheaper than those made by the car manufacturers. Deception was not an issue: The company disclosed that aftermarket parts would be used in repairs and gave its customers the option of paying more to get the car maker parts.

State Farm argued the aftermarket parts are safe and sound, result in few customer complaints and saved policyholders \$234 million in 1997. The plaintiffs said they don't fit, they aren't safe and they hurt cars' resale value.

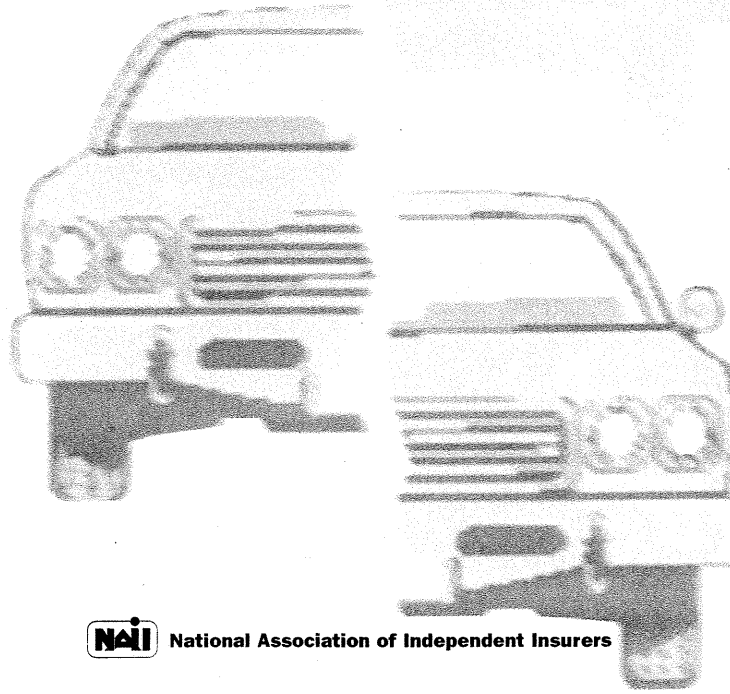
The plaintiffs argued that it is impossible to restore a car to pre-crash condition unless parts of "like kind and quality" are used, and that the only parts that qualify are those made by the car makers. The jury bought this argument.

If this verdict is upheld, insurance rates at State Farm, the nation's largest auto insurer, will certainly go up. As a mutual insurance company, it is owned by its policyholders and higher costs ultimately are passed along as higher rates. But this lawsuit is only one of half a dozen or so similar suits against other insurance companies, and thus has implications for everyone.

Competition is the lifeblood of the American economy. It acts as a brake on higher prices and a spur to better quality. This verdict eliminates the competition and mandates the monopoly. It is wrong.

Competitive Auto Replacement Parts:

FACT
VERSUS
FICTION



*“Consumers ought to
continue to benefit from the extensive
price competition that presently exists in
the manufacture and sale
of these crash parts.
We would want to be
careful not to preempt an area of market-
place competition and turn it into a
monopoly.”*

- Orrin Hatch

Auto Repair Parts B.C. (Before Competition)

Automobile repair is one of those unpleasant realities that almost everyone will encounter at least once during the course of vehicle ownership. There are an estimated 15 million vehicle accidents in the United States every year, with a retail cost of replacement crash parts as high as \$3 billion per year. Each year consumers and insurance companies pay for 61.5 million sheet metal and plastic body parts to fix those vehicles.

Since the invention of the automobile and its subsequent mass production, car manufacturers enjoyed a virtual monopoly on the production and sale of replacement parts, unencumbered by competition. Profitability for the auto manufacturers of collision parts was as high as 700% to 800%. Consumers had no choice other than to pay the high prices established by the manufacturers. Gradually, however, independent manufacturers began offering generic batteries, mufflers, brake shoes, windshield wipers, and other common replacement parts. These parts comply with marketplace standards and are routinely purchased by consumers, who appreciate their high quality and competitive pricing. However, such an alternative was not available when it came to collision replacement parts.

The Response to Competition

During the late 1970s and early 1980s, consumers were finally given an option when independent manufacturers began making and selling cosmetic sheet metal auto replacement parts. These competitors priced their parts at a substantially lower cost than those charged by automobile manufacturers for original equipment manufactured (OEM) parts – in some cases, from 20% to 50% less. The auto manufacturing industry, which had controlled the collision replacement parts market since the days of the Model T, began waging a massive legal and public relations campaign to discourage the use of these "aftermarket parts." Contrary to the competitive American marketplace, the auto manufacturers went on the attack by proclaiming all competitive parts inferior and unsafe, and predicting that they would ultimately reduce the value of any vehicle they were used on. Meanwhile, the cost of a hood, a simple piece of sheet metal, remained much higher than that of a complex piece of electronics such as a VCR.

Today, in spite of increased public acceptance of competitive parts, the auto manufacturers continue to oppose their use. They spend millions of dollars each year on media campaigns in an attempt to

The following is a brief chronological history of a market dominated by original equipment manufacturers and the introduction of competition by independent parts manufacturers.

1980 – 1985

January 1980

The Aftermarket Body Parts Association (ABPA) is chartered as a nonprofit organization in California.

1985

ASBA formulates a five-year limited warranty program.

shore up their shrinking control of the market by convincing the public that competitive replacement parts are inferior.

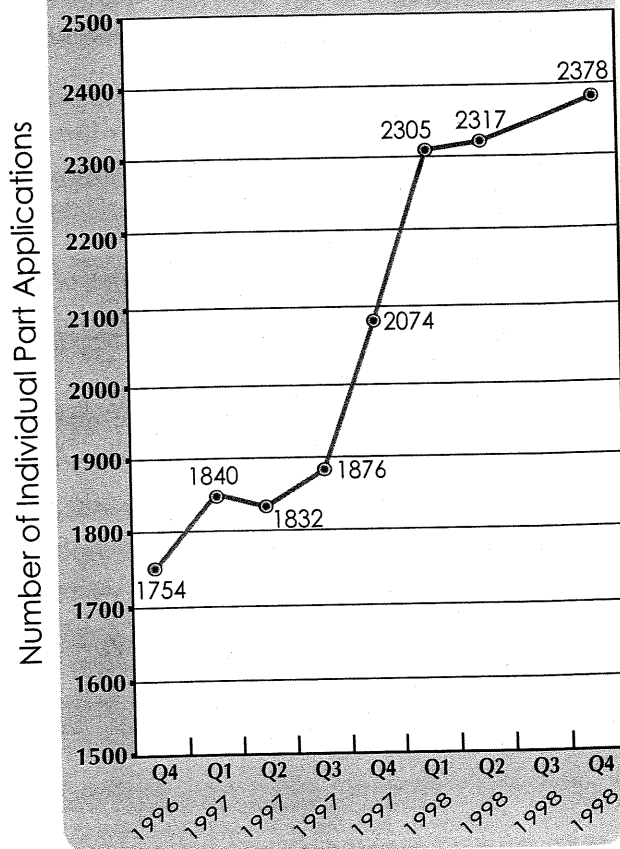
The truth, however, is evidenced in the statistics showing substantial increases in the number of certified competitive parts, their usage in auto repair, and the subsequent reduction in price of OEM parts in response to the presence of healthy competition. For example, an OEM fender for a Toyota Camry cost \$253 in 1992, before a comparable competitive part was in production. By 1996, when the aftermarket fender was available for \$60, the price for an OEM Camry fender had dropped to \$143.88 - primarily to keep pace with the competition. Overall, the cost of OEM bumpers for Ford vehicles decreased 7% from November 1997 to July 1998.

Auto owners have seen price reductions as much as 40% or more, depending on the part and repair involved. In comparison, if a repair shop completely rebuilt a car entirely from OEM parts, the cost would be nearly three times its original retail price. For example, an average Ford or GM car selling for \$14,000 on the showroom floor would cost more than \$40,000 if purchased piece by piece using OEM parts.

But in spite of increasing public acceptance of competitive parts, the auto manufacturers are contin-

CAPA Part Applications

The number of part types that have achieved certification



Source: Certified Automotive Parts Assn., 1998

1986

December 1986

Oregon becomes the first state to enact a regulation governing the use of competitive replacement parts.

1986

The automotive industry launches a massive legal and public relations campaign designed to eliminate and/or severely curtail the availability of aftermarket parts.

1987

November 1987

An Insurance Institute for Highway Safety advisory finds that a recent crash test "demonstrate(s) convincingly that, with the exception of hoods, the cosmetic parts used to repair cars are irrelevant to safety."

December 12, 1987

More than two-thirds of vehicle owners responding to a Roper survey say repair shops should be allowed to purchase fenders and other replacement parts from manufacturers other than the OEMs.

December 22, 1987

CAPA is established, with 20 parts achieving full or partial certification status. In the intervening months, CAPA representatives will visit aftermarket manufacturing plants in Taiwan and Korea to assess quality, capabilities and certification compliance status. By June 1988, CAPA has support from 40 insurers and 27 collision repair shop members.

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.

| | 1994 | 1995 | 1996 |
|---------------------------------|--------|--------|--------|
| Chevrolet Caprice | | | |
| OEM Fender | 267.00 | 226.00 | 238.00 |
| Non-OEM Fender | 186.00 | 148.00 | 153.00 |
| Buick Century | | | |
| OEM Fender | 122.67 | 129.00 | 136.00 |
| Non-OEM Fender | 108.00 | 108.00 | 108.00 |
| Pontiac Grand Prix Coupe | | | |
| OEM Fender | 309.00 | 324.00 | 354.00 |
| Non-OEM Fender | 171.00 | 171.00 | 131.00 |
| Toyota Camry | | | |
| OEM Fender | 265.79 | 259.96 | 143.88 |
| Non-OEM Fender | 209.00 | 104.00 | 60.00 |
| Ford Thunderbird | | | |
| OEM Fender | 205.00 | 211.15 | 211.00 |
| Non-OEM Fender | 166.00 | 166.00 | 166.00 |
| Ford Escort | | | |
| OEM Fender | 171.45 | 180.02 | 180.02 |
| Non-OEM Fender | 79.00 | 79.00 | 65.00 |

Source: *The Mitchell International, Inc., Collision Estimating Guide; Motor Publication's Crash Estimating Guide and Keystone Automotive Industries, Inc.*

uing their battle against relinquishing any of their market share to the manufacturers of high-quality, inexpensive competitive replacement parts – and when they can't persuade the public, they frequently resort to legislative attempts.

Monopoly Through Legislation

In the early 1990s, the auto manufacturers tried to persuade the U.S. Congress to create a new design protection for sheet metal parts, a move which would have effectively prevented competitors from producing collision repair parts. Congress rejected the plan in favor of competition and denied the OEMs what would have amounted to a federally enforced monopoly.

Failing in Congress, the auto manufacturers turned to state legislation to bolster their stranglehold on the market. In the last two decades, virtually all 50 states have debated legislation that sought to restrict or modify the use of competitive parts. Currently, 38 states have some form of legislative restriction on the use of aftermarket parts. The basis for most of these laws is a requirement for insurers to inform consumers when an aftermarket part is being used in crash repair.

1988

March 1988

Competition from the aftermarket industry severely erodes the replacement part markets of the auto manufacturers. In retaliation, the OEMs wage a multi-million-dollar public relations, legal and lobbying campaign designed to drive competition out of the marketplace.

May 1988

CAPA visits Taiwan and Korea to assess the quality of manufacturers.

1989

April 1989

Consumer Reports on CAPA: "Where competition is keen, original equipment makers have cut their prices. But where no competing replacement part exists, prices on original equipment have soared. Car owners who want to save money by using cheap replacement parts should make sure they are stamped with a yellow oval sticker bearing the word CAPA. The sticker indicates that a particular part has passed the auto insurers' certification tests."

August 1989

CAPA-certified parts increase to almost 700. More than 60 insurer members contribute to CAPA's financial base.

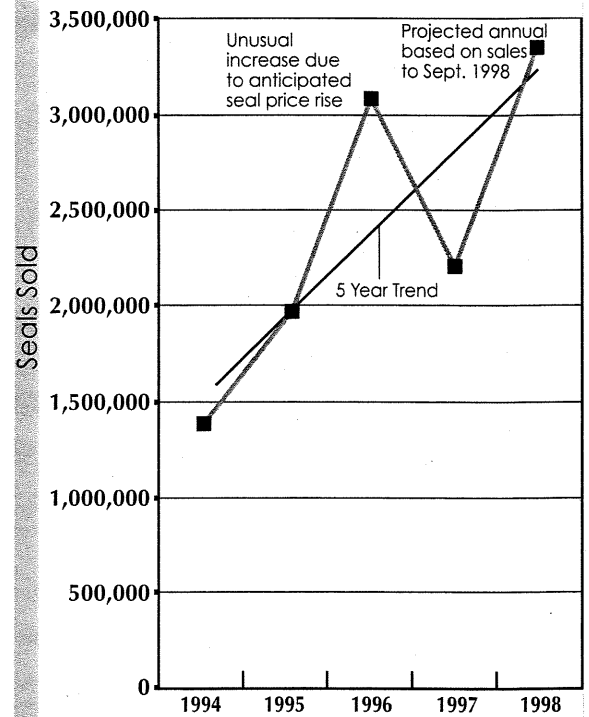
Quality Competition

In response to the continuing attacks by OEMs on alleged inferior quality, the Certified Automotive Parts Association (CAPA) was established in 1987. Like Underwriters' Laboratories, CAPA's primary goal is to develop and oversee an objective testing and inspection program to certify the quality of parts used for auto body repair.

In the intervening years, the use of competitive parts has become increasingly prevalent in auto repairs. Since its inception, more than 7 million CAPA certified parts have been sold. Today, they are a high-quality, cost-effective alternative to OEM parts. CAPA's 141 members include collision repair shops, parts distributors, and insurers. Its mission is to promote price and quality competition in the collision parts industry, thereby reducing the cost of crash repairs to consumers without sacrificing quality. CAPA enjoys the support of many consumer groups, including the Consumer Federation of America, Ralph Nader's Public Citizen, and Consumer's Union. The income for CAPA seals, which are used to register and certify approved replacement parts, topped \$1.5 million at year-end 1997, with more than 2,000 certified parts. Recent estimates indicate that CAPA-certified parts account for roughly 3.2% of all competitive parts used in auto repairs.

Annual Number of Seals Sold

Approximate Number of Parts in the Marketplace



Source: *Certified Automotive Parts Assn., 1998*

Still, auto manufacturers continue to propagate the misconception that all competitive parts are inferior, in spite of years of testing, side-by-side performance

1990

May 1990

Three Congressional bills - H.R. 902, H.R. 3017, and H.R. 3499 - attempt to give auto manufacturers an exclusive right to the design of individual replacement parts. These bills fail.

1991

February 1991

CAPA suspends one Taiwanese crash parts manufacturer and places three others on probation for failing to meet the association's standards.

December 1991

Ford Motor Co. comes out in support of H.R. 1790, design patent legislation that would virtually eliminate competitive parts. At the same time, General Motors announces a price reduction on 672 selected collision parts.

and cost comparisons that prove otherwise. Using their considerable influence, they've persuaded a handful of legislators and consumers this fallacy is fact. And they're trying to get their way again at the federal level by promoting legislation to establish broadly cast industrial design protection for boat hulls - a move that would open the door for similar restrictions in the auto parts industry. Such proposals are strenuously opposed by a broad coalition of retail, consumer, and insurance associations.

Although most states simply require notice to the consumer about the use of non-OEM parts, a few have adopted laws that severely restrict the use of aftermarket parts.

Increasingly, the aftermarket parts war is moving to the battlefield of the courts. Recently, plaintiffs in Illinois filed a lawsuit claiming their insurer's mandated use of aftermarket parts violates state law. The case has recently been expanded into a nationwide class-action lawsuit. Such class-action suits represent a serious turn of events for insurers, which could be liable for billions of dollars if they lose. This in turn could lead to increases in auto premiums at a time when rates are actually declining nationwide. These types of suits have been dismissed in other states.

More importantly, however, such trends compromise the consumer's ability to select a product for price and quality. At a time when informed consumers insist on choice in their purchases - from generic prescription drugs to the selection of caregivers in their HMO medical plans - competitive auto repair parts are simply another way to provide that choice, and to promote healthy competition among parts manufacturers.

What Lies Ahead?

It is no exaggeration to state that the increasingly wide availability of aftermarket parts has revolutionized the auto repair industry. Current estimates indicate that 4.1 of the 12 auto body parts replaced after an accident are made of sheet metal or plastic - and each year, more of these replacement parts are quality-approved by CAPA. Today, almost 2,500 part types have achieved CAPA certification, including bumper covers, fenders, door shells, hoods, tailgates, truck beds, and trunk lids. Competitive repair parts are now so good that more than 90% of the firms manufacturing or distributing them provide five-year warranties - and some insurers even guarantee the parts for the life of the car. In turn, the availability of

1992

February 1992

A study conducted by State Farm estimates that the continued presence of aftermarket parts forced price reductions that saved the insurance industry and its policyholders \$123 million in 1991.

June 1992

CAPA certifies 745 parts.

August 1992

Ford, General Motors and Chrysler spend over \$1 million lobbying Congress to pass H.R.1790. The bill fails.

1993

June 1993

The New York Insurance Department requires the use of CAPA-certified crash parts.

Cost Comparison:

| Year Make/Model | Bumper | | Hood | | Fender | |
|---------------------|--------|---------|--------|---------|--------|---------|
| | OEM | Non-OEM | OEM | Non-OEM | OEM | Non-OEM |
| 95 Buick Century | 112.00 | 93.00 | 238.00 | 174.00 | 136.00 | 108.00 |
| 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 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 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 |
| 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 | 296.00 | 141.00 |
| 96 Ford Explorer | 370.07 | 278.00 | 214.58 | 180.00 | 110.02 | 86.00 |

Source: *The Mitchell International, Inc., Collision Estimating Guide; Motor Publication's Crash Estimating Guide and Keystone Automotive Industries, Inc.*

quality competitive parts has driven down the cost of comparable OEM parts.

The use of these approved repair parts has promoted considerable savings for both insurers and their policyholders. One national insurance company reports the cost difference between OEM and after-market part usage topped \$4 million for the first nine months of 1998. Since the introduction of competitive parts, insurers conservatively estimate that they – and their policyholders – have saved more than \$800 million per year. This cost saving is inevitably passed along to the consumer, a national trend that is in part attributable to the use of less expensive repair parts.

But the fact remains that, due to influence and the dissemination of inaccuracies, the auto manufacturers still control the lion's share of the market. U.S. collision repairers use almost 80% OEM parts in their repair, with 5% salvage and 12.3% non-certified aftermarket.

The tide of opinion is showing signs of turning. In a recent public attitude monitor survey conducted by the Insurance Research Council, the majority of respondents (55%) are willing to approve the use of competitive parts for the repair of their vehicles, if savings were substantial and quality was assured. Six out of ten respondents are confident in the quality

1994

1994

Ford Motor Co. conducts a crash test study comparing genuine Ford replacements and aftermarket parts, both CAPA and non-CAPA approved. Ford claims the findings indicate that aftermarket parts compare poorly with OEMs in regard to fit, finish, structural integrity, corrosion resistance, and material composition. CAPA questions Ford's interpretation of the findings, and a subsequent deposition of a Ford crash parts product manager indicates the study actually showed the CAPA parts performed as well or better than Ford parts in a number of the tests.

March 1994

National Association of Independent Insurers estimates that CAPA and aftermarket competition saves the insurance industry and its consumers more than \$800 million per year.

1995

April 1995

CAPA sells an estimated 1.6 million seals in 1995, or more than 13,000 per month.

October 1995

The European Parliament votes overwhelmingly to allow competitive manufacturers to use OEM designs to produce repair parts.

of competitive parts that have been certified by CAPA; in other words, they believe the quality of non-OEM parts is the same as original equipment manufactured parts.

Continuing efforts by auto manufacturers could have a detrimental effect on the use of independent competitive parts. These lobbies continue their attempts to influence both state and federal legislators by promoting laws to limit, or even prohibit, the use of aftermarket parts. Legislators who are concerned with the best interests of their constituents are taking a stand for healthy competition by refusing to help create an auto manufacturers' monopoly for collision repair parts.

However, the real key to nurturing a competitive climate is through education. People who are continually bombarded with negative messages will eventually absorb them as fact, even if those messages are completely based on self-serving fabrications.

That's why it's important to set the record straight about competitive repair parts. Here are some fictions that need to be dissolved by the facts:

FICTION: Aftermarket parts are inferior in quality to OEM.

FACT

CAPA sets stringent standards for aftermarket parts. CAPA's testing process includes an industry-recognized 500-hour salt spray test to indicate rust resistance. CAPA also tests metal composition, welds, screws, resistance to chipping and scratching, and administers other tests recognized by the Society of Automotive Engineers and the American Society of Testing Materials

FICTION: Aftermarket parts are unsafe.

FACT

Whether they are aftermarket or OEM, crash parts do not affect the safety of a vehicle. That is why there are no federal safety standards for any crash parts, except headlamps and the hinges on hoods (to prevent the hood from going through the windshield in a crash).

Over the years, crash tests performed by the critics of aftermarket parts have shown that these parts perform no differently than OEM parts. CAPA-certified fenders and hoods have been proven safe under the most stringent tests conducted by the Insurance Institute for Highway Safety, which used procedures established by the National Highway Transportation Safety Administration, and Allstate's Tech-Cor in Wheeling, Ill. Body shop owners, insurance company representatives, and members of the media witnessed one of the most recent and controversial, conducted in 1997. Experts determined that the aftermarket parts performed as well or better than the OEM parts, particularly the hood, which is the only aftermarket part related to safety concerns (all others are cosmetic).

1996

December 1996
CAPA seal sales income for 1996 is \$1,506,097, with 1,754 certified parts in the system.

1997

March 1997
A crash study using OEM, CAPA, and non-CAPA parts is conducted in New York. Expert eyewitnesses state that CAPA hoods and other parts perform as well as OEM parts.

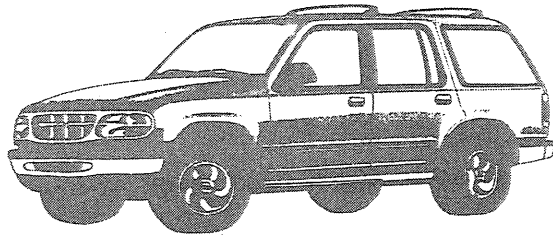
June 1997
At a summit meeting of the Automotive Service Association (ASA), the organization indicates that "all parties are best served when the voice of the customer is heard and allowed an opinion and choice of parts...CAPA has helped improve the quality with all the aftermarket manufacturers by upgrading the parts and tools."

October 1997
The European Parliament overwhelmingly rejects a proposal limiting competition in the aftermarket repair parts market.

December 1997
CAPA seal sales income for 1997 is \$1,542,222, with 2,074 certified parts in the system.

REPLACEMENT

PARTS



A CONSUMER ISSUE



Alliance
of American Insurers

State Laws Affecting The Sale Of Competitive Replacement Parts

Several states have enacted, or are considering, laws that restrict the sale of competitive replacement (aftermarket/non-OEM) parts. Such restrictions deal primarily with required wording of disclosure statements. While most insurers agree that car owners should be informed when competitive replacement parts are used in place of parts made by the original equipment manufacturer (OEM), they oppose wording that suggests that competitive replacement parts are in any way 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 concerning competitive replacement parts, and outlines the primary requirements. Following the chart are footnotes stating the exact wording to be used in disclosure statements.

AFTERMARKET PARTS

(Last updated: January 1998)

ALABAMA

| | |
|--|---|
| State law or regulation citation | Public Act 89-662, Ala. Code § 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

| | |
|--|--|
| State law or regulation citation | Ariz. Rev. Stat. § 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

| | |
|--|--|
| State law or regulation citation | Ark. Code Ann. § 4-90-306 |
| Effective date of law or regulation | 7/15/91 |
| Law or regulation applicable to | Automobile insurance/Insurer The policy - information practices |
| 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 § 5-4-201(c)(1) |

CALIFORNIA

| | |
|--|-----------------------------------|
| State law or regulation citation | Cal. Ins. Code § 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

| | |
|--|--|
| State law or regulation citation | Colo. Rev. Stat. § 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

| | |
|--|--|
| State law or regulation citation | Conn. Gen. Stat. § 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 |

FLORIDA

| | |
|--|---|
| State law or regulation citation | Fla. Stat. Ch. 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

| | |
|--|------------------------|
| State law or regulation citation | Ga. Code Ann. § 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

| | |
|--|--|
| State law or regulation citation | Haw. Rev. Stat. § 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 |

IDAHO

| | |
|--|--|
| State law or regulation citation | Idaho Code § 41-1328B, C, and D |
| Effective date of law or regulation | 1/1/90 |
| 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 (10)* |
| Must parts be certified by an independent laboratory? | No |
| Are insurers required to warranty parts? | No |
| Penalties | Unfair claim settlement practice |

ILLINOIS

| | |
|--|---------------------------------|
| State law or regulation citation | 215 Ill. Comp. Stat. § 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

| | |
|--|---|
| State law or regulation citation | Ind. Code § 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 |

IOWA

| | |
|--|--|
| State law or regulation citation | Iowa Code §§ 507B.4 and 321.1 |
| 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

| | |
|--|--|
| State law or regulation citation | Kan. Stat. Ann. § 50-660 |
| Effective date of law or regulation | 5/10/89 |
| 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 (12)* |
| Must parts be certified by an independent laboratory? | No |
| Are insurers required to warranty parts? | No |
| Penalties | Penalty prescribed in KSA § 40-2401 |

LOUISIANA

| | |
|--|---|
| State law or regulation citation | La. Rev. Stat. Ann. § 51:2180 |
| 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 |

MARYLAND

| | |
|--|--|
| State law or regulation citation | Md. Code Ann. Ins. § 27-906 |
| 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

| | |
|--|--|
| State law or regulation citation | Mass. Gen. Laws, Ch. 211, §§ 93.04 and 133.00, Ch. 212, § 2.04 |
| 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

| | |
|--|---|
| State law or regulation citation | Minn. Stat. § 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 |

MISSISSIPPI

| | |
|--|--|
| State law or regulation citation | Miss. Code Ann. §§ 83-11-503 and 63-27-1 |
| 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

| | |
|--|---|
| State law or regulation citation | Mo. Rev. Stat. § 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 |
