Date: 3-19-98	100 F	٠ الله 0	\	1	
Bill Number: 58,225	Ex	ecutive S	ession [	Public H	Hearing
Moved by:				Ha.	
Motion: $\angle RB = 2/23/1$	into	Seconde	ed by:		
			<i>\$</i>		
	NAME A S	1			
1/4	are a f	NP		***************************************	
Committee Member	<u>Aye</u>	No	Absent	Presen	<u>t Absent</u>
Rep. Clifford Otte, Chair					
Rep. DuWayne Johnsrud					
Rep. Alvin Ott					
Rep. Michael Lehman	W/				
Rep. Frank Urban					
Rep. Annette Polly Williams	V				H
Rep. Donald Hasenohrl	D/				
Rep. Spencer Black					
Totals:	8				

Date: 3-19-98	Ex	ecutive Se	ession	Public H	learing
Bill Number: $\frac{58225}{2000}$ Moved by: $\frac{2R8 = 2/23}{2000}$	-// ac	Seconded Laphin	d by:	ott AAI)	
	46.	N. A.			
Committee Member Rep. Clifford Otte, Chair Rep. DuWayne Johnsrud Rep. Alvin Ott Rep. Michael Lehman Rep. Frank Urban Rep. Annette Polly Williams Rep. Donald Hasenohrl Rep. Spencer Black  Totals:	Aye    O   O   O   O      O   O   O   O      O   O		Absent	Presen	t Absent
			P		
Motion Ca	rried	<b>V</b> Mo	otion Failed		

# **Assembly Committee on Consumer Affairs**

Motion: LRB\$2/25/1 intro (AA)	
Committee Member Rep. Clifford Otte, Chair Rep. DuWayne Johnsrud Rep. Alvin Ott Rep. Michael Lehman Rep. Frank Urban Rep. Annette Polly Williams Rep. Donald Hasenohrl Rep. Spencer Black  Totals:  Motion Carried  Motion Failed	<u>∍nt</u>

Motion Failed

Date:	Executive Session	Public Hearing
Bill Number: <b>\$B 225</b> Moved by: Rehman	Seconded by:	pohnsmel
Motion: $\angle KB = 2/25/$	I adop.	/
Committee Member Rep. Clifford Otte, Chair Rep. DuWayne Johnsrud Rep. Alvin Ott Rep. Michael Lehman Rep. Frank Urban Rep. Annette Polly Williams Rep. Donald Hasenohrl Rep. Spencer Black  Totals:	Aye No Absent	Present Absent
Motion Car	ried Motion Egiloc	٧

Date:	Executive Session Public Hearing
Bill Number: 58255	
Moved by:	Seconded by: When
Motion: <u>\$B 225</u>	
Con ensurence	anni
Committee Member Rep. Clifford Otte, Chair Rep. DuWayne Johnsrud Rep. Alvin Ott Rep. Michael Lehman Rep. Frank Urban Rep. Annette Polly Williams Rep. Donald Hasenohrl Rep. Spencer Black Totals:	Aye No Absent Present Absent
Motion Co	arried Motion Failed



### WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

One East Main Street, Suite 401; P.O. Box 2536; Madison, WI 53701-2536 Telephone (608) 266-1304 Fax (608) 266-3830

DATE:

March 2, 1998

TO:

SENATOR RUSSELL DECKER; AND OTHER INTERESTED

**LEGISLATORS** 

FROM:

Don Salm, Senior Staff Attorney

SUBJECT:

Analysis of Senate Substitute Amendment 1 to 1997 Senate Bill 225, Relating

to the Use of Original Manufacturer Replacement Parts

This memorandum analyzes Senate Substitute Amendment 1 to 1997 Senate Bill 225, relating to the use of original manufacturer replacement parts. The Senate Committee on Judiciary, Campaign Finance Reform and Consumer Affairs has recommended Senate Bill 225, as amended in the Substitute Amendment, for passage on a vote of Ayes, 3; Noes, 1.

#### A. CURRENT LAW

Under current law, an insurer may not use nonoriginal manufacturer replacement parts in the repair of an insured's motor vehicle unless the insurer complies with specific notice requirements set forth in s. 632.38, Stats. (attached). "Nonoriginal manufacturer replacement part" is defined to mean a replacement part that is not made by or for the manufacturer of an insured's motor vehicle; and "replacement part" is defined to mean a replacement for any of the nonmechanical sheet metal or plastic parts that generally constitute the exterior of a motor vehicle, including inner and outer panels. Current law specifies that the notice must clearly identify the replacement parts as nonoriginal manufacturer replacement parts and advise the insured that warranties on the parts are provided by the manufacturer of the parts, not the manufacturer of the insured's motor vehicle.

#### B. SENATE SUBSTITUTE AMENDMENT 1 TO 1997 SENATE BILL 225

Senate Substitute Amendment 1 to 1997 Senate Bill 225 (hereafter, "the Substitute Amendment") provides that, regardless of the notice requirements for the use of nonoriginal manufacturer replacement parts in s. 632.38 (2) to (4), Stats. (which continue to apply when the new Bill's provisions are not applicable), an insurer or the insurer's representative must require

the use of *only original* manufacturer replacement parts in the repair of an insured's motor vehicle *if all of the following apply*:

- 1. Within 36 month period. The date of contracting for the repair of the insured's motor vehicle is not more than 36 months after possession of the motor vehicle was first delivered to a consumer, as defined in s. 218.015 (1) (b), Stats. That provision specifies that a consumer means any of the following:
- a. The purchaser of a new motor vehicle, if the motor vehicle was purchased from a motor vehicle dealer for purposes other than resale.
- b. A person to whom the motor vehicle is transferred for purposes other than resale, if the transfer occurs before the expiration of an express warranty applicable to the motor vehicle.
  - c. A person who may enforce the warranty.
- d. A person who leases a motor vehicle from a motor vehicle lessor under a written lease.
- 2. <u>Request by insured at time of repair.</u> At the time of contracting for the repair of the motor vehicle, the insured requests that only original manufacturer replacement parts be used.

The Substitute Amendment defines "original manufacturer replacement part" to mean a replacement part that is made by or for the manufacturer of an insured's motor vehicle. (Note: the current definition of "replacement part" is not affected by the Substitute Amendment.) The definition of "motor vehicle" in current s. 632.38 (1) (c), Stats. (attached), is amended to provide that the term "motor vehicle" does not mean a motorcycle as defined in s. 340.01 (32), Stats. (attached). That definition is also amended to specify a specific definition for "moped" which is currently included in the list of vehicles that are not "motor vehicles" for purposes of this replacement parts statute (i.e., the Substitute Amendment specifies that "motor vehicle" does not mean a moped as defined in s. 340.01 (29m), Stats., a copy of which is attached).

The Substitute Amendment has a sunset provision specifying that the changes in the Substitute Amendment are repealed the first day of the 49th month after the new law takes effect.

The Substitute Amendment specifies that the Joint Legislative Audit Committee is requested to direct the Legislative Audit Bureau (LAB) to perform a performance evaluation audit of the economic impact on insurers and consumers of the requirements under the new "use of original manufacturer replacement part" provision (s. 632.38 (5) in the Substitute Amendment). If the Committee directs the LAB to perform the audit, the LAB is required to file its report in the manner described in s. 13.94 (1) (b), Stats. (attached), no later than the first day of the 43rd month beginning after the effective date of the new law.

The Substitute Amendment specifies that the provisions of the new law *first apply* to claims under motor vehicle insurance policies issued or renewed on the effective date of the new law, and that the repeal of the new law under the sunset provision first applies to claims under

motor vehicle insurance policies issued or renewed on the first day of the 49th month beginning after the new law takes effect.

If you would like any further information on this subject, please feel free to contact me at 266-8540.

DLS:rv;ksm

Attachment

#### Sections 632.38, 340.01 (32), 340.01 (29m) and 13.94 (1) (b), Stats.

## 632.38 Nonoriginal manufacturer replacement parts. (1) Definitions. In this section:

- (a) "Insured" means the person who owns the motor vehicle that is subject to repair or the person seeking the repair on behalf of the owner.
- (b) "Insurer's representative" means a person, excluding the person repairing the motor vehicle, who has agreed in writing to represent an insurer with respect to a claim.
- (c) "Motor vehicle" means any motor-driven vehicle required to be registered under ch. 341 or exempt from registration under s. 341.05 (2), including a demonstrator or executive vehicle not titled or titled by a manufacturer or a motor vehicle dealer. "Motor vehicle" does not mean a moped, semitrailer or trailer designed for use in combination with a truck or truck tractor.
- (d) "Nonoriginal manufacturer replacement part" means a replacement part that is not made by or for the manufacturer of an insured's motor vehicle.
- (e) "Replacement part" means a replacement for any of the nonmechanical sheet metal or plastic parts that generally constitute the exterior of a motor vehicle, including inner and outer panels.
- (2) NOTICE OF INTENDED USE. An insurer or the insurer's representative may not require directly or indirectly the use of a nonoriginal manufacturer replacement part in the repair of an insured's motor vehicle, unless the insurer or the insurer's representative provides to the insured the notice described in this subsection in the manner required in sub. (3) or (4). The notice shall be in writing and shall include all of the following information:
- (a) A clear identification of each nonoriginal manufacturer replacement part that is intended for use in the repair of the insured's motor vehicle.
- (b) The following statement in not smaller than 10-point type: "This estimate has been prepared based on the use of one or more replacement parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of the replacement parts rather than by the manufacturer of your motor vehicle."
- (3) Delivery of Notice. (a) The notice described in sub. (2) shall appear on or be attached to the estimate of the cost of repairing the insured's motor vehicle if the estimate is based on the use of one or more nonoriginal manufacturer replacement parts and is prepared by the insurer or the insurer's representative. The insurer or the insurer's representative shall deliver the estimate and notice to the insured before the motor vehicle is repaired.
- (b) If the insurer or the insurer's representative directs the insured to obtain one or more estimates of the cost of repairing the insured's motor vehicle and the estimate approved by the insurer

or the insurer's representative clearly identifies one or more nonoriginal manufacturer replacement parts to be used in the repair, the insurer or the insurer's representative shall assure delivery of the notice described in sub. (2) to the insured before the motor vehicle is repaired.

- (c) The insurer or the insurer's representative may not require the person repairing the motor vehicle to give the notice described in sub. (2).
- (d) Notwithstanding par. (b), if an insured authorizes repairs to begin prior to the approval by the insurer or the insurer's representative of an estimate that clearly identifies one or more non-original manufacturer replacement parts to be used in the repair, the insurer or the insurer's representative shall send the written notice described in sub. (2) by mail to the insured's last-known address no later than 3 working days after the insurer or the insurer's representative receives the estimate.
- (4) NOTICE BY TELEPHONE. Notwithstanding sub. (3), notice of the intention to use nonoriginal manufacturer replacement parts in the repair of the insured's motor vehicle may be given by the insurer or the insurer's representative by telephone. If such notice is given, the insurer or insurer's representative shall send the written notice described in sub. (2) by mail to the insured's last-known address no later than 3 working days after the telephone contact.
- 340.01 (32) "Motorcycle" means a motor vehicle, excluding a tractor or an all-terrain vehicle, which is capable of speeds in excess of 30 miles per hour with a 150-pound rider on a dry, level, hard surface with no wind, with a power source as an integral part of the vehicle, and which meets the conditions under par. (a) or (b):
  - (a) Type 1 is a motor vehicle which meets either of the following conditions:
- 1. Is designed and built with 2 wheels in tandem and a seat for the operator, and may be modified to have no more than 3 wheels by attaching a sidecar to one side of the wheels in tandem without changing the location of the power source.
- 2. Is designed and built to have no more than 3 wheels, seating for the operator and no more than 3 passengers, and does not have the operator area enclosed.
- (b) Type 2 is a motor vehicle designed and built to have at least 3 wheels in contact with the ground, a curb weight of less than 1,500 pounds, and a passenger and operator area with sides permanently enclosed with rigid construction and a top which may be convertible.
- 340.01 (29m) "Moped" means any of the following motor vehicles capable of speeds of not more than 30 miles per hour with a 150-pound rider on a dry, level, hard surface with no wind, excluding a tractor, a power source as an integral part of the vehicle and a seat for the operator:
- (a) A bicycle-type vehicle with fully operative pedals for propulsion by human power and an engine certified by the manufacturer at not more than 50 cubic centimeters or an equivalent power unit.
- (b) A Type 1 motorcycle with an automatic transmission and an engine certified by the manufacturer at not more than 50 cubic centimeters or an equivalent power unit.
- 13.94 (1) (b) Audit the records of every state department, board, commission, independent agency or authority at least once each 5 years and audit the records of other departments as defined

in sub. (4) when the state auditor deems it advisable or when he or she is so directed and, in conjunction therewith, reconcile the records of the department audited with those of the department of administration. Audits of the records of a county, city, village, town or school district may be performed only as provided in par. (m). Within 30 days after completion of any such audit, the bureau shall file with the chief clerk of each house of the legislature, the governor, the department of administration, the legislative reference bureau, the joint committee on finance, the legislative fiscal bureau and the department audited, a detailed report thereof, including its recommendations for improvement and efficiency and including specific instances, if any, of illegal or improper expenditures. The chief clerks shall distribute the report to the joint legislative audit committee, the appropriate standing committees of the legislature and the joint committee on legislative organization.

#### SB225

SEN	AT	ΈI	BILL	225

An Act to amend 632.38 (title) and 632.38 (2) (title); and to create 632.38 (1) (dm) and 632.38 (5) of the statutes; relating to: the use of original manufacturer replacement parts. 1997

Introduced by Senators Risser, Drzewiecki, Grobschmidt, Wirch, Clausing, Rosenzweig, Burke and Rude; cosponsored by Representatives Freese, Riley, Musser, Reynolds, Urban, Ziegelbauer, Ott, Travis, Underheim, Notestein, Handrick, Staskunas, Otte, L. Young, Albers, Hasenohrl, Hahn, Carpenter, Turner, Ryba and Meyer.
Read first time and referred to committee on Judiciary, Campaign Finance Reform and Consumer Affairs
Public hearing held.
Senator Rude withdrawn as a coauthor
Executive action taken.
Report introduction and adoption of Senate substitute amendment <u>1</u> recommended by committee on Judiciary, Campaign Finance Reform and Consumer Affairs, Ayes 3, Noes 1 by committee on Judiciary, Campaign Finance Reform and Consumer Affai440
Report passage as amended recommended by committee on Judiciary, Campaign Finance Reform and Consumer Affairs, Ayes 3, Noes 1
Available for scheduling.
Read a second time
Senate amendment 1 to Senate substitute amendment 1 offered by Senators Rude,
Panzer, Zien, Huelsman and Farrow
Senate amendment <u>1</u> to Senate substitute amendment 1 rejected, Ayes 18, Noes 14 504
Senate amendment 2 to Senate substitute amendment 1 offered by Senators Rude and Drzewiecki
Refused to reject Senate amendment 2 to Senate substitute amendment 1 504
Refused to table Senate amendment 2 to Senate substitute amendment 1, Ayes 12, Noes 20
Senate amendment 2 to Senate substitute amendment 1 adopted 504
Senate amendment 3 to Senate substitute amendment 1 offered by Senator Drzewiecki
Motion to reconsider vote by which Senate amendment <u>1</u> to Senate substitute amendment 1 was rejected offered by Senator Shibilski
Senate amendment 3 to Senate substitute amendment 1 withdrawn and returned to author
Refused to reconsider vote by which Senate amendment <u>1</u> to Senate substitute amendment 1 was rejected
Senate substitute amendment <u>1</u> adopted <u>505</u>
Ordered to a third reading
Rules suspended

03-12. S.	Read a third time and <b>passed</b>	505
	Ordered immediately messaged	
	Received from Senate.	
03-16. A.	Read first time and referred to committee on Consumer Affairs.	

### **Assembly**

### **Record of Committee Proceedings**

### **Committee on Consumer Affairs**

#### Senate Bill 225

Relating to: the use of original manufacturer replacement parts.

By Senators Risser, Drzewiecki, Grobschmidt, Wirch, Clausing, Rosenzweig and Burke; cosponsored by Representatives Freese, Riley, Musser, Reynolds, Urban, Ziegelbauer, Ott, Travis, Underheim, Notestein, Handrick, Staskunas, Otte, L. Young, Albers, Hasenohrl, Hahn, Carpenter, Turner, Ryba and Meyer.

March 16, 1998

Referred to committee on Consumer Affairs.

March 19, 1998

#### **EXECUTIVE SESSION**

Present: (8) Representatives Otte, Johnsrud, Ott, M. Lehman, Urban, Williams, Hasenohrl and Black.

Absent: (0) None.

Moved by Representative M. Lehman, seconded by Representative Otte, that **Assembly Amendment 1** (LRBa2123/1) be recommended for introduction.

Ayes: (8) Representative Otte, Johnsrud, Ott, M. Lehman, Urban, Williams, Hasenohrl and Black.

Noes: (0) None. Absent: (0) None.

INTRODUCTION RECOMMENDED, Ayes 8, Noes 0, Absent 0

Moved by Representative M. Lehman, seconded by Representative Ott, that Assembly Amendment 1 (LRBa2123/1) be recommended for adoption.

Ayes: (3) Representative Ott, M. Lehman and Williams.

Noes: (5) Representative Otte, Johnsrud, Urban, Hasenohrl and Black.

Absent: (0) None.

#### MOTION FAILED, Ayes 3, Noes 5, Absent 0

Moved by Representative Johnsrud, seconded by Representative Ott, that **Assembly Amendment 2** (LRBa2125/1) be recommended for introduction.

Ayes: (8) Representative Otte, Johnsrud, Ott, M. Lehman, Urban, Williams, Hasenohrl and Black.

Noes: (0) None. Absent: (0) None.

INTRODUCTION RECOMMENDED, Ayes 8, Noes 0, Absent 0

Moved by Representative M. Lehman, seconded by Representative Johnsrud, that Assembly Amendment 2 (LRBa2125/1) be recommended for adoption.

Ayes: (4) Representative Johnsrud, Ott, M. Lehman and Williams.

Noes: (4) Representative Otte, Urban, Hasenohrl and Black.

Absent: (0) None.

MOTION FAILED, Ayes 4, Noes 4, Absent 0

Moved by Representative Ott, seconded by Representative Urban, that **Senate Bill 225** be recommended for concurrence.

Ayes: (6) Representatives Otte, Johnsrud, Ott, Urban, Hasenohrl and Black.

Noes: (2) Representatives M. Lehman and Williams.

Absent: (0) None.

CONCURRENCE RECOMMENDED, Ayes 6, Noes 2, Absent 0

Daniel A. Young

Committee Clerk