

## NEBRASKA

State law or regulation citation	210 NAC Ch. 45 § 001
Effective date of law or regulation	1/1/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (17)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair claims settlement practice

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## NEW HAMPSHIRE

State law or regulation citation	N.H. Rev. Stat. Ann. § 407-D:2
Effective date of law or regulation	1/1/89
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (18)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Penalty prescribed in RSA § 417:10

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## NEW JERSEY

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

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## NEW YORK

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

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## NORTH CAROLINA

State law or regulation citation	11 NCAC § 4.0425
Effective date of law or regulation	4/1/89
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (20)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Makes it an unfair trade practice

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## OHIO

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

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## OKLAHOMA

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

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## OREGON

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

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## RHODE ISLAND

State law or regulation citation	R.I. Gen. Laws §§ 27-10.2-1 and 2; Regulation LXXIII § 3
Effective date of law or regulation	2/14/94
Law or regulation applicable to	Insurer or auto body repair shop
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes
Is a written estimate disclosure statement needed in addition to a written estimate?	No
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Unfair claims settlement practices

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## **SOUTH DAKOTA**

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

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## **TENNESSEE**

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

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## **TEXAS**

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

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## UTAH

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

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## VIRGINIA

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

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## WEST VIRGINIA

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

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## WISCONSIN

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

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## WYOMING

State law or regulation citation	Wyo. Stat. Ann. 19 § 1
Effective date of law or regulation	7/29/88
Law or regulation applicable to	Insurer
Is a written estimate needed on non-OEM parts clearly identifying each major part?	Yes - and written consent
Is a written estimate disclosure statement needed in addition to a written estimate?	Yes (30)*
Must parts be certified by an independent laboratory?	No
Are insurers required to warranty parts?	No
Penalties	Penalty prescribed in W.S. § 216-1-107

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### Disclosure Section

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

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

- \* (7) **Florida** "This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the preparation of this estimate are warranted by the manufacturer or distributor of such parts rather than the manufacturer of your vehicle."
- \* (8) **Georgia** "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the preparation of this estimate are warranted by the manufacturer or distributor of such parts rather than the manufacturer of your vehicle."
- (9) **Hawaii** "Body shops may include information concerning any non-OEM warranty and the part's compliance with any certified testing program."
- \* (10) **Idaho** This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle.
- \* (11) **Iowa** "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Any warranties applicable to these replacement parts are provided by the manufacturer or the distributor of these parts rather than the manufacturer of your vehicle."
- \* (12) **Kansas** "This estimate has been prepared based on the use of one or more aftermarket parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."
- \* (13) **Louisiana** "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or the distributor of these parts rather than the manufacturer of your vehicle."
- \* (14) **Massachusetts** "The repair estimate is based on the use of replacement parts which are not made by the original manufacturer of the damaged parts in your vehicle. Warranties, if any, applicable to these replacement parts are provided by their manufacturer or supplier rather than the manufacturer of your motor vehicle."
- (15) **Mississippi** "This estimate has been prepared based on the use of aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. The aftermarket crash parts used in the estimate are warranted by the manufacturer or distributor of such parts instead of the manufacturer of your vehicle."
- \* (16) **Missouri** "This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the parts manufacturer or distributor rather than the manufacturer of your vehicle."
- \* (17) **Nebraska** "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, quality and performance to the original manufacturer parts they are replacing."

- \*(18) New Hampshire** "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, quality and performance to the original manufacturer parts they are replacing."
- \*(19) New Jersey** "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in like kind and quality in terms of fit, performance and warranties to replacement parts available from the original manufacturer."
- (20) North Carolina** Disclosure statement required on written estimate: "This estimate has been prepared based on the use of automobile parts not made by the original manufacturer. Parts used in the repair of your vehicle by other than the original manufacturer are required to be at least equal in terms of fit, quality, and performance to the original manufacturer parts they are replacing."  
  
"In the repair of your covered auto under the physical damage coverage provisions of this policy, we may require or specify the use of automobile parts not made by the original manufacturer. These parts are required to be at least equal in terms of fit, quality and performance to the original manufacturer parts they replace."
- (21) Ohio** "This estimate has been prepared based on the use of one or more aftermarket crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these aftermarket crash parts are provided by the parts manufacturer or distributor rather than your own motor vehicle manufacturer."
- \*(22) Oklahoma** This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle.
- \*(23) Oregon** "This estimate has been prepared based on the use of a motor vehicle crash part not made by the original equipment manufacturer. The use of a motor vehicle crash part not made by the original equipment manufacturer may invalidate any remaining warranties of the original equipment manufacturer on that motor vehicle part. The person who prepared this estimate will provide a copy of the part warranty for crash parts not made by the original equipment manufacturer for comparison purposes."
- \*(24) South Dakota** This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle.
- \*(25) Tennessee** "This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."
- \*(26) Utah** "This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle."

**\*(27) Virginia**

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

**\*(28) West Virginia**

"This estimate has been prepared based on the use of aftermarket crash parts that are not manufactured by the original manufacturer of the vehicle or by a manufacturer authorized by the original manufacturer to use its name or trademark. The use of an aftermarket crash part may invalidate any remaining warranties of the original manufacturer on that crash part."

**(29) Wisconsin**

"This estimate has been prepared based on the use of one or more crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties, if any, applicable to these replacement crash parts are provided by the parts manufacturer or distributor rather than by the manufacturer of your vehicle."

**\*(30) Wyoming**

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



## **Information for the News Media**

**For Release: Wednesday, August 26, 1998**

**Contact: Kirk Hansen at (630) 724-2125**

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### **High Cost of OEM Parts Still Problematic, But Competition Starting to Have an Effect, Alliance Says**

**Downers Grove, IL** -- Even without the cost of paint and labor, a 1998 Ford Explorer XLT built entirely from original equipment manufacturer (OEM) 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 OEM parts is generally triple the original cost. The 1998 Explorer, with a few nonstandard options, retails for approximately \$27,145. Amazingly, however, building it from OEM parts would cost more than \$77,000.

"The study demonstrates the value of free-market competition," said Kirk Hansen, Alliance director of claims. "In past years, when the OEMs had a stranglehold on the marketplace, 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

(More)

their prices. Though the costs of OEM parts are still outrageous (more than 280% of the cost of the vehicle), they are finally heading in the right direction.”

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. The company also has introduced a Bumper Fascia Truckload Program that has resulted in average price reductions of 29 percent on its 41 top-selling bumper fascias.

“OEMs are spending a fortune trying to force anti-consumer legislation that would limit the use of competitive replacement parts. Although they talk about ‘genuine’ parts and have manufactured false issues about quality and safety, their goal is to destroy free-market forces -- they don’t want to compete! Limiting the availability of competitive replacement parts would let OEMs charge whatever they wish for parts,” Hansen said. “That is why they are seeking legislation to prohibit the sale of competitive replacement parts.”

However, most people don’t want to spend \$80 to \$100 extra for a part, just because it comes from a car company. “Just as most people have learned the value of buying PC-compatible computers or generic prescription drugs, more people are realizing that competitive replacement parts are a good deal,” Hansen said. “In addition, by repairing cars with less expensive replacement parts, we can control one of the major factors contributing to high auto insurance premiums. By using quality CAPA-certified parts, we can ensure quality repairs.”

For these reasons, the Alliance and its member companies support the sale of competitive replacement parts approved by the Certified Automotive Parts Association (CAPA), an organization that tests auto parts produced by independent

manufacturers. To earn the CAPA stamp of approval, a replacement part must pass stringent tests to assure that it is equal or superior to its OEM counterpart. Last year, CAPA received complaints on only 0.05 percent of the more than 2.5 million parts it certified. Therefore, the only discernable difference between an OEM part and a CAPA-certified part is price.

How can the rebuilt car reach a price of \$77,008.07? 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!

For example, the Ford Explorer's OEM rear bumper cover costs \$339.07; the same part made by an independent manufacturer costs only \$240. Other comparisons of Explorer parts include:

	<u>OEM</u>	<u>Aftermarket</u>
Bumper, rear	\$339.07	\$240.00
Headlamp Assembly, R	178.88	80.00
Headlamp Assembly, L	178.88	80.00
Windshield	1,308.09	353.18

The Alliance of American Insurers is a national trade association of nearly 270 property/casualty insurance companies.

**Note to journalists:** A camera-ready diagram of the Explorer listing the prices of certain OEM replacement parts is available upon request.



**Alliance**  
*of American Insurers*

**\*COST OF REPLACING PARTS  
FOR A 1998 FORD EXPLORER**

**Cost to rebuild with OEM replacement parts: \$77,008.07**

**Manufacturers Suggested Retail Price \$27,145**

Right Head Lamp  
Assembly \$178.88

Left Head Lamp  
Assembly \$178.88

Front Bumper  
Assembly \$570.61

Front Fenders, Inner Shields  
Brackets \$955.64

Front Suspension and Brakes including  
Spindles, Hubs, Shocks, Springs, Stabilizers,  
Calipers, Rotors, Axle Housing, Axles,  
Control Arm and misc. hardware \$4,047.53

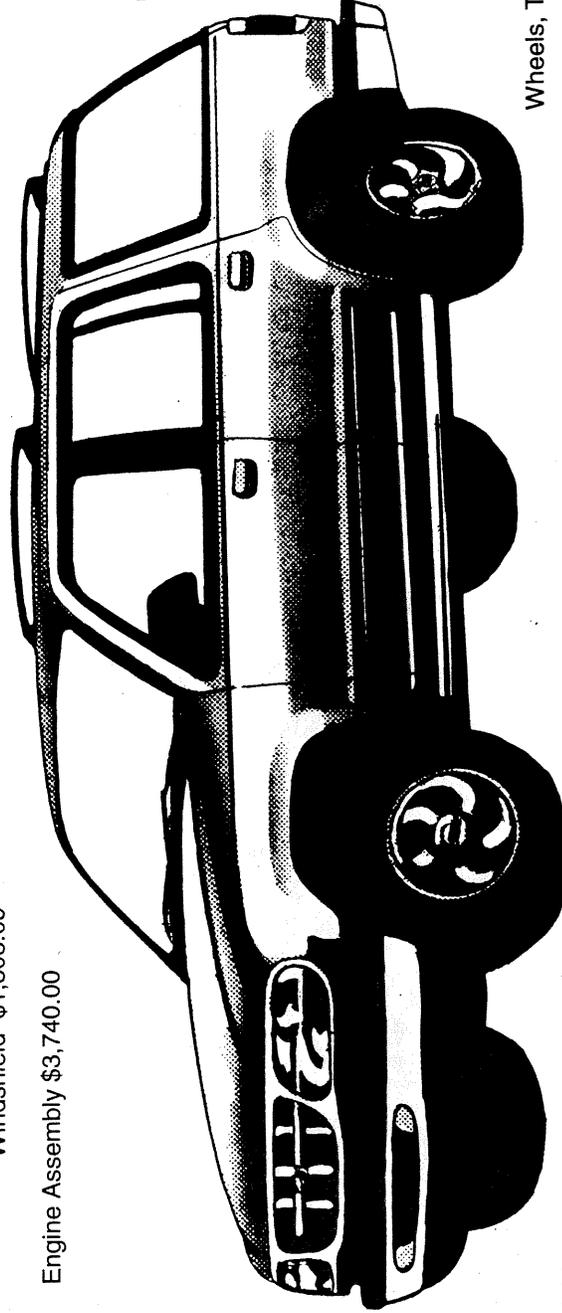
Windshield \$1,308.09

Engine Assembly \$3,740.00

Instruments panel and Center Console including  
Trim, Speedometer, Tachometer, Gauges, Switches  
and Controls (Without Message Center) \$2,563.53

Rear Door with Power Windows,  
Inner Door Components  
and Hardware \$4,700.06

Uniside Assemblies, Rockers  
Front and Rear Floors \$2,650.92



Wheels, Tires, Spare Tire (Alloy) \$1,894.84

Electrical System including Battery,  
Alternator, Starter, Wiring Looms, ECM,  
Relays, Fuse Panels, Horns \$2,298.37

Front Doors with Power Windows  
and Mirror, inner Door Components  
and hardware \$4,072.99

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

quality" to OEM parts were used to repair the vehicle.

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

## What Do You Think?

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

## Alliance Stance on Legislative Restrictions

Reasons why the Alliance of American Insurers *opposes* certain legislative restrictions:

- Restricting the use of competitive replacement parts destroys fair competition and creates a monopoly for auto manufacturers.
- Imposing strict regulations on competitive replacement parts' manufacturers and distributors would virtually eliminate those businesses. The resulting monopoly by automakers would mean higher prices charged for parts and higher auto repair costs. This, in turn, would result in higher auto insurance costs. Insurance consumers would foot the bill.
- Some bills under consideration impose standards on non-OEM parts that the OEM parts do not meet. If standards are imposed, both OEM and non-OEM should be subject to the same requirements.

## Alliance Offices

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Sacramento, CA 95814

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The Alliance  
Of American Insurers  
Presents:

*The Case For  
Competitive Replacement  
Parts*  
or  
*Why Pay More Money  
For The Same Quality?*

Copyright 1998 Alliance of American Insurers

## Should Your Car Be Repaired With Competitive Replacement Parts?

We'd like you to decide.

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

### What are Competitive Replacement Parts?

Sometimes referred to as cosmetic parts, competitive replacement parts are sheet metal and plastic components such as hoods, fenders, bumpers and doors, which account for the majority of damage in auto accidents. Until the 1970s, OEMs had virtually no competition in this country. When independent manufacturers in several countries, including the United States, began making sheet metal replacements, the

OEMs found themselves facing some tough competition for the first time. Not only are most of the independently made parts lower priced, they have also caused the OEMs to start to lower their prices in order to meet the competition.

### The Present Concerns

The exorbitant cost of auto repairs is creating a problem for consumers and insurers. In crash tests performed by the Insurance Institute for Highway Safety (IIHS), it was found that impacts as low as 5 mph resulted in thousands of dollars in physical damage. Anything that drives up the cost of claims contributes to increasing auto insurance costs. Studies done for the past 17 years by the Alliance of American Insurers show that the cost of repairing a totally demolished car with OEM parts is three times the cost of purchasing a new one. Using competitive replacement parts can greatly reduce that cost. However, some states have passed, or are considering, regulations with deceptive disclosure statements for competitive replacement parts -- regulations that prohibit insurers from requiring the use of these parts. Included is language designed to alarm consumers and falsely suggest that all competitive replacement parts may be inferior to OEM parts.

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

does *not* affect the warranty on the remaining parts.

### Is Safety an Issue?

No. Insurers have to continue insuring a vehicle after it has been repaired. Therefore, they would not put themselves in the position of insuring an unsafe vehicle. Doing so would be risking a future claim payment and be bad for business. Additionally, the Insurance Institute for Highway Safety (IIHS) has repeatedly stated that safety is simply not at risk. According to IIHS President Brian O'Niell, "there is no reason to believe -- let alone assume -- that cosmetic body parts significantly affect car crash-worthiness."

### What Do We Recommend?

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

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

Disclosure statements be given to policyholders when non-OEM parts are used in repairs. The statement should inform the insured that competitive replacement parts of "like kind and

quality" to OEM parts were used to repair the vehicle.

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

## What Do You Think?

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

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Reasons why the Alliance of American Insurers opposes certain legislative restrictions:

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The Alliance  
Of American Insurers  
Presents:

The Case For  
Competitive Replacement  
Parts  
or  
Why Pay More Money  
For The Same Quality?

## Should Your Car Be Repaired With Competitive Replacement Parts?

We'd like you to decide.

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

### What are Competitive Replacement Parts?

Sometimes referred to as cosmetic parts, competitive replacement parts are sheet metal and plastic components such as hoods, fenders, bumpers and doors, which account for the majority of damage in auto accidents. Until the 1970s, OEMs had virtually no competition in this country. When independent manufacturers in several countries, including the United States, began making sheet metal replacements, the

OEMs found themselves facing some tough competition for the first time. Not only are most of the independently made parts lower priced, they have also caused the OEMs to start to lower their prices in order to meet the competition.

### The Present Concerns

The exorbitant cost of auto repairs is creating a problem for consumers and insurers. In crash tests performed by the Insurance Institute for Highway Safety (IIHS), it was found that impacts as low as 5 mph resulted in thousands of dollars in physical damage. Anything that drives up the cost of claims contributes to increasing auto insurance costs. Studies done for the past 17 years by the Alliance of American Insurers show that the cost of repairing a totally demolished car with OEM parts is **three times the cost of purchasing a new one**. Using competitive replacement parts can greatly reduce that cost. However, some states have passed, or are considering, regulations with deceptive disclosure statements for competitive replacement parts -- regulations that prohibit insurers from requiring the use of these parts. Included is language designed to alarm consumers and **falsely suggest** that all competitive replacement parts may be inferior to OEM parts.

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

does *not* affect the warranty on the remaining parts.

### Is Safety an Issue?

No. Insurers have to continue insuring a vehicle after it has been repaired. Therefore, they would not put themselves in the position of insuring an unsafe vehicle. Doing so would be risking a future claim payment and be bad for business. Additionally, the Insurance Institute for Highway Safety (IIHS) has repeatedly stated that **safety is simply not at risk**. According to IIHS President Brian O'Niell, "there is no reason to believe -- let alone assume -- that cosmetic body parts significantly affect car crash-worthiness."

### What Do We Recommend?

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

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

Disclosure statements be given to policyholders when non-OEM parts are used in repairs. The statement should inform the insured that competitive replacement parts of "like kind and

## Cost Comparison: OEM vs. Non-OEM (Competitive Replacement) Parts

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

Year Make/Model	Bumper		Hood		Fender	
	OEM	Non-OEM	OEM	Non-OEM	OEM	Non-OEM
95 Buick Century	112.00	93.00	223.00	174.00	136.00	108.00
96 Chevy Beretta	377.00	238.00	192.00	134.00	99.00	64.00
94 Chevy Corsica	320.00	127.00	192.00	138.00	99.00	65.00
94 Ranger Pickup	261.18	206.00	247.78	176.00	168.37	120.00
95 Ford Taurus	385.00	294.00	400.12	202.60	214.53	89.00
95 Ford F150 PU	277.05	210.00	312.60	206.00	167.40	106.00
96 Ford Escort	487.72	330.00	227.60	178.00	180.02	65.00
95 Honda Accord	181.13	148.00	305.34	170.00	145.00	66.00
96 Mazda 626	446.35	370.00	286.75	198.00	248.55	122.00
95 Nissan Altima	143.25	80.00	336.89	186.00	180.04	124.00
95 Pont. Grand Am	322.00	238.00	307.00	154.00	216.00	59.00
95 Toyota Corolla	114.84	88.00	250.00	136.00	110.26	55.00
95 Chev. 1500 PU	197.00	146.00	223.00	164.00	108.00	87.00
95 Plym. Acclaim	225.00	168.00	250.00	195.00	245.00	65.00
94 Jeep Cherokee	140.00	103.00	310.00	141.00	187.00	72.00
94 Chevy Lumina	175.00	140.00	370.00	242.00	242.00	143.00
96 Dodge Intrepid	460.00	288.00	315.00	220.00	174.00	146.00
96 Toyota Camry	234.70	180.00	383.51	149.00	143.88	60.00
95 Chevy S10 Blazer	304.00	128.00	337.00	132.00	296.00	141.00
96 Ford Explorer	370.07	278.00	214.58	180.00	110.02	86.00

# Cost Comparison History: OEM vs. (Non-OEM Competitive Replacement) Parts

One of the arguments supporting the sale of competitive replacement 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 competitive replacement competition.

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

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

## Test Shows Economical Competitive Replacement Parts Do Not Compromise Safety Compliance

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

Now, competitive replacement parts, also called aftermarket or non-OEM parts, are being marketed by independent suppliers at lower prices.

A heated debate has erupted about the relative quality of replacement parts from these independent manufacturers. Some automobile manufacturers imply that using parts from suppliers other than OEMs may mean that the car no longer meets the requirements of several federal motor vehicle safety standards. The Insurance Institute for Highway Safety, however, states that is not the case because, with the exception of hoods, the cosmetic parts used to repair cars are irrelevant to safety. Parts like fenders, door panels, and grills cover the car like a skin; they serve no structural or safety function.

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

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

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

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

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

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

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

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

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

# Testing and Certification Of Competitive Replacement Parts

## QUALITY.

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

During the past 11 years, tremendous attention has been focused on the cost, safety, availability and quality of these parts for use in repairing damaged automobiles. Allegations that competitive replacement parts are inferior in quality are fueling the political debate. The difficulty in proving that competitive replacement parts are as good or better than Original Equipment Manufacturer (OEM) parts increases the chances that restrictive legislation could be imposed. In order to confront the threat of such restrictions, the insurance industry actively supports the Certified Automotive Parts Association (CAPA). CAPA has developed a program for competitive replacement parts in order to increase the availability of quality parts at competitive prices. The testing-certification program began in November 1987, through an agreement between the CAPA and an independent laboratory. In 1992, Entela Laboratories, which also serves the OEM manufacturers, began developing standards and inspecting parts for CAPA.

Made by independent manufacturers, sheet metal competitive replacement parts are typically **less expensive** than those made by OEMs. The resulting competition has caused a rift in the automotive industry, which previously had a monopoly on sheet metal parts. It is easy to see from the 1998 Alliance cost study that automakers are being forced to dramatically lower the price of many parts in order to remain competitive.

Forced into price reductions by the free market, the OEMs have resorted to an all-out advertising war against the independent manufacturers. Unable to combat the price issue, the OEMs have manufactured two new issues — safety and quality.

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

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

The unfounded allegations concerning competitive replacement parts have spilled over into legislative, regulatory and judicial forums. Success for the OEM public relations blitz could lead to a monopoly for the benefit of the OEMs.

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

### **Testing/Certification Program**

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

A part that earns a seal of approval from CAPA is, in every way, comparable to an OEM part. During 1997, CAPA received complaints on only 0.05% of the more than 2.5 million parts that it certified. This gives CAPA a record of quality that is unrivaled in any industry.

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

It is clear that the political debate between the OEMs and the independent manufacturers will continue well into the next century. The ability of independent manufacturers to freely compete in the marketplace will be greatly enhanced by CAPA, which provides assurance that only quality competitive replacement parts are used in automobile repairs.

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