
**Financial Institutions &
Insurance Committee**

HB 2133

Brief Description: Requiring disclosure of non-original repair parts.

Sponsors: Representatives Woods, Mielke and Campbell.

Brief Summary of Bill

- Prohibits insurers from requiring the use of non-original equipment manufacturer crash parts in the repair of an automobile without the consumer's consent.

Hearing Date: 1/16/04

Staff: Carrie Tellefson (786-7127).

Background:

Auto Insurance:

An auto insurance policy is a package of different coverages, including liability, bodily injury, property damage, collision, comprehensive, personal injury protection, uninsured motorist, and underinsured motorist. When a person is involved in a motor vehicle accident that damages the automobile, payment for the repair costs will be coordinated with the responsible insurer.

Original Equipment Manufacturer Crash Part:

Consumers and body shops that repair crash-damaged vehicles have a choice of either buying new replacement parts from the original equipment manufacturer or using non-original equipment manufacturer parts (commonly called "aftermarket" crash parts), produced by copying the design of the original vehicle parts.

Of the \$8 billion in crash damage in 1999, approximately \$1.2 billion of that represents the cost of non-original equipment manufacturers parts. Until the mid-1980s, consumers and auto body shops could only purchase new replacement crash parts from the original manufacturer. At that time, independent parts manufacturers began marketing aftermarket replacement parts at lower prices. Overall, approximately 60 cents on every dollar of automobile insurance claims is spent on repairing collision damage to vehicles.

According to the General Accounting Office, over six million automobile accidents occurred in the United States in 1999. To repair crash-damaged vehicles, consumers spent more than \$8 billion and bought more than 61 million sheet metal and plastic body parts (including exterior

fenders, bumpers, hoods, and doors). Original equipment manufacturer parts account for about eighty percent of the current market.

A repair facility must notify a consumer, prior to providing parts or services, that non-original equipment manufacturer crash parts will be used. No statutory provisions address an insurer's ability to require the use of non-original equipment manufacturer crash parts.

Summary of Bill:

An insurance company may not require the use of non-original equipment manufacturer crash parts in the repair of a vehicle for five years from the year the automobile was manufactured or while the vehicle is under a manufacturer's warranty.

The owner of the motor vehicle may waive this provision by consenting in writing at the time of the repair. If the owner consents, the insurer must specify in the estimate which parts are original equipment manufacturer crash parts and which parts are non-original equipment manufacturer crash parts.

The insurer must include in the repair estimate a specific statement disclosing to the owner the use of non-original equipment manufacturer crash parts and informing the owner that the use of these parts invalidates any warranty that may exist on the original replaced part. The owner must sign and date the disclosure statement.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.