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House Bill 6053 as introduced  
First Analysis (9-26-90)

Sponsor: Rep. Lloyd F. Weeks  
Committee: Insurance

### **THE APPARENT PROBLEM:**

Representatives of auto manufacturers, independent auto parts manufacturers, insurance companies, and consumers have reached a compromise agreement on the issue of the use in the repair of damaged motor vehicles of body parts that are manufactured by companies other than the original vehicle manufacturer. In recent years, independently manufactured body parts have become a low-cost alternative in the repair of autos, and thus preferred by some insurance companies, but auto manufacturers and others have raised as an issue the quality and suitability of the independent replacement parts and the difference in warranties that may exist between vehicle manufacturer-made parts and parts by independent auto part manufacturers.

### **THE CONTENT OF THE BILL:**

The bill would create the Aftermarket Crash Parts Act, which would require that an insurance policyholder be informed as part of a written estimate if a repair facility or installer repairs a damaged vehicle using "nonoriginal equipment manufacturer aftermarket crash parts," meaning a non-mechanical sheet metal or plastic part not made by the original vehicle manufacturer. Under the bill, if an insurance company requests the use of non-OEM aftermarket crash parts in the repair of a vehicle, those carrying out the repair could only use such parts if they provided the insured person with a written estimate of repairs that clearly identified each such part and that contained a notice in at least ten-point bold type that says:

"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 that apply to these replacement parts are provided by the manufacturer, distributor, or insurer of these parts."

The act, which would take effect April 1, 1991, would be enforceable through a civil action for damages in a court of appropriate jurisdiction.

### **FISCAL IMPLICATIONS:**

There is no information at present.

### **ARGUMENTS:**

#### **For:**

The bill represents a compromise on the subject of replacement body parts for automobiles damaged in accidents, and is agreeable to the vehicle manufacturers, independent parts manufacturers, insurance companies, and consumer representatives. The bill simply requires that consumers be notified in writing when a car is repaired, at an insurance company's request, using plastic or sheet metal parts not manufactured by the original manufacturer of the motor vehicle. It seems only fair to let the automobile owner know the nature of the parts used in repairs and the source of any warranties on the parts.

#### **Against:**

The Insurance Bureau has recommended amendments that would expand the bill somewhat. The regulators suggest that aftermarket crash parts be made to identify their manufacturer, with the identification as accessible as possible after installation of the part. This would further help consumers enforce any manufacturers' warranties. They further suggest that any parts used would have to be "at least equal in like kind and quality to the original part in terms of fit, quality and performance." This aims at assuring consumers that parts not from the original manufacturer will be comparable to the original parts. Both amendments are based on a model law developed by the National Association of Insurance Companies.

**Response:** Any requirement that parts identify manufacturers must be made to apply to original manufacturers and non-original manufacturers, and some people believe the parts should identify the part's country of origin, so that consumers will know where a part is made. Any requirement about the suitability and quality of replacements parts would require subjective judgments and be difficult to enforce.

#### **POSITIONS:**

The Insurance Bureau says it supports the bill with amendments. (9-25-90)

The Motor Vehicle Manufacturers Association supports the bill. (9-25-90)

The Michigan Insurance Federation supports the bill. (9-25-90)

The Michigan Automotive Parts Association supports the bill. (9-25-90)

The Michigan Consumers Council supports the bill. (9-25-90)