

STATEMENT

AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION (APCIA)

H.B. No. 7266 – AN ACT CONCERNING DEVIATIONS FROM MOTOR VEHICLE COLLISION REPAIR GUIDELINES, PROCEDURES, RECOMMENDATIONS AND SERVICE BULLETINS

COMMITTEE ON INSURANCE AND REAL ESTATE

March 7, 2019

The American Property Casualty Insurance Association (APCIA)¹ appreciates the opportunity to comment on House Bill No. 7266, An Act Concerning Deviations From Motor Vehicle Collision Repair Guidelines, Procedures, Recommendations And Service Bulletins. With members comprising nearly 60 percent of the U.S. property casualty insurance market, APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association.

PCI is strongly opposed to this legislation because it would drive up auto body repair costs. Connecticut currently has the twelfth highest average repair costs in the nation and passage of this legislation would likely drive Connecticut further up these rankings and auto insurance premiums could also be impacted.

While insurers would agree that the manufacturer’s technical repair specification requirements should be followed, the language in this bill would go far beyond that - requiring compliance with all “collision repair guidelines, procedures, recommendations and service bulletins issued by the vehicle or original equipment manufacturer”. It is important to note at the outset that there is a major difference between manufacturers’ *recommendations* versus *requirements*. Most manufacturers have a plethora of various recommendations, many of which have nothing to do with vehicle safety. For example, every original equipment manufacturer (OEM) recommends that only OEM parts should be used. Accordingly, this bill would result in a constructive complete ban on aftermarket parts in the state of Connecticut.

For decades, consumers have enjoyed the benefit of competition in the collision repair parts market, reducing auto repair costs by approximately \$1.5 billion annually, according to the Quality Parts Coalition. By only allowing OEM parts, this bill would completely eliminate competition in the repair parts market in Connecticut. OEM crash parts cost up to 50% more than alternative parts.² Additionally, a study by Microeconomics Consulting & Research Associates concluded that “the

¹ Effective January 1, 2019, the American Insurance Association (AIA) and the Property Casualty Insurers Association of America (PCIAA) merged to form the American Property Casualty Insurance Association (APCIA). Representing nearly 60 percent of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

² See www.keepautopartsaffordable.org.

price of crash parts sold by car companies *fall by more than 8%* when a competitive alternative exists, with the *alternative part then priced an additional 26% below* this reduced car company price.” (emphasis added).³

Car parts savings resulting from competition in the crash parts market and the ability to use alternative parts impact consumers both directly and indirectly—directly, as roughly 13% of consumers pay collision repair costs out of pocket, and indirectly, as lower repair costs for insurers may impact premiums. Additionally, consumers would be impacted because higher parts costs may lead to more vehicles being classified as a “total loss”, which would only benefit vehicle manufacturers because it would result in the purchase of more vehicles.

While the potential impact of this legislation on the price of auto repair parts is quite concerning, it is just the beginning of the concerning aspects of this bill. OEM recommendations are not limited to parts and include missives that stray from what one would think of as technical repair standard to promoting its own products and services such as only using shops or equipment recommended by the OEM. This would take the ability away from the insurer to negotiate a fair and reasonable price for auto repair services. This is because the insurer would simply be required to reimburse for all repairs as long as the original equipment manufacturers recommendations were followed and there would be no ability to rebut the repair shops determinations. Auto insurers have a strong belief that they have a role to play in ensuring that the vehicle owner receives a quality repair that is safe and cost effective, and proposals like this, well intended as they may be, will be used as leverage to push the insurer out of the process, save to pay the inflated bill

For the foregoing reasons, APCA urges your Committee NOT to advance this bill.

³ See *Consumer Benefits from a Competitive Aftermarket for Crash Parts*
http://www.keepautopartsassordable.org/sites/all/themes/framework/pdf_resource/consumer_benefits_from_competition_in_crash_parts_industry_micra_economic_study.pdf