

## STATEMENT

### AMERICAN PROPERTY CASUALTY INSURANCE ASSOCIATION (APCIA)

### H.B. No. 5366 – AN ACT CONCERNING REVISIONS TO THE MOTOR VEHICLE STATUTES

### COMMITTEE ON TRANSPORTATION

**March 9, 2022**

The American Property Casualty Insurance Association (APCIA)<sup>1</sup> appreciates the opportunity to comment on House Bill No. 5366, An Act Concerning Revisions to the Motor Vehicle Statutes. 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.

While APCIA supports the provisions in section one of this bill which would simplify procedures related to salvage titles, APCIA is strongly opposed to this legislation because it includes provisions in sections 12-14 of the bill that would significantly drive up auto body repair costs. Connecticut currently has the ninth 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 in accordance with these increased costs.

If this bill were to pass, it would likely result in only original equipment manufacturers (OEM) parts being used in most autobody repairs in Connecticut when the repair is paid for under an insurance policy. Not only would this bill prohibit any entity other than the owner of a motor vehicle from requiring, requesting or encouraging the use of an aftermarket part, but it would also require vehicle repair shops to follow all repair procedures, guidelines, recommendations and service bulletins of the original equipment manufacturer and such recommendations will also require OEM parts, thereby preventing the use of aftermarket parts.

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

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<sup>1</sup> 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.

OEM parts should be used. Accordingly, this bill would result in almost a complete ban on aftermarket parts in the state of Connecticut.

According to recent estimates, eliminating the use of aftermarket parts on a nationwide basis would result in a 7% increase in auto body repair costs, increasing repair costs by \$3.2 billion dollars. By likely only allowing OEM parts in most instances, this bill would largely eliminate competition in the repair parts market in Connecticut. OEM crash parts cost up to 50% more than alternative parts. Additionally, a study by Microeconomics Consulting & Research Associates concluded that “the 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).<sup>2</sup>

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.

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, APCIA urges your Committee NOT to advance this bill.

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<sup>2</sup> See *Consumer Benefits from a Competitive Aftermarket for Crash Parts*  
[http://www.keepautopartsaffordable.org/sites/all/themes/framework/pdf\\_resource/consumer\\_benefits\\_from\\_competition\\_in\\_crash\\_parts\\_industry\\_micra\\_economic\\_study.pdf](http://www.keepautopartsaffordable.org/sites/all/themes/framework/pdf_resource/consumer_benefits_from_competition_in_crash_parts_industry_micra_economic_study.pdf)