



NW Insurance Council



NAMIC
NATIONAL ASSOCIATION OF
MUTUAL INSURANCE COMPANIES



**American Property Casualty
Insurance Association**
INSURING AMERICA apci.org

Correspondence Sent via Email

Attachment 1, S 1233, February 1, 2024

February 1, 2024

Sen. Kevin Cook, Chair
Members of the Senate Commerce & Human Resources Committee
P.O. Box 83720
Boise, ID 83720-0081

RE: Property & Casualty Insurers urge you to oppose SB 1233 as introduced

Dear Chair Cook and Members of the Committee,

Thank you for the opportunity to provide comments for the record in opposition to proposed SB 1233 as introduced.

The **American Property Casualty Insurance Association (APCIA)**, the **National Association of Mutual Insurance Companies (NAMIC)** and the **Northwest Insurance Council (NWIC)**, whose insurance company members represent the vast majority of home, auto and business insurance policies in the state of Idaho today, must respectfully **oppose SB 1233 in its current form**. However, we stand ready to work with bill sponsors and supporters as well as members of your committee to promote straightforward, transparent information about auto body repairs and the insurance claims process for consumers and collision repair professionals.

SB 1233 adds headlamps, fenders, hoods, tail lamps, and bumper components to the list of components parts that could be considered "Aftermarket Crash Parts." Auto insurers have no objection to this clarifying change.

Existing law requires a written estimate that includes the use of a nonoriginal manufacturer crash part to clearly identify *each part on the estimate* and include a disclosure to the vehicle owner that the warranty for any non-original equipment manufacturer (OEM) part is provided by the manufacturer or distributor of the part – not the vehicle manufacturer. Language identical or substantially similar to Idaho's is found in as many as 34 other states, and in general, has not been objected to by auto insurers.

However, Section 2 of SB 1233 departs dramatically from this standard consumer notice by adding what amounts to a warning that to our knowledge, no other state has enacted. It reads:

"Please note that the use of nonoriginal equipment manufacturer (non-OEM) crash parts may affect the safety and performance of your vehicle. It is recommended that you consult with a qualified industry expert or repair shop before making any decisions regarding the use of non-OEM crash parts."

We urge the committee to consider:

- We are aware of no data to support the claim that non-OEM crash parts affect the safety or performance of a vehicle – yet this bill would apply this highly subjective and unproven statement to Idaho *statutes*.
- The reality is that for decades, the alternative auto repair market has provided robust, reliable options that protect consumers' investments in their vehicles, gets people back on the road safely and quickly, and helps combat the rising cost of collision repairs.

- Consumers and repair shops have long been utilizing aftermarket parts safely and successfully, including headlamps, fenders, hoods, tail lamps, and bumper components. In many cases, aftermarket parts are produced by Tier 1 suppliers **who make identical parts for OEM's**.
- OEM parts are often more expensive than aftermarket parts. For example, OEM patented front bumpers are being sold up to **213% higher** than their aftermarket counterparts.¹ A lack of aftermarket parts will exacerbate part supply shortages resulting in more expensive repairs, higher insurance premiums, increased total losses, and delayed repairs.²
- Not only are the parts more expensive, but collision repair shops routinely receive a “markup”, based on a percentage of the part. While the mark up is a legitimate charge, intended to compensate the shop for its costs bringing the part to the shop, the shop has an incentive to steer a customer to the higher priced part.
- We are concerned that the language of SB 1233 as introduced will intimidate consumers and discourage the use of alternative parts, which in turn will increase the cost of collision repair at a time when consumers are feeling the impact of an unprecedented increase in repair delays and costs, which are reflected in their auto insurance premiums.
 - From 2018 to 2022, the **average premium for personal auto insurance increased by 14.6 percent**, in large part driven by the increase in repair costs, which have increased by 21.9 percent countrywide. The cost of motor vehicle **parts** has increased by **39.8 percent**.
 - If the market for non- OEM parts was eliminated, APCIA has estimated that could increase the cost of repairs by 7 percent, or by more than \$3 billion country wide.

In summary, our associations and our members believe SB 1233 as introduced turns a “disclosure notice” found in many other states into a **subjective and unfounded warning intended to discourage consumers from authorizing the use of aftermarket parts in the repair of their vehicles**. Impacts could include:

- ✓ A greater number of claims disputes, leading to claims and repair delays for consumers.
- ✓ Significantly higher repair estimates, which could lead to an insurer to declare a vehicle a total loss, when it might otherwise have been considered repairable.
- ✓ Higher repair costs, which contribute to insurance claim cost increases and, ultimately, higher auto insurance premiums for consumers.

We stand ready to work with the committee and sponsors to identify and address consumer concerns, but for the reasons stated here, we urge you to oppose SB 1233 as introduced. Please contact us if we can provide additional information.

Respectfully,

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¹ *Gaming the System: A Backdoor Monopoly*, Blaire O’Neal PhD (April 2023) at 4.

² *Id.*