

CAPA Response to NCOIL Certified Aftermarket Parts Model Act Questions
Jack Gillis
Executive Director

1. *In what specific ways will the proposed Certified Aftermarket Crash Parts Model Act benefit consumers?*

The act will:

Provide consumers and the industry with the ability to differentiate between high quality alternatives to expensive car company parts and poor quality parts selling for the cheapest price.

By identifying legitimate competition, it will discourage poor quality alternatives and increase the competition among all parts. Increased competition means both fair prices and better quality.

It will provide the states with the ability to both protect consumers from poor quality and the ravages of the current car company parts monopoly.

2. *What specific negative consequences might the proposed model have on consumers?*

From a consumer perspective: none. While it may make it more difficult for the car companies to hold on to their monopoly, consumer groups such as MASS PIRG, the Center for Auto Safety, the Consumer Federation of American and Public Citizen are all strongly in favor of increased competition.

3. *To what extent are Original Equipment Manufacturers (OEM) crash parts outsourced to manufacturers in, for instance, Taiwan?*
 - a. *Do these Taiwanese manufacturers produce OEM and aftermarket crash parts in the same facilities? How do car companies enforce their own standards in such cases?*

The auto industry is clearly a global industry as touted by companies like Ford who calls its products “world cars”. As such, car companies depend on parts from all over the world. In Taiwan, there are a wide variety of manufacturers building various parts for car companies. In addition to Taiwan, car companies depend on parts

from Mexico, Brazil, and they are working hard to open up China as a potential market for parts. Thanks to legislation provided passed by Senator Barbara Mikulski car companies now have to disclose the percentage of foreign content in the cars that they sell. Rarely, do automobiles today contain 100% domestic content.

4. *Overall, how do car company standards compare to the certification standards of the Certified Automotive Parts Association (CAPA) with regard to how frequently parts are tested?*

The car companies have studiously avoided disclosing any information on their standards or how they are enforced. In the case of CAPA not only do we make available for public scrutiny all of our standards, but we also disclose the performance of the parts when tested against those standards. Currently, CAPA is inspecting 70-80% of the part lots manufactured to CAPA standards. In addition, no part is allowed to be certified prior to successfully completing a wide battery of material, strength, fit, finish, and corrosion tests. Given the problems we have identified with car company parts, it seems that they do little quality testing.

5. *What percentage of OEM service parts are crash parts that can pass standards for use on an assembly line? How is this determined? Should OEM crash parts also be certified by an independent third-party certifier?*

To date, the car companies have refused to provide specific pass and fail rates for the parts that they use on their assembly lines. However, given the fact that in a recent study of aftermarket crash parts, where GM claimed that it's Grand Am hoods needed 19 welds and none of the parts inspected by CAPA contained the requisite 19 welds, we believe that car company quality could be dramatically improved if they were required to meet minimum quality standards. In a recent examination of over 1900 car company parts, CAPA found that 50% did not meet CAPA standards which points strongly to the need for quality certification of car company parts. While, the car companies will likely object to such oversight, the committee needs to keep in mind that they also objected to other standards such as bumper strength, fuel economy, crash safety and rollover protection. In spite

of their objections, thankfully, these standards are in place and consumers have far better products as a result. There is no question that far better products would result from such a requirement.

6. *Regarding the American Insurance Association's (AIA) proposed amendment, which would deem that crash parts guaranteed by an insurer were also suitable replacement parts, what kind of guarantee would an insurer offer? What certification standards would an insurance company use? What recourse would a policyholder have for a crash part guaranteed by an insurer that no longer exists?*

As indicated to the committee previously, a guarantee is no assurance of any minimum level of quality. This amendment would substitute assurances or guarantees from insurance companies for the certification of a third party, independent certifier. This would completely reverse what the Model Act would accomplish.

A guarantee creates an illusion of quality that cannot be measured or tested. There is no impartial oversight of the process. The quality of the parts could be "hit or miss." There would be no way for the consumer, repair shop, or insurer to determine if the part was manufactured to perform as well as the car company part. This amendment proposes that the insurer's judgment be substituted for a tried and true certification process that has been acceptable to the marketplace for years.

The AIA proposal is a huge loophole through which cargo loads of inferior untested crash parts could flow. Simply telling policyholders that they guarantee the part enables insurance companies to go back to the bad old days of finding and installing the cheapest part, regardless of quality. Last November NCOIL wisely went on record supporting certification. That was and is the right decision. What we need now is to move on and have states adopt the Model Act as it is, not to water it down through illusory guarantees.

7. *Would insurance companies have any specific objections to acting as the warrantor of last resort should the manufacturer or distributor of a certified aftermarket part not offer to make good on its warranty?*

Would the insurer guarantee by equivalent to what a car company would offer for an OEM crash part?

No Answer

8. *What would be the specific pros and cons of uniform notification that would allow policyholders to select OEM, certified aftermarket, or uncertified aftermarket crash parts at the time of repair?*

If this notification were limited solely to crash parts and not cover the far more important parts such as brake pads, steering mechanisms, electronic components, etc, then it would be nothing more than a thinly veiled effort to discriminate. If, on the other hand, such disclosure would apply to all parts on a particular estimate, then it would be cumbersome, but fine. The question implies that the policyholder might have a choice of a variety of parts at the time of repair. As a practical matter, this choice is currently incorporated in the language of the policy. Unless insurers were to be able to predict what choices consumers were going to make in advance, they would not be able to properly price their policies.

9. *What, specifically, is the insurance industry's ability to offer consumers "menu items" at the time of policy selection? (Such up-front menus, for instance, might require a consumer who selected OEM crash parts to pay 100 percent of premium, one who selected certified aftermarket crash parts to pay 90 percent of premium, and one who selected uncertified aftermarkets to pay 80 percent of premium.) What specific impact(s), if any, would such up-front menus have on agents?*

No comment

10. *What is the specific significance of CAPA's recent American National Standards Institute (ANSI) certification?*

From CAPA's prospective, the yearlong process of applying, complying with requirements and gaining certification is an indication to the public that our standard setting process is legitimate. The

“certifier of certifiers” has indicated that our standard setting process has the ability to insure proper standards. In addition, a key component of approval is a system of public accountability, which CAPA firmly believes in.

11. *Would the proposed model act, in any way, absolve CAPA of liability associated with its certification of aftermarket crash parts?*

While we don't fully understand the question, CAPA takes its responsibility to the public very seriously. We see the passage of the model act as the ultimate test of public accountability, not a mechanism to hide behind. We would expect that each state, using whatever resources or systems appropriate, would require complete disclosure, accountability, and legitimacy. Thus, the model act encourages accountability and would go a long way to insuring such.