

Are You Entitled to Brand-name Repair Parts?

Know your OEM rights

By Joe Frey

You are certainly entitled to demand OEM parts after you crash your car, but your insurance company might not pay 100 percent of the repair bill if you do. What do you do if you're leasing a vehicle? And what do you do if you have to return it in the same condition as when you got it? Companies say non-OEM parts are just as safe and effective as original manufacturer parts. However, several class action lawsuits against major insurance companies call the safety of non-OEM parts into question.

OEM parts are manufactured by the maker of your vehicle. Non-OEM parts, often called aftermarket parts, are made by third-party vendors. Many insurance companies recommend cheaper non-OEM parts for the repair of damaged vehicles because it keeps insurance costs down. The industry sees non-OEM parts as quality replacements that are guaranteed and a perfectly reasonable alternative to OEM parts.

"We believe the existence and use of [non-OEM] parts save consumers money and ultimately serve them well," says Sharon Frazier, a spokesperson for State Farm Insurance Co. "All non-OEM parts [we recommend] must be Certified Automotive Parts Association [CAPA] certified. CAPA ensures that quality standards are followed in making competitive crash parts and making sure parts bearing the CAPA quality seal are in compliance with these standards."

State Farm encourages its policyholders to go with the non-OEM parts at repair time, and although the company allows you to choose between OEM and non-OEM parts, it discourages OEM usage through its practice of making you pay for the difference in costs.

Progressive Auto Insurance spokesperson Donna Marquard says her company will generally recommend that nonstructural parts, such as fenders, be replaced with non-OEM parts because that allows the company to save money.

However, Progressive's reimbursement practices depend on your policy. "If our policyholder specifically requests that OEM parts be specified on the estimate for all replacement parts, they may do so," says Marquard. "But they may have to pay the cost difference between the OEM part they desire and the non-OEM part we may have specified on the estimate."

How much can this cost you? Insure.com sought quotes for both an OEM rear bumper for a '90 Honda Accord and a non-OEM bumper. The Honda bumper was priced at \$275 and the non-OEM bumper was \$210. If you are a State Farm or Progressive policyholder, you'd have to come up with the extra \$65 for the Honda bumper. An estimate for a 1996 Ford Contour OEM hood was \$585. The aftermarket hood was \$299. You'd have to come up with at least \$286 (not including the tax) to get your Contour fixed with an OEM hood as a Progressive or State Farm customer.

As another example, the Insurance Information Institute's March 1999 report, "Where the Auto Insurance Premium Dollar Goes," says that it would cost \$72,000 to totally repair a 1997 Ford Taurus GL with OEM parts. The Taurus retails for around \$19,000.

Pennies From Heaven?

Aftermarket parts are certainly cheaper, but why? In a friend-of-the-court brief, Public Citizen, a consumer-watchdog group founded by Ralph Nader, says, "Non-OEM parts can be sold at reduced rates because their manufacturers do not bear the cost of research, development, advertising, or special packaging . . . [and thus] the cost-savings made through the use of non-OEM parts runs into the hundreds of millions of dollars" for large insurance companies.

Your insurance company promises to return your vehicle to its pre-accident condition after you're involved in a crash. Unfortunately, the definition of "pre-accident condition" is hazy at best, and the use of original equipment manufacturer (OEM) parts at repair time could develop into a tug of war involving many players.

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Interestingly, non-OEM parts are not encouraged across the board, and whether you'll be pressured to accept them depends on your insurer. At Chubb Insurance Group, for example, the use of OEM parts is *encouraged* whenever possible. According to Cristoph Ritterson, marketing manager for personal lines at Chubb, the company has found that its customers want protection from potential car depreciation, and that means installing OEM parts at the time of repair. "The customer doesn't even need to ask [for the use of OEM parts]. That's what we expect to do," says Ritterson.

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And unlike State Farm, Chubb doesn't require its policyholders to scrape together the difference between a non-OEM and an OEM repair. "We'll reimburse our customer for 100 percent of the repair bill, regardless," promises Ritterson. "If they want to go with non-OEM parts, they can, but we've found that our customers feel OEM parts are better than non-OEM parts."

Ritterson does note an important trade-off for his company's 100 percent reimbursement for OEM parts: Chubb's auto policies are more expensive than others on the market.

Look Before You Lease

Choosing not to use OEM parts might cost you a part of your security deposit at the end of the lease.

Your lease company requires the vehicle to be in the same condition when you turn it in as when you began the lease. Both GE Capital Auto Leasing and Provident Auto Leasing Co. forbid their lessees to add any parts that would reduce the vehicle's value. In the case of a Provident lease, you can't replace any parts without Provident's permission. This means that if you're involved in an accident and have to make repairs, you'll likely have to use OEM parts. The question is, will your insurance company pay the full OEM amount?

The answer is not clear. "If we feel that the vehicle cannot be restored to pre-accident condition using non-OEM parts," says Marquard of Progressive, "we write the estimate based on OEM parts." That means you'll be fully covered for repairs to your leased vehicle if you're a Progressive policyholder.

However, if you're a State Farm policyholder and the company feels it can repair your leased vehicle to its pre-accident condition with non-OEM parts, you're probably going to be in a bind. Your lease might say explicitly that you have to use OEM parts at repair time, or it might imply that OEM parts must be used. If you choose OEM parts, you'll need to come up with the difference between State Farm's aftermarket part estimate and the OEM estimate.

Choosing not to use OEM parts might cost you a part of your security deposit at the end of the lease or you might be charged a disposition fee (typically between \$200 and \$500) when your lease runs out. The reason is that you're obligated to return the vehicle to your dealership in its pre-accident condition.

Safety of Aftermarket Parts a Litigious Issue

"Imitation parts may be a serious safety threat."

There are at least five lawsuits pending against insurance companies over the use of non-OEM parts for vehicle repair. State Farm, Allstate, GEICO, Nationwide, and USAA (five of the top 10 auto insurers nationwide) are being sued for, among other alleged no-nos, recommending the use of non-OEM parts.

"Imitation parts may be a serious safety threat," says Steve Mitchell, an attorney with Hagens-Berman, a Seattle-based law firm that brought the lawsuits against Allstate, GEICO, Nationwide, and USAA. "Repair shops call these parts 'Taiwan trash' for a good reason — they have

substandard fit, crash resistance, and mechanical operation. In a word, they are dangerous."

Mitchell bases his conclusions on a *Consumer Reports* study from February 1999 that shows non-OEM bumpers and fenders might cause *more* damage to vehicles in crashes than OEM parts.

However, the Insurance Institute for Highway Safety (IIHS), which conducts crash tests, says that non-OEM parts do not degrade the safety of a vehicle involved in a crash. In two separate advisories the IIHS published in 1987, it concluded that "the cosmetic parts used to repair cars are irrelevant to safety" and that "cars without any of these parts at all easily comply with the [frontal-]crash test requirements set" by the government. IIHS stands by its advisories today, saying the information is still "accurate" and "relevant."

The concern about non-OEM hoods is that they won't buckle properly in a crash due to inferior manufacture. Despite the aftermarket hoods' apparent shortcomings, the IIHS predicted that, based on its examinations, non-OEM hoods would buckle correctly during a crash.

GEICO spokesperson Greg Marsh says that his company uses non-OEM parts unless there is a safety issue involved. Marsh would not comment further on the issue because of the ongoing lawsuit.

Choose your parts wisely

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| <i>States that do not require non-OEM part disclosure</i> | Consider whether you're going to trade-in or sell your vehicle before making a decision on using OEM parts. "If you're buying a Mercedes, you're buying it, in part, for the craftsmanship," says Ritterson of Chubb. "Who's going to want to buy a Mercedes with non-Mercedes parts?" |
| <i>Alabama</i> | Dealers routinely check the crash history of a vehicle to see what kinds of parts were used in its repair, according to Ritterson. Your resale or trade-in value might be hurt if non-OEM parts are used. |
| <i>Alaska</i> | |
| <i>Arizona</i> | |
| <i>California</i> | By the same token, you don't want to buy a patch-work vehicle from a dealer, so the onus is on you to check the vehicle's crash history if you're suspicious of its condition. Web sites like Carfax.com and Vhronline.com will run the vehicle history for \$25. Although you won't be able to see whether or not the vehicle was repaired with OEM parts, you will be able to see if the vehicle has been damaged and repaired in the past. |
| <i>Delaware</i> | |
| <i>Washington D.C.</i> | |
| <i>Hawaii</i> | |
| <i>Iowa</i> | Know, too, that you have the right to ask for OEM parts whenever you've been involved in a crash. Most auto policies say the insurance company will return your crashed vehicle to its pre-accident state with parts of "like kind and quality." Policies generally don't exclude the use of OEM parts (although your insurance company might not repair vehicles with OEM parts as standard practice), so don't be shy about insisting. In addition, some states do not require insurers to disclose to policyholders their use of non-OEM parts. It's important to know that in these states, you <i>have</i> to ask. |
| <i>Maine</i> | |
| <i>Montana</i> | |
| <i>New Mexico</i> | |
| <i>North Dakota</i> | |
| <i>Pennsylvania</i> | Aftermarket parts do help to keep auto insurance costs down. So if you're not concerned about keeping your vehicle free of imitation parts, you're likely doing yourself and your neighbors a favor in the long run. "Increased use of [aftermarket] parts would trim billions off the cost of the nation's auto insurance bill," according to the Insurance Information Institute's 1999 report on where your auto insurance premium dollars go. The group says that around 72 percent of all repairs are done with OEM parts. |
| <i>South Carolina</i> | |
| <i>Texas</i> | |
| <i>Vermont</i> | |
| <i>Washington</i> | |
| <i>Source: National Association of Insurance Commissioners</i> | |