

April 12, 2016

Louisiana House Commerce Committee Members
Louisiana State Capitol
Baton Rouge, Louisiana

Via email

RE: NAMIC opposition to HB 559

Members of the House Commerce Committee:

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to register its opposition to HB 559.

NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC members represent 40 percent of the total property/casualty insurance market, serve more than 170 million policyholders, and write nearly \$225 billion in annual premiums. In Louisiana, 128 member companies do business here, comprising a market share of 40%.

First, NAMIC would like to point out that the use of reliable aftermarket parts in automobile repair is a safe and effective way to help contain costs. These costs become a factor in the setting of insurance rates. As a result, maintaining costs benefits the consumer.

Like many other safety-oriented organizations, the insurance industry spends tremendous resources every year promoting automobile safety – the use of quality safety equipment, regular automobile maintenance and inspections, and responsible usage of cell phone while driving. Our industry has been a leader on these fronts for quite some time. Insurers have a vested interest in making sure vehicles are repaired using quality parts.

NAMIC appreciates the efforts of the Louisiana Department of Insurance to work with the insurance industry to address our concerns with the bill. We remain concerned that the use of the phrases “commercially available” and “commercially available in substantial quantities” when referring to the availability of original equipment manufacturer (OEM) parts in Sections (C) and (D) will be the subject of much disagreement. We can foresee the potential of significant litigation stemming from these standards in the bill.

It is important to note that the OEM parts business is not static; it is a dynamic, ever changing environment. Auto manufacturers regularly change OEM suppliers for a host of reasons. OEM manufacturers may choose to stop making a particular part. These regular changes can create challenges when trying to use OEM parts in the repair of a vehicle. Determining whether such parts are “commercially available in substantial quantities” can be challenging and subject to debate.

Bear in mind this bill is not creating a brand new disclosure law – Chapter 41 currently exists today. RS 51:2421, **Aftermarket Crash Parts**, states “the purpose of this Chapter is to regulate the use of aftermarket crash parts by requiring disclosure when any use is proposed of an aftermarket, nonoriginal equipment manufacturer's crash part, and by requiring that the manufacturers of such aftermarket crash parts be identified.” RS 51:2424, **Disclosure**, already prohibits insurers from specifying non-OEM part use and requires repair facilities to disclose they intend to use non-OEM parts in the repair estimate to the insured.

We remain open to continuing the discussion on this bill, as we realize this is an important issue many stakeholders. We encourage the Committee to consider these issues moving forward, and we appreciate the opportunity to share our concerns.

Please contact me if you have questions or comments about our position.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Martin". The signature is written in a cursive style with a large initial "P" and "M".

Paul Martin
Director – State Affairs
Southwest Region

CC: Darie Jordan, LDI