



Property Casualty Insurers
Association of America
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Aftermarket Parts Keep Auto Repair Parts Prices, Insurance Costs in Check

WASHINGTON—The availability of aftermarket parts for use in collision repair keeps auto replacement parts prices competitive and saves consumers billions of dollars in insurance costs, according to testimony delivered today by the Property Casualty Insurers Association of America (PCI).

Testifying before a Senate Judiciary Committee staff briefing today on alternative collision repair parts, PCI Senior Director of Personal Lines Bob Passmore explained that the availability of aftermarket parts has kept prices lower for automobile replacement parts than what they would have been absent competition.

Passmore cited studies showing that the existence of a competitive part in the marketplace reduces the cost of a car company part by an average of 8 percent per part. In addition, if the competitive influence of alternative parts were removed, it has been estimated that insurance costs for consumers would increase by as much as \$3 billion.

"At its core, this is a consumer issue," said Passmore. "Consumers would bear these costs directly, either through out-of-pocket repair costs or increases in their insurance costs."

Passmore also noted that higher repair costs could force some consumers to forego repairs, leading to more rapid deterioration and depreciation of their vehicles.

He also addressed car company efforts to obtain replacement part patents in order to eliminate competition from aftermarket parts suppliers. "We recognize that the overall design of a vehicle represents a substantial investment by the manufacturer that can and should be protected, but there is an important distinction between the overall design of a car and replacement parts that are functional in nature," said Passmore. "There is no room for innovation in these replacement parts; they are solely designed to restore the original appearance and function. Design patents, when applied to these parts in the aftermarket, serve only to restrict or eliminate competition and facilitate a monopoly on replacement parts."

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$176 billion in annual premium, 35.9 percent of the nation's property casualty insurance. Member companies write 43.8 percent of the U.S. automobile insurance market, 29.6 percent of the homeowners market, 32.8 percent of the commercial property and liability market, and 38.4 percent of the private workers compensation market.

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