

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 1258 (Delegate Impallaria)  
Economic Matters

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Motor Vehicle Liability Insurance - Replacement Parts for Damaged Motor Vehicles

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This bill requires insurers that issue or deliver motor vehicle liability policies that cover the repair of physical damage to an insured vehicle in the State to authorize repairs using “genuine crash parts” that will maintain the manufacturer’s warranty if the motor vehicle is within two years of its manufacture date. After the two-year period, the insurer may not require repairs to be made with “aftermarket crash parts” or crash parts that are not “certified aftermarket crash parts.” Regardless of the vehicle’s manufacture date, an insured motorist may consent in writing during repair for the use of these types of parts.

The bill takes effect January 1, 2017.

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Fiscal Summary

**State Effect:** Minimal increase in Maryland Insurance Administration special fund revenues in FY 2017 due to \$125 rate and form filings. Review of the filings can be handled with existing resources. General fund revenues increase to the extent that the bill results in increased premiums for motor vehicle insurance policyholders due to the 2% tax collected on all premiums in the State; any such increase depends on how insurance premium rates are altered by insurers in the State as a result of the bill and, thus, cannot be reliably estimated at this time but is likely minimal.

**Maryland Automobile Insurance Fund (MAIF) Effect:** Because MAIF’s auto repair standards already meet the bill’s requirements, the bill does not affect MAIF operations or finances.

**Local Effect:** The bill does not directly affect local operations or finances.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** The bill defines “crash parts” as exterior or interior sheet metal or fiberglass panels and parts that form the structure or body of a motor vehicle. “Crash parts” includes (1) fenders; (2) bumpers; (3) door panels; (4) hoods; (5) grills; (6) wheel wells; and (7) front and rear lamp display panels.

The bill defines “aftermarket crash parts” as crash parts manufactured by a person other than the original manufacturer of a motor vehicle and for which the original manufacturer has not authorized the use of its name or trademark for the parts.

The bill defines “certified aftermarket crash parts” as crash parts that are certified to standards from a nationally accredited developer in a specified manner or developed in a consensus-based forum that allows for public comment. Furthermore, certified aftermarket crash parts must be subject to regular testing by an independent third-party testing facility to validate compliance with the standards and identified by a highly visible certification mark.

The bill defines “genuine crash parts” as crash parts manufactured by or for the original manufacturer of a motor vehicle that is being repaired and that are authorized to carry the name or trademark of the original manufacturer of the motor vehicle.

**Current Law:** The owner of a motor vehicle that is required to be registered in the State must maintain insurance for the vehicle during the registration period. The Motor Vehicle Administration (MVA) may not issue or transfer the registration of a motor vehicle unless the owner or prospective owner of the vehicle furnishes evidence satisfactory to MVA that the required insurance is in effect. Maryland drivers are not required to carry proof of insurance. The required insurance must provide specified coverage that includes property damage liability coverage of \$15,000.

An automotive repair facility must prepare an invoice for all work done, including all warranty work, and all parts supplied by the facility. If the parts used by an automotive repair facility are aftermarket crash parts, the facility must include with its estimate a specified written statement to inform the customer that aftermarket parts were used. An automotive repair facility must, on request of the customer, provide a copy of the warranty for the aftermarket crash parts used in the repair of a vehicle, if available. An insurer must also, on request of the insured, provide a copy of the warranty for any aftermarket crash parts used in the repair of a vehicle, if available.

**Background:** According to the Automotive Service Association, in the United States, 44 states have laws governing the use of replacement crash parts. Of these 44 states,

36 require notice to consumers when aftermarket crash parts are used, and 7 states require notice and consent on the part of the consumer.

MAIF advises that, under its current practices, it does not write estimates using aftermarket parts unless the vehicle is more than two years old or has more than 25,000 miles on its odometer. MAIF advises that, when it does write estimates for aftermarket parts, the parts used are certified to match the original equipment manufacturer's standards, and it warrants the parts it pays for as long as the insured continues to own the car.

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### **Additional Information**

**Prior Introductions:** HB 574 of 2014, a similar bill, received an unfavorable report from the House Economic Matters Committee. Its cross file, SB 487 of 2014, received a hearing in the Senate Finance Committee, but no further action was taken on the bill. HB 1375 of 2013, another similar bill, was referred to the House Economic Matters Committee but did not receive a hearing.

**Cross File:** None.

**Information Source(s):** Maryland Department of Transportation, Maryland Insurance Administration, Maryland Automobile Insurance Fund, Automotive Service Association, Department of Legislative Services

**Fiscal Note History:** First Reader - March 9, 2016  
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