



**Non-Original Equipment
Manufacturer Parts (Non-OEM)
January 2015**

Non-Original Equipment Manufacturer (Non-OEM) Parts:

- The phrase “Non-Original Equipment Manufacturer Part” (non-OEM Part) or aftermarket crash part refers to an automobile part that is not produced or provided by the vehicle’s manufacturer -- the original equipment manufacturer. This issue addresses the marketing and use of non-OEM parts in the repair of automobiles that have been damaged.
- The non-OEM or aftermarket crash parts market was developed to provide competition to higher cost OEM parts.
- Independent party certification of certain crash parts is available by organizations such as the Certified Automotive Parts Association (CAPA) and NSF International. Under a certification program, the Non OEM or aftermarkets crash part is certified as functionally equivalent to an OEM replacement part with respect to quality, fit, performance, and corrosion protection.

Non-OEM Parts Implications:

- Without a non-OEM alternative, OEMs enjoy a virtual monopoly in the sale and distribution of new collision parts.
- An OEM monopoly on automotive collision parts eliminates competition and competitive pricing, which results in higher repair costs.
- When quality aftermarket parts are available to compete with OEM parts, OEM parts’ prices necessarily respond to the competitive forces. OEM parts pricing is influenced by the availability of competitively priced aftermarket parts.
- Continued use of certified non-OEM collision parts benefits insurer costs and consumer out-of-pocket costs, while still ensuring the functional equivalency of such parts. Restrictions on use of certified non-OEM collision parts will have the opposite effect.

State Farm’s Position on Non-OEM Parts:

- State Farm supports competition in the vehicle repair industry. We believe our customers will benefit from competitive pricing, quality parts and a strong parts supply chain for auto repairs.
- State Farm supports the availability and use of quality, competitively priced aftermarket parts. This will ensure we can work with Select Service repairers to repair more cars rather than total them.
- Consumers have the most to lose when competition is eliminated. Higher repair costs mean higher insurance costs paid by consumers.
- State Farm opposes efforts to limit the parts mix through anti-competitive legislation and unnecessary regulatory restrictions. Legislation should recognize that, although the customer retains ultimate control over the repair process including selection of the parts, customers may incur additional personal expenses as a result of their decisions. The personal decisions



of some customers to select higher priced parts should not have an adverse impact on the rest of the insuring public through higher prices.

- State Farm recognizes the need for collision repairers and their suppliers to be profitable. We also advocate for reasonable repair costs on behalf of our policyholders. We believe repairer profitability and reasonably priced, quality repairs can both be achieved.