

Honolulu, Hawaii

APR 04 2018

RE: H.B. No. 1620  
H.D. 2  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,  
to which was referred H.B. No. 1620, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO MOTOR VEHICLE REPAIRS,"

begs leave to report as follows:

The purpose and intent of this measure is to establish the  
Vehicle Repair Practices Task Force to study and report on motor  
vehicle repairs made with original equipment manufacturer parts  
versus aftermarket parts and the effects of the use of these parts  
on automobile insurance coverage and costs.

Your Committee received testimony in support of this measure  
from the Department of Commerce and Consumer Affairs, Hawaii  
Insurers Council, National Association of Mutual Insurance  
Companies, Property Casualty Insurers Association of America,  
GEICO, and LKQ Corporation. Your Committee received testimony in  
opposition to this measure from the Automotive Body and Painting  
Association of Hawaii, Sigs Collision Center, and three  
individuals. Your Committee received comments on this measure  
from the Office of Information Practices and State Farm Mutual  
Automobile Insurance Company.

Your Committee finds that as the motor vehicle industry  
evolves, motor vehicles have become increasingly complicated.  
Safety features on a motor vehicle are no longer limited to



impact-absorbing bumpers, safety glass, and airbags, and may now include back-up cameras, lane departure systems, automatic braking sensors, and other electronic devices located in parts of a car susceptible to crash damage. It is therefore important to ensure consumer safety when choosing a crash part to repair damage to a vehicle after a collision. This measure addresses the issues surrounding motor vehicle repairs by establishing the Vehicle Repair Practices Task Force to study and report on motor vehicle repairs made with original equipment manufacturer parts versus aftermarket parts and the effects of the use of these parts on automobile insurance coverage and costs.

Your Committee notes that the companion to this measure, S.B. No. 2243, S.D. 1, which was previously passed by the Senate, is a measure which also addresses the use of original equipment manufacturer crash parts and aftermarket crash parts, also known as like kind and quality, crash parts. Your Committee finds that under existing law, insureds and claimants are required to pay the difference between the cost of cheaper aftermarket crash parts and the original equipment manufacturer crash parts.

According to testimony received by your Committee, although crash parts were originally cosmetic in design, for today's newer motor vehicles, many crash parts are no longer merely cosmetic and are engineered and crash tested as part of a complex safety system. The language in S.B. No. 2243, S.D. 1, is therefore preferable because it requires motor vehicle insurers to provide consumers with a choice of authorizing a repair provider to utilize a like kind and quality crash part or the original equipment manufacturer crash part; specifies that like kind and quality parts must meet certain quality and performance standards; and clarifies when a consumer will not have to pay the difference between the cost of an aftermarket crash part and an original equipment manufacturer crash part.

Your Committee has amended this measure by:

- (1) Deleting its contents and inserting the contents of S.B. No. 2243, S.D. 1, a measure which:
  - (A) Requires insurers to provide a choice to the insured consumer of authorizing a repair provider



to utilize a like kind and quality crash part or the original equipment manufacturer crash part;

- (B) Specifies that an insured consumer who chooses the use of an original equipment manufacturer crash part that would affect the insured consumer's crash avoidance or safety systems shall not be required to pay the additional cost for repairs using that original equipment manufacturer crash part;
  - (C) Specifies that an insured consumer who chooses the use of an original equipment manufacturer crash part that would not affect the insured consumer's crash avoidance or safety systems shall pay the additional cost of the original equipment manufacturer crash part that is in excess of the equivalent like kind and quality crash part, unless original equipment manufacturer crash parts are required by the vehicle manufacturer's warranty or the use of a like kind and quality crash part would void an existing manufacturer's warranty or the insured consumer's vehicle lease agreement;
  - (D) Inserts an effective date of July 1, 2050, to encourage further discussion; and
  - (E) Inserts a sunset date of July 1, 2023;
- (2) Requiring a repair provider to disclose to an insured consumer any potential impact on a vehicle manufacturer's warranty of the use of a like kind and quality crash part, or whether any crash part that meets the vehicle manufacturer's specifications is acceptable for purposes of maintaining a vehicle manufacturer's warranty; and
  - (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

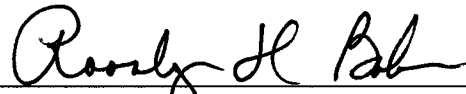
Your Committee notes that under existing law, motor vehicle repair dealers and motor vehicle repair mechanics must be licensed. However, neither a shop that performs cosmetic repairs nor the individuals performing cosmetic work on a vehicle need to



be licensed. In light of the continuing discussions surrounding original equipment manufacturer crash parts and like kind and quality crash parts, your Committee requests the Motor Vehicle Repair Industry Board to consider whether certifying shops and individuals that perform cosmetic work on motor vehicles would be appropriate. Your Committee also requests the Motor Vehicle Repair Industry Board to examine the area of law covered by this amended measure and its impact on the area of law that is within the Board's purview.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1620, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1620, H.D. 2, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce, Consumer  
Protection, and Health,



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ROSALYN H. BAKER, Chair



The Senate  
Twenty-Ninth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Commerce, Consumer Protection, and Health**  
**CPH**

Bill / Resolution No.:* <b>HB 1620 HD#2</b>	Committee Referral: <b>CPH</b>	Date: <b>3/22/18</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312				
<input checked="" type="checkbox"/> Pass, with amendments 2311				
<input type="checkbox"/> Hold 2310				
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TOKUDA, Jill N. (VC)				✓
CHANG, Stanley	✓			
ESPERO, Will	✓			
IHARA, Jr., Les	✓			
NISHIHARA, Clarence K.				✓
RUDERMAN, Russell E.	✓			
<b>TOTAL</b>	<b>5</b>			<b>2</b>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <span style="margin-left: 200px;"><input type="checkbox"/> Not Adopted</span>				
Chair's or Designee's Signature:				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

\*Only one measure per Record of Votes