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Memorandum

Date: April 23, 2008

To: The Honorable Tom Torlakson, Chair
The Honorable Dave Cox, Vice Chair
Members, Senate Appropriations Committee

From: Rex Frazier, President
Michael A. Gunning, Vice President
Kimberley Dellinger, General Counsel
Ermelinda Ruiz, Legislative Advocate

Re: SB 1059 (Migden) Vehicle Insurance: Aftermarket Parts
Senate Appropriations Committee
As Amended April 8, 2008

PIFC Position: Oppose Unless Amended

The Personal Insurance Federation of California, representing insurers who write over 50% of the auto insurance sold in the state, including Farmers, aigdirect.com, Safeco, Progressive, State Farm and NAMIC, **is opposed, unless amended to SB 1059 authored by Senator Carole Migden.**

As currently amended, SB 1059 would make it unlawful for any insurer to require the installation of an aftermarket part (engine and its components, cooling system, air condition system or corrosion protection), if the part to be replaced is under the existing original manufacturer's warranty; and limit payment to the cost of installing an aftermarket part on a vehicle when an original equipment manufacturer part is installed. This provision would apply to new vehicles during the first 3 years from the date of sale.

PIFC believes that SB 1059 would eliminate the benefits of competition for California consumers, in auto repair. First off, it would create a monopoly for the car manufactures because only their parts could be used in auto repair. For three years, the automotive manufacturers would have a monopoly on replacement parts to the detriment of consumers and benefit of the manufacturers.

Consumers would lose the choice of high quality, lower cost alternative parts and experience increased repair costs. They could also be subjected to a higher volume of their vehicles being "totaled out" as a result of these increased costs and potentially suffer increases in their auto insurance premiums as a result of SB 1059.

Under existing law in the Business and Professions code, and subsequent regulations by the Department of Insurance, there are adequate current provisions that protect consumers. These laws and regulations provide substantial safeguards to consumers in regard to choice and replacement parts.

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Therefore, PIFC believes that existing law could be amended to include the mechanical parts in question which would address the stated concerns of the sponsor. This amendment would provide protections currently afforded to consumers under existing law.

For the foregoing reasons, **PIFC is opposed unless amended to SB 1059** and urges your “**no**” vote. If you have any questions regarding PIFC’s opposition, please contact Michael Gunning at (916) 442-6646.

cc: Honorable Carole Migden, Author
Senate Appropriations Committee
Tim Conaghan, Consultant, Senate Republican Caucus
Mike Prozio, Chief Deputy, Legislative Secretary for the Governor
Kathleen Webb, Office of the Insurance Advisor
Senate Floor Analyses