

April 28, 2023

**Re: SB 1083 – relating to insurer restrictions and duties regarding repair of a motor vehicle covered under an insurance policy**

To Whom It May Concern:

I write on behalf of the American Financial Services Association (“AFSA”)<sup>1</sup> in support of SB 1083, which would make changes to the state’s insurance code to ensure that when a vehicle is repaired insurers require the use of an original equipment manufacturer’s (OEM) part, product or repair process to complete the repair. This code change would allow the insured party to opt out of the use of the OEM part, product or repair process.

AFSA members provide Texas borrowers with financing for vehicle purchases through direct financing—a loan directly to a consumer used for the purchase of a vehicle—and indirect financing—financing facilitated by an auto dealer who assigns the contract to a financial institution shortly after origination. In both cases, the financial institution maintains a security interest in the vehicle over the term of the contract. Many AFSA members also offer lease financing, in which case the financial institution maintains ownership of the vehicle and repair requirements, such as the use of OEM sheet metal, are outlined in the lease contract.

The use of OEM parts and processes can be important for preserving the value of the vehicle, which benefits the consumer whether they own the car for the entire term of the contract or elect to trade it in and pay off the loan early. For example, the National Auto Auction Association’s Arbitration Policy<sup>2</sup>, which provides standards for the wholesale auto auction industry, requires sellers to disclose certain structural repairs or replacements including “[i]mproper and/or substandard prior repairs (not meeting OEM repair guidelines)” and “[r]epairs not certified using OEM guidelines”. The existence of such repairs has been deemed sufficiently material to a dealer’s ability to market a vehicle at retail market that failing to disclose them at auction could result in the cancellation of a sale.

Through its proposed requirements for insurance companies and opt out for insured parties, SB 1083 would leave the decision up to the insured party (the consumer) and allow them to make it based on their own circumstances and recommendations from the repair person or facility, rather than an insurance policy that may or may not cover it. Preserving consumer choice in the repair process is crucial and is the goal of this legislation.

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<sup>1</sup> Founded in 1916, the American Financial Services Association (AFSA), based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

<sup>2</sup> National Auto Auction Association Arbitration Policy, effective April 3, 2023, Available at [https://www.naaa.com/Policy/Policy\\_PDFs/2023\\_Arbitration\\_Policy\\_Effective\\_4\\_3\\_23/NAAA\\_Arbitration\\_Policy\\_EFFECTIVE\\_April2023\\_FINAL.pdf](https://www.naaa.com/Policy/Policy_PDFs/2023_Arbitration_Policy_Effective_4_3_23/NAAA_Arbitration_Policy_EFFECTIVE_April2023_FINAL.pdf)

We respectfully request you support SB 1083 and preserve consumer choice in repairs for Texans. Thank you in advance for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact me at 202-469-3181 or [mkownacki@afsamail.org](mailto:mkownacki@afsamail.org).

Sincerely,

A handwritten signature in blue ink that reads "Matthew Kownacki". The signature is written in a cursive style and is positioned above the typed name.

Matthew Kownacki  
Director, State Research and Policy  
American Financial Services Association  
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