FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

FCAI submission in response to:

Review of the Motor Vehicle Insurance and Repair Industry Code of Practice

23 APRIL 2025

FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES
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1. INTRODUCTION

The Federal Chamber of Automotive Industries (FCAI) welcomes the chance to respond to the proposed revision of the Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Practice.

We understand that this consultation draft of the Code has been developed by the Code Administration Committee (CAC), consisting of representatives from the Insurance Council of Australia and the Motor Trades Association of Australia, with consideration of the independent review undertaken by Dr Michael Schaper in April 2023. We note that this draft aims at improving clarity, fairness, and effectiveness with regard to the Code's governance structure, the Dispute Resolution Process (DRP), the sanctions and penalties applicable under the Code, the vehicle assessment times, and the use of fair and consistent repair practices.

The FCAI is the peak Australian industry organisation representing over 60 global automotive brands who design, manufacture, import, distribute and sell light duty passenger vehicles, light commercial vehicles, and motorcycles in Australia. FCAI members supply about 96 per cent of new vehicles to the Australian market across more than 380 models supported by over 3,300 dealers.

The relationship between the OEMs and the collision repair industry – inclusive of both the insurers and repairers – is marked by a need for collaboration to ensure safe and effective vehicle repairs.

We invite the CAC to consider the following feedback, and we remain available for further discussion to support the mitigation of the risks and concerns we raise in this submission.

2. FEEDBACK

2.1 Enhancing transparency in vehicle insurance replacement parts

The Code of Practice acknowledges the use of various replacement parts, including new, recycled, non-genuine (aftermarket), and parallel parts, as outlined in an Insurer's Parts Policy. While we understand that parts can be sourced from diverse channels, these parts often differ significantly in quality, performance, reliability, durability, consistency, price, and warranty. It is crucial that the selection of replacement parts sourced by insurers and repairers prioritises quality, durability, and safety above purely cost-driven considerations.

To better serve the interests of insured vehicle owners and uphold vehicle safety and design integrity, we propose the Code be strengthened to mandate greater transparency regarding replacement parts. Specifically, the Code should:

- **Require explicit disclosure**: Insurers should be obligated to clearly state the potential sources and types of replacement parts that may be used in repairs, both within their Insurer's Parts Policy and on the Bill of Materials for each repair. This empowers vehicle owners to understand the basis of their insurance cover.
- **Standardise part source definitions**: The Code should define the various categories of replacement parts in clear, consumer-friendly language. Terms like "recycled" and "parallel" lack clarity and require precise definitions.
- **Establish rigorous standards for "certified" parts**: The use of terms like "certified" aftermarket or used parts must be tied to verifiable, independent professional certification standards (e.g. ISO/IEC 17065 accreditation). Information about these standards and the independent quality verification processes should be readily accessible to insured vehicle owners. Self-certification by suppliers or distributors should not be considered sufficient.
- **Emphasise potential impacts of non-genuine parts**: The Code should explicitly acknowledge that the use of non-genuine parts may impact the integrity of repairs and the vehicle's original design and safety standards.
- **Mandate informed consent for non-genuine parts**: Aligning with the guidance developed by the MTAA and the Australian Motor Body Repairers Association (AMBRA), the Code should clearly stipulate that the use of non-genuine parts requires the fully informed consent of the vehicle owner. While acknowledging potential benefits like price or lead time, the primary focus should be on ensuring the customer understands any potential implications for their vehicle's safety and performance.

Withholding information about the source and type of replacement parts can create misleading expectations on the part of insured vehicle owners. By implementing these improvements, the Code can ensure that consumers are fully aware of the implications of their insurance coverage on the repair of their vehicles.

2.2 Upholding repair quality and safety in increasingly complex vehicles

The increasing complexity of modern vehicles necessitates specialised skills, equipment, and rigorous training to guarantee repair quality, vehicle performance, and the safety of repair technicians.

While the Code of Practice rightly emphasises qualifications for "Code Approved Assessors" and "Code Approved Estimators," a parallel requirement for repairers possessing specific training and certifications is conspicuously absent.

To ensure repairs are conducted to the highest standards and to safeguard both vehicle occupants and repair professionals, we strongly propose the following enhancements to the Code:

- **Mandatory repairer qualifications**: The Code must include explicit requirements for repairers to hold specific training and certifications relevant to the complexity of the vehicles they service. This is particularly critical for:
    - High Voltage Systems in Electric Vehicles (EVs): Untrained work on these systems presents severe safety hazards.
    - Advanced Driver Assistance Systems (ADAS): Improperly calibrated or repaired ADAS features can compromise vehicle safety and driver assistance functionalities.
- **Insurers' due diligence in repairer selection**: The Code should mandate that the insurer actively consider the specific training, certifications, and equipment of repairers when selecting their preferred provider for a given repair job. This ensures that the right skills are applied to the right vehicle.
- **Regular verification of qualifications**: Mechanisms for the regular verification and updating of repairer qualifications should be established to keep pace with evolving vehicle technologies.

The absence of mandatory repairer qualifications, especially for intricate systems like EV high-voltage components and ADAS, creates a potential gap in ensuring safe and effective repairs. By incorporating these crucial requirements, the Code can elevate repair quality, enhance safety for both repairers and vehicle owners, and maintain the intended performance and safety standards engineered into modern vehicles.

2.3 Ensuring alignment between OEM and collision repair warranties

The Code of Practice addresses repair warranties and the liabilities of both repairers and insurers. However, an area requiring greater clarity involves vehicles still under the OEM warranty. When non-OEM parts or repair methods are employed in collision repairs on

these vehicles, it can create ambiguity in liability, potentially leaving vehicle owners in a precarious position when warranty claims arise.

To mitigate this risk, we propose the following enhancements to the Code:

- **Enhanced data sharing for warranty assessment**: The Code should establish mechanisms for collision repair data (i.e. VIN number, list of replacement parts and source of supply) to be made readily available to OEMs from the estimation platforms used by the repairers. This access would be invaluable in accurately determining the applicability of the OEM warranty following a collision repair.
- **Reinforcement of informed consent**: As previously noted, the Code must mandate that vehicle owners provide explicit consent before any non-OEM parts are used in repairs, particularly for vehicles under OEM warranty. Any potential impact on their existing warranty should be clearly communicated.
- **Prioritising OEM standards during warranty**: To promote clarity in liability and uphold the intended integrity of the OEM warranty, the Code should strongly recommend the use of genuine OEM parts and OEM-approved repair methods for vehicles still within their OEM warranty period. Adhering to these standards ensures that repairs are performed according to the manufacturer's original specifications, which is the benchmark for intended quality, performance, and safety. Using non-OEM parts or repair methods introduces complexities in determining the cause of potential future issues and could lead to disputes regarding warranty claims if those parts are deemed to have contributed to the failure. Utilising OEM parts and methods during the warranty period offers the clearest pathway to maintaining the warranty's intended coverage and avoiding potential ambiguities.
  Similarly, while "industry recognised authorities" or "best industry practice" suggested in the Code may have merit in certain scenarios, the OEM-developed methods are specifically engineered for the vehicle's design and safety systems. Deviating from these methods may introduce a potential risk to the vehicle's intended performance and safety.

By implementing these measures, the Code can foster a clearer delineation of responsibilities between OEM warranties and collision repair warranties. This clarity will not only protect the interests of vehicle owners by preventing disputes and potential loss of warranty coverage but also ensure that repairs on newer vehicles adhere to the stringent standards set by the original manufacturer. A collaborative approach that prioritises OEM standards during the warranty period ultimately benefits all stakeholders by maintaining vehicle integrity and customer confidence.

2.4 Collaborating to combat the use of counterfeit parts

The increasing accessibility of global commerce platforms presents a significant and concerning avenue for the procurement of counterfeit vehicle replacement parts. With

deceptive labelling that may mimic OEM branding, these parts, not manufactured through authorised OEM channels, can find their way through the repair ecosystem.

The use of counterfeit parts directly infringes upon OEM intellectual property rights and critically, these substandard components often fail to meet essential OEM quality and performance benchmarks. When counterfeit parts are integrated into safety-critical systems such as airbags, brakes, or ADAS sensors, the safety of all road users is compromised.

In the context of collision repairs, the presence of counterfeit parts presents a potential danger with no benefit for any stakeholder – insurers, repairers, or consumers. The financial implications of failures, the legal ramifications of using non-compliant parts, and the ethical responsibility to ensure road safety far outweigh any perceived short-term gains.

To effectively combat this serious issue, we propose the following enhancements to the Code and collaborative actions:

- **Explicit warning on counterfeit risks**: The Code should include a prominent alert detailing the significant risks associated with the use of counterfeit parts for insurers, repairers, and consumers. This should highlight the potential for safety failures, legal liabilities, and brand damage.
- **Mandatory due diligence**: The Code should encourage or mandate that insurers and repairers implement robust due diligence processes to verify the authenticity and source of replacement parts, particularly those sourced outside of authorised OEM channels.
- **Clear reporting mechanisms**: The Code should explicitly invite any party (insurers, repairers, consumers) who encounter suspected counterfeit parts to immediately contact the relevant OEM (or the FCAI). This communication would assist OEMs in the investigations they may undertake and prevent further proliferation.
- **Call for collaborative information sharing**: The Code could facilitate a platform or encourage information sharing between OEMs, insurers, and repairer associations regarding known sources and identification methods for counterfeit parts. This collaborative intelligence will strengthen detection and prevention efforts.
- **Emphasis on OEM channels**: The Code should underscore the reliability and quality assurance inherent in sourcing parts through authorised OEM distribution networks.

By proactively addressing the threat of counterfeit parts through these collaborative measures and explicit Code provisions, we can collectively safeguard road users, protect intellectual property, and maintain the integrity and safety standards of road vehicles. This is a shared responsibility that demands concerted action.

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