

## **DAMAGE DISCLOSURE ON NEW VEHICLES**

Illinois legislation signed into law effective Jan. 1, 1995, requires manufacturers and dealers to disclose damage to new vehicles which amounts to 6 percent of the manufacturer's suggested retail price (MSRP). This law does not pertain to used vehicles. The law is summarized as follows:

1. The manufacturer is obligated to disclose to a dealer, in writing, before delivery of a vehicle to the dealer, all in-transit, post-manufacturer or other damage to the vehicle that was sustained or incurred by the vehicle at any time after the manufacturing process was complete but before delivery of the vehicle to the dealer. The disclosure is not required when the cost to repair does not exceed 6 percent of the MSRP. Cost of the repair is the dealer's actual retail repair cost, including labor, parts and materials, if the damage is required. If it has not been repaired, the retail estimate to repair shall be deemed cost. Any motor vehicle that is repaired may be sold as new and shall be fully warranted by the manufacturer.

2. Whenever a vehicle incurs any in-transit, post-manufacturer or other damage at any time after the manufacturing process is complete, but before delivery of the vehicle to the motor vehicle dealer, the dealer may, within a reasonable period of time after delivery, notify the manufacturer of that damage and either (a) revoke acceptance of delivery of the vehicle, whereby ownership of the vehicle shall revert to the manufacturer, or (b) request authorization from the manufacturer to repair the damage incurred by the vehicle. If the manufacturer refuses or fails to authorize repair of the damage within three (3) days of the request by the dealer, the dealer may then revoke acceptance of delivery, and ownership shall revert to the manufacturer.

3. A dealer must disclose to a purchaser before of a new vehicle, in writing, any damage that the dealer has actual knowledge was incurred by the vehicle at the time after the manufacturing process was complete but before the time of delivery to the purchaser. This disclosure is not required when the cost to repair does not exceed 6 percent of MSRP. Damage to glass, tires, bumpers, and in-dash audio, video and telephonic equipment (navigation systems) is not considered damaged if replaced with the manufacturer's original equipment.

4. If disclosure is not required under this section, a purchaser may not revoke or rescind a sales contract due to the fact that the new vehicle was damaged and repaired before completion of the sale. In that circumstance, nondisclosure does not constitute a misrepresentation or admission of fact.

5. A manufacturer shall, notwithstanding the terms of any franchise agreement, indemnify and hold harmless the motor vehicle dealer from any and against any liability including reasonable attorney's fees, that the dealer may be subjected to by the purchaser of the vehicle because of damage that occurred before delivery of the vehicle to the dealer and that was not disclosed in writing to the dealer prior to delivery of the vehicle. This indemnity obligation applies regardless of whether the damage falls below the 6 percent threshold.