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NCOIL TO DEFLATE AIRBAG SCAMS, PURSUE MODEL LAW

Washington, DC, March 3, 2009 — Lawmakers at the National Conference of Insurance Legislators (NCOIL) Spring Meeting here vowed to pursue model legislation that would take wind out of airbag fraud—scams in which, through theft and insurance misdealing, auto repair shops and other entities jeopardize consumer safety to chase monetary reward. The March 1 Property-Casualty Insurance Committee decision commits the group to considering a model based on current state approaches.

Of interest to legislators is requiring body shops to show an airbag bill of sale before insurer reimbursement; adding place on auto accident reports to note when an airbag deployed; and establishing as either misdemeanors or felonies the theft and/or black-market purchase of an airbag, as well as the installation of a phony one. Some states, the Committee recognized, make airbag fraud a higher-level felony if someone is injured or dies.

According to Committee Chair Rep. Charles Curtiss (TN), “It’s shocking that some folks think making money is more important than keeping people safe. If NCOIL and state legislatures don’t stop this, too many of our constituents will drive along believing their vehicles are sound—when in fact there’s no working airbag to protect them and there’s no way they can know until it’s too late. The consequences for the auto insurance industry also are significant. Our proposed NCOIL model law will take the best of what states have already tried and can, I believe, make quite a difference.”

The NCOIL model law will fight airbag fraud in its various forms. As legislators heard during the March 1 meeting, gangs steal airbags and resell them cheaply on the black market to individuals and/or businesses—or, as an alternative, auto body shops charge insurance companies the full manufacturers’ price of an airbag, even though the shop installed a cheaper, stolen one.

Legislators heard testimony from the Coalition Against Insurance Fraud that body shops also, in order to mislead insurance adjusters and receive more insurance money, temporarily remove an undeployed airbag from a car that needs fixing and replace it with a used airbag.

And perhaps most troubling, the Coalition said, is when auto recyclers, used car dealers, and/or auto body shops conspire to fake the repair of an airbag—either by replacing a used airbag with an ultimately ineffective one designed for a different vehicle (e.g., a Mini Cooper versus a Cadillac), or by filling a used airbag with items such as beer cans and newspaper.

The NCOIL model law, which legislators will develop in collaboration with the Coalition, will build upon previous NCOIL efforts, including a 2003 *Model Anti-Runners Fraud Bill* and a 2006 *Auto Insurance Fraud Model Act*.

The NCOIL Property-Casualty Insurance Committee will next meet during the July 9 through 12 NCOIL Summer Meeting in Philadelphia, PA. The recent February 28 through March 1 Spring Meeting took place at the Hyatt Regency Washington on Capitol Hill.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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