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NEW NCOIL MODEL LAW TARGETS AIRBAG FRAUD, PROMOTES CONSUMER SAFETY

New Orleans, LA, November 23, 2009 — Following three special meetings and a series of conference calls over the last five months, the National Conference of Insurance Legislators (NCOIL) Property-Casualty Insurance Committee on November 21 adopted a draft *Model Act Regarding Auto Airbag Fraud*—legislation that would protect consumers by establishing a comprehensive set of anti-fraud policy options. The 20-5 vote, followed by unanimous Executive Committee adoption on November 22, took place during the November 18 through 22 NCOIL Annual Meeting here.

In announcing passage of the bill, Committee Chair Rep. Charles Curtiss (TN) commented, "As a result of this model, states will be better prepared to ensure the safety of consumers through disclosure, transparency, and tough penalties for those who commit fraud. The intensity of our discussions and the strong, ongoing participation of interested parties prove the importance of this issue and the need for swift state enactment of the model."

The NCOIL bill, sponsored by Rep. Brian Kennedy (RI), would establish criminal penalties for fraudulent installation or reinstallation of an airbag, with more severe penalties for persons whose airbag fraud leads to serious injury or death; require that auto repair facilities maintain detailed records of airbags they purchase, sell, or install; and mandate that a repair facility submit an affidavit to a vehicle owner saying that an airbag was installed properly.

The bill also, among other things, would have police accident reports note whether an airbag deployed and would require a person trading or selling a motor vehicle to disclose whether an airbag was inoperable.

Prior to its adoption of the model, the P-C Committee passed two newly proposed amendments that responded to concerns regarding the use of allegedly unsafe salvaged airbags. The first amendment would require repair facilities to place a permanent label on a dashboard indicating that the facility had installed a salvaged airbag.

The second amendment added a drafting note to the model law that said a state should consider allowing a regulator to adopt a protocol to insure that only salvaged airbags that have met specific criteria are used.

Because they had not been submitted 30 days prior to the Annual Meeting, both amendments were subject to two-thirds votes for consideration and subsequent two-thirds votes for Committee adoption.

The Committee's review of the model act also included a report regarding disclosure and other concerns related to fleet vehicles purchased without airbags.

Interested parties who have contributed to the NCOIL debate included representatives of the Alliance of Automotive Manufacturers (AAM), American Insurance Association (AIA), Association of International Automobile Manufacturers (AIAM), Automotive Occupant Restraints Council (AORC), Automotive Recyclers Association (ARA), Automotive Services Association (ASA), Certified Automotive Parts Association (CAPA), Coalition Against Insurance Fraud, Insurance Institute for Highway Safety (IIHS), LKQ Corporation, and Society for Collision Repair Specialists (SCRS).

Special P-C Committee meetings on the airbag fraud model were held on July 11, November 19, and November 21. In July, the Committee chose to develop the draft model act during conference calls prior to the New Orleans Annual Meeting.

In addition, due to time constraints the Committee deferred review of a proposed *Model Act Regarding Motor Vehicle Crash Parts and Repair* until the March 5 through 7 Spring Meeting in Charleston, South Carolina.

The Annual Meeting took place at the Royal Sonesta Hotel.

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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