



Coalition Against Insurance Fraud

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January 6, 2020

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- Dennis Jay
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Chairman Graham Filler Via Email: grahamfiller@house.mi.gov
House Judiciary Committee
Michigan House of Representatives
N-1197 House Office Building
P.O. Box 30014
Lansing, MI 48909

Re: HB 4924 & HB 4923 (counterfeit airbags)

Dear Chairman Filler and Committee Members,

I am writing on behalf of the Coalition Against Insurance Fraud, and our more than 200 member organizations, in support of HB 4924 & HB 4923, targeting the use of counterfeit airbags and other equipment used in automobile repair. The bill is scheduled to be considered by your committee in the coming days.

The Coalition Against Insurance Fraud is a national broad-based alliance of consumer groups, insurers and government organizations dedicated to combating all forms of insurance fraud through education, research and advocacy. We are recognized as one of the leading anti-fraud organizations. We work closely with legislators and regulators to strengthen state efforts to target fraud against America's insurance system and consumers.

The Coalition has been concerned about airbag theft and fraud for several years and we have worked to strengthen state laws protecting consumers from these phony airbags. We worked closely with the National Council of Insurance Legislators (NCOIL) in crafting a model airbag theft and fraud law that is a comprehensive approach to the issue.

Airbags are there to protect us from serious injuries or worse and we have the expectation that when we get into an auto the airbags will indeed protect us. The use of counterfeit or non-functional airbags puts that expectation in jeopardy.

A national coalition of consumers, government agencies and insurers dedicated to combating all forms of insurance fraud through public information and advocacy

However, the latest trend of marketing and installation of counterfeit and non-functional airbags as well as other safety parts needs to be addressed. 22 states already have enacted a version of this bill in the past several years. The bills before your Committee would add protections to Michigan consumers.

The Coalition has two main reasons supporting the need for this legislation:

1. **Consumer Protection.** Consumers believe when an airbag is replaced in their auto it is the actual, and correct, manufacturer's airbag for their vehicle. We all assume the airbag will work as it is supposed to – protecting us in a crash from serious injury or death. Counterfeit airbags do not give any such protection. This is one of the worst types of insurance fraud as consumers have no way to know if they are the victim of a counterfeit airbag installation until another accident occurs and this crucial safety device fails to deploy.

2. **Insurance Fraud.** These counterfeit airbags are marketed through the "black market" and through websites like eBay and Craigslist to repair shops as original manufacturer's replacement airbags. However, the cost is a small fraction of what an actual replacement airbag would cost a repair shop to purchase. These shady repair shops knowingly purchase phony airbags. Yet, they turn around and charge the insurer the actual cost of a manufacturer's replacement airbag. Insurers pay the claim for the airbag that usually is in excess of \$1,000 for each airbag. The ethically-challenged repair shop obviously pockets the difference committing insurance fraud against both the consumer and the insurer.

HB 4924 and HB 4923 are intended to address these issues and will help protect Michigan consumers from these counterfeit airbags and other safety parts. The Coalition strongly supports its passage. If there is any further assistance we may provide, please contact me at anytime. Thank you for your support.

Sincerely,



Matthew J. Smith, Esq.
Executive Director

copy: Mr. Craig Orlan, Honda North America, Inc.