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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 941 (Substitute S-1 as reported)

Sponsor: Senator Dick Posthumus

Committee: Commerce and Technology

Date Completed: 6-22-90

RATIONALE

As part of the continuing effort to reduce the number of injuries and fatalities from traffic accidents, greater emphasis is being placed on the development and use of safety equipment in motor vehicles. To encourage such development and use, insurance companies are allowed by law to consider vehicle characteristics, features, and options, such as equipment to protect passengers from injury, when determining insurance rates for their clients. In other words, drivers who have and use certain safety equipment and features in their vehicles often pay lower insurance premiums than those who do not. In fact, until July 1, 1991, insurers are required to offer a premium discount plan to drivers who use safety belts. Some feel that these insurance discounts are a significant incentive to drivers to use safety equipment and should be applied to other technological developments in the area of automotive safety, such as antilacerative glass windshields and air bags.

CONTENT

The bill would amend the Insurance Code to allow automobile insurance insurers to establish and maintain a premium discount plan based on the overall safety of an automobile or certain safety features. Factors and safety features that could be considered in determining the overall safety of an automobile would include but not be limited to antilacerative glass, air bags, rear shoulder harnesses, antilock brakes, enhanced sidewall protection, bumpers that exceed a collision standard of five miles per hour, and safety ratings based on highway accident statistics and the safety of the vehicle occupants.

Proposed MCL 500.2110a

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FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

Explicitly authorizing insurers to offer premium discount plans based on the safety features and equipment in a motor vehicle would help make consumers more aware of the safety options that are available and more likely to ask for and use them.

Supporting Argument

It is only fair that any reduction in the risk of injury to an accident victim that can be attributed to the use of safety equipment or the installation of safety features be matched by a reduction in the cost of insurance.

Opposing Argument

The bill is unnecessary since any insurer that wishes to offer a premium discount plan for the installation and use of a particular safety feature may do so under the Code's current provisions that allow insurers to consider a vehicle's features and equipment when determining rating factors.

Response: The bill would help make consumers more aware of the options (e.g., premium discounts) that insurers may exercise in the interest of cost containment, and insurers, therefore, more likely to exercise those options.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

S.B. 941 (6-22-90)