



House  
Legislative  
Analysis  
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## PIP DISCOUNT PLANS

House Bill 4466 (Substitute H-1)  
First Analysis (5-17-95)

Sponsor: Rep. Gerald Law  
Committee: Insurance

### **THE APPARENT PROBLEM:**

Some people believe that it would be an incentive for consumers to purchase safer automobiles if insurance companies provided premium discounts for certain kinds of safety equipment. While this may occur sometimes now, it is not uniformly done.

### **THE CONTENT OF THE BILL:**

The bill would amend the Insurance Code to require auto insurers to establish and maintain premium discount plans for personal protection insurance (PIP coverage, such as medical benefits and wage loss) providing a discount if a vehicle has one or more of the following safety features: antilacerative glass; air bags; antilock brakes; enhanced sidewall protection; bumpers that exceed a collision standard of five miles per hour; or other passive safety features that reduce frequency or severity of collisions or injuries as determined by the company and approved by the insurance commissioner.

A premium discount plan could require the insured person to certify in writing to the possession of the safety features. If an insured received a discount after providing the certification but did not have the safety features claimed, the insurance company could impose a deductible of up to \$500 when the vehicle sustained a loss that would be in addition to any deductible contained in the policy. The company also could subsequently deny the customer the right to participate in any discount plan for 12 months.

MCL 500.2110a

### **FISCAL IMPLICATIONS:**

There is no information at present.

### **ARGUMENTS:**

#### **For:**

Drivers who purchase safer cars ought to be rewarded with lower insurance premiums. This bill would require auto insurers to establish premium discount plans that would provide discounts to owners of vehicles with certain kinds of protective devices, such as air bags, antilock brakes, and special bumpers, that seem likely to reduce the nature and extent of injuries suffered in auto accidents. Drivers would certify to the existence of such devices and would be penalized (through an additional deductible) if it turned out they did not have them. This approach to lower insurance prices will provide consumers an incentive to buy safer vehicles.

#### **Response:**

Is it really the legislature's job to mandate these premium reduction plans? Shouldn't the decision of whether to offer such plans be left to insurance companies? Is there concrete evidence that the named devices have a quantifiable impact on claims? The make and model of an insured's vehicle is already taken into account in determining a premium, so in that sense, safety features are accounted for in the cost of insurance.

#### **Against:**

Some people believe the penalty -- an additional deductible of up to \$500 -- for someone who falsely or mistakenly certifies to one of these devices is too high. A lower amount of \$250 has been proposed. Also, wouldn't a uniform amount be preferable to leaving it up to an insurance company (perhaps even on a case by case basis)?

### **POSITIONS:**

AAA Michigan supports the bill. (5-16-95)

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