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Matthew J. Smith, Esq.
Executive Director

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

January 23, 2023

Senator Matt Claman
Senate Judiciary Committee
Alaska State Capitol
3318 Iliamna Avenue
Anchorage, AK 99517

RE: Support for S 37 addressing Counterfeit Airbag Fraud

Dear Senator Claman,

I am writing on behalf of the Coalition Against Insurance Fraud in support of S 37 targeting the use of counterfeit airbags and other equipment used in automobile repair. This bill is currently before your Committee. We would appreciate your sharing this letter with the members of your Committee as well if possible.

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 nation's 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.

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

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.

The Senate bill is intended to address these issues and will help protect Alaska consumers from these counterfeit airbags and other safety parts. The Coalition strongly supports passage of this bill. If there is any further assistance we may provide, please contact me at any time. Thank you for your support.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew J. Smith". The signature is stylized with a large, prominent "M" and a long, sweeping underline.

Matthew J. Smith, Esq.
Executive Director

copy: Mr. Craig Orlan, American Honda Motor Co, Inc., craig_orlan@ahm.honda.com

January 24, 2023

Hon. Matt Claman and Members of the Committee
Committee on Judiciary
Alaska State Senate

RE: SB 37 – Counterfeit Airbags

Dear Chair Claman and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in Alaska. Working hand-in-hand with our Member companies and Alaska law enforcement, we help to detect, prevent, and deter insurance crimes.

Counterfeit airbags are a national and growing concern. The National Highway Traffic Safety Administration (NHTSA) has warned consumers that counterfeit airbags have been shown to consistently malfunction, from non-deployment to the expulsion of metal shrapnel during deployment. Vehicle safety equipment as important as airbags are subject to strict quality control standards to keep the public safe. Counterfeiters are much more likely to skirt these standards which can lead to disastrous consequences.

Counterfeit airbags are procured in many different ways, from consumers unwittingly purchasing them on online to unscrupulous body shops purposely installing counterfeits while billing consumers and insurers for genuine, original bags. Federal authorities in Philadelphia recently [announced](#) an indictment of an individual accused of fraudulently importing counterfeit airbags from China and installing them in salvaged automobiles which were then reintroduced to the market. No matter how counterfeit airbags are obtained and installed in the vehicles of unsuspecting motorists, the results can be deadly. NICB has provided more information for the public and policymakers on our website which can be found [here](#).

Accordingly, we support SB 37 which creates a new criminal statute penalizing those who knowingly selling a counterfeit or nonfunctioning airbag.

We thank you for this scheduling a hearing and for considering our views as you deliberate the merits of the bill. If you have any questions or need additional information, please contact me at hhandler@nicb.org or 847-544-7083.

Sincerely,



Howard Handler, MPPA
Senior Director
Office of Strategy, Policy, and Government Affairs
National Insurance Crime Bureau