

2019 HOUSE TRANSPORTATION COMMITTEE

HB 1143

2019 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee
Fort Totten Room, State Capitol

HB 1143
1/24/2019
#31436

- Subcommittee
 Conference Committee

Committee Clerk Signature Jeanette Cook

Explanation or reason for introduction of bill/resolution:

A BILL relating to prohibiting the manufacturing, sale, and installation of a counterfeit supplemental restraint system component and nonfunctional airbag; and to provide a penalty.

Minutes:

Attachment 1-3

Chairman Ruby opened the hearing on 1143.

Representative George Kieser, District 47, introduced and explained HB 1143 and provided testimony. HB 1143 is an airbag bill. (Attachments #1-2)

At a meeting I was approached by a Honda representative about this type of air bag legislation. He was wondering if I would consider introducing it in North Dakota.

A letter from Craig Orlan, Sr. State Relations Specialist, Honda North America, Inc., has been provided to the committee. It thoroughly explains the airbag problem. See Attachment 1 pages 1-2. The third page of attachment #1 demonstrates to you the potential problem. Can you tell which one of the airbags is counterfeit? On the outside they are identical. (p,4) On the inside you can see that there are significant differences. My favorite part is the jello powder in the counterfeit bag, so when it does explode you do get a powder effect. On p. 5 you can see the states that have addressed this issue, as well those that are considering it this session.

The bill is straight forward. It defines some terms that are not currently defined in Code. The key component to this legislation in Section 2, p. 2, says, "a person may not **intentionally** or **knowingly** manufacture, import, install, reinstall, distribute, sell or offer for sale any device intended to replace a supplemental restraint system component in a motor vehicle...." Subsection b, "sell or install in a motor vehicle any device that cause a motor vehicle's diagnostic system to fail, to warn when the motor vehicle is equipped with a counterfeit supplemental restraint system."

Honda and other manufacturers feel strongly about this issue because the aftermarket airbags simply do not work.

Representative Kading: In this example, the fake airbag is already committing some sort of fraud by using the trademark of another company. If you make it a class A misdemeanor to install or use these, is this additional criminal charge going to be effective in addition to already committing fraud?

Representative George Kieser: We will probably have trouble getting to the sellers on the internet, but we need to send out a message to the public, so they are making sure they are putting in a safe legitimate airbag. If not, a Class A misdemeanor is a maximum of 360 days and a fine up to \$3000 or both. This is a life or death matter. We have no idea how many of these airbags are in vehicles in North Dakota.

Representative Kading: If someone with good intent makes a good airbag, without the Honda logo, is that illegal because it is shaped the same as the Honda one?

Representative George Kieser: If it is an airbag that can pass the federal test, there is no issue.

Chairman Ruby: This bill is just dealing with airbags, correct?

Representative George Kieser: That is correct.

An additional attachment from **Joseph Cammiso, President Automotive Anti-Counterfeiting Council, Inc.** sent an e-mail to Chairman Ruby in support of HB 1143. It was provided to committee. See attachment #3.

There was no further testimony in support of HB 1143.
There was no testimony in opposition to HB 1143.

The hearing on HB 1143 was closed.

Representative Grueneich moved a DO PASS on HB 1143.

Representative Owens seconded the motion.

A roll call vote was taken: Yea 12 nay 0 Absent 2

The motion carried.

Representative Paur will carry HB 1143.

Date: 1-24-19
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1143**

House Transportation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Grueneich Seconded By Owens

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN RUBY	X		REP LAURIEBETH HAGER	X	
VICE CHAIR BECKER	X		REP KARLA ROSE HANSON	X	
REP JIM GRUENEICH	X		REP MARVIN NELSON	X	
REP TERRY JONES	A				
REP TOM KADING	X				
REP EMILY O'BRIEN	A				
REP MARK OWENS	X				
REP BOB PAULSON	X				
REP GARY PAUR	X				
REP ROBIN WEISZ	X				
REP GREG WESTLIND	X				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Paur

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1143: Transportation Committee (Rep. D. Ruby, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1143 was placed on the Eleventh order on the calendar.

2019 SENATE TRANSPORTATION

HB 1143

2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee
Lewis and Clark Room, State Capitol

HB 1143
3/14/2019
33720

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to prohibiting the manufacturing, sale, and installation of a counterfeit supplemental restraint system component and nonfunctional airbag; and to provide a penalty.

Minutes:

2 Attachments

Representative George Keiser, District 47, Bismarck: I bring to you HB 1143. It has to do with airbags and it's a very important issue. It provides a definition for airbags, defines counterfeit supplemental restraint system component, defines nonfunctional airbag and defines supplemental restraint system. Section 2 of the bill is really the heart of the bill beginning on line 13 of page 2. It addresses what a person may or intentionally or knowingly do. Read sections 2-4. Please see **Attachment #1** for more information. Shared personal story.

Chairman Rust: Are parts always available for vehicles? These kinds of things?

Representative Keiser: Certified after-market parts may be available for airbags, I don't know. I will tell you this, if it's my car, my family we're going to have an OEM part. I'm going to require it. However, if you go back to the bill, to install any device intended to replace a component in any motor vehicle if the device is a counterfeit supplemental restraint system component, nonfunctional airbag, or a device that does not meet the federal standards. So if you meet the federal standards there could be an after-market part, I'm not aware of one.

Chairman Rust: So you can use after-market parts if they meet federal standards.

Representative Keiser: That is correct.

Matthew Larsgaard, President/CEO, Automobile Dealers Association of North Dakota: I'm appearing in support of HB 1143.

Chairman Rust: Would body shops agree with you?

Mr. Larsgaard: I can't imagine that any reputable body shop would be opposed to this legislation.

Senator Dwyer: Is there an issue with if you have an OEM with replacing airbags? Is the technology such they just work well if you use an OEM airbag to replace one that's gone off?

Mr. Larsgaard: Yes, so OEM manufactured parts, they make agreements with suppliers. Those parts have to meet a particular standard. So for a new car dealer for example to replace an airbag; new car dealers as far as I know only use OEM parts.

Chairman Rust: OEM stands for?

Mr. Larsgaard: Original Equipment Manufacturer. General Motors, Ford etc. and I believe it's in all of the contracts as well that they must use OEM parts with any repairs that they conduct. It's part of their manufacturer dealer agreement. So that's with respect to the quality of the airbag, or at least the manufacturer standard. To the other question of if they're always available, no they are not always available.

Senator Clemens: It wouldn't have to be OEM as long as it passes certification, would that be correct?

Mr. Larsgaard: Correct.

Please see **Attachment #2** for additional information received via email.

2019 SENATE STANDING COMMITTEE MINUTES

Transportation Committee
Lewis and Clark Room, State Capitol

HB 1143
3/15/2019
33795

- Subcommittee
 Conference Committee

Committee Clerk: Liz Stenehjem

Explanation or reason for introduction of bill/resolution:

A bill relating to prohibiting the manufacturing, sale, and installation of a counterfeit supplemental restraint system component and nonfunctional airbag; and to provide a penalty.

Minutes:

No Attachments

Chairman Rust: Reminded committee of what HB 1143 says and will do.

Senator Patten: I move a **Do Pass**.

Senator Bakke: I **Second** the Motion.

Roll Call Vote Taken:

6-0-0 Do Pass

Carrier: Senator Dwyer

**2019 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1143**

Senate Transportation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Senator Patten Seconded By Senator Bakke

Senators	Yes	No	Senators	Yes	No
Senator Rust - Chairman	X		Senator Bakke	X	
Senator Clemens - Vice Chairman	X				
Senator Dwyer	X				
Senator Fors	X				
Senator Patten	X				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Senator Dwyer

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1143: Transportation Committee (Sen. Rust, Chairman) recommends **DO PASS**
(6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1143 was placed on the
Fourteenth order on the calendar.

2019 TESTIMONY

HB 1143

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#1
p. 1

HONDA

Honda North America, Inc.
1001 G Street, N.W. Suite 950
Washington, D.C. 20001
Phone (202) 661-4400

January 16, 2019

The Honorable Dan Ruby
North Dakota House of Representatives
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Support for House Bill 1143

Dear Chairman Ruby:

Thank you for the opportunity to express Honda's strong support for Representative Keiser's legislation to prohibit the knowing and intentional trafficking of counterfeit supplemental restraint systems and nonfunctional airbags. Honda is aware of several instances across the country where these products have seriously injured or even killed motorists. To combat this problem Honda is taking a holistic approach, and has spent the past several years working with a broad coalition of stakeholders to raise awareness of this problem, remove internet listings of these products, support federal law enforcement investigations and prosecutions, and to supplement federal law with state laws to protect consumers from these dangerous knockoffs.

While counterfeit parts are not new to the industry, automakers have seen a dramatic rise in the number of counterfeit and otherwise "nonfunctional" critical safety components entering the marketplace in recent years. These products primarily originate in China and are imported to the United States. Here they are sold online to unscrupulous repair shops who install these products in the vehicles of unknowing consumers. While consumers may not be able to tell the difference between real and fake airbags, those manufacturing, selling and installing these products can. There are a number of physical tells and other red flags that are obvious to repair professionals, several of which are explained in detail on the attached "SPOT A FAKE" handout.

Thousands of these imitation airbags have been tested over the years and in every case these knockoffs have failed to meet federal crash worthiness standards, often catastrophically. In 2012 The National Highway Traffic Safety Administration (NHTSA) issued the attached consumer advisory warning the public about this problem and released a now famous video showing just how dangerous these products can be.¹ Because of the cost and precision involved in replicating airbag technology, many counterfeiters do not even bother to try. Instead they chose to fill airbags with sawdust, newspaper, paper towels, Styrofoam or other debris that were never intended to provide vehicle occupants with protection during a crash.

The automotive industry is working closely with federal authorities in Homeland Security, Customs and Border Protection and the FBI to identify counterfeit airbags and prosecute those responsible when

¹ <https://www.youtube.com/watch?v=TSk2JUuQ3j0>

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possible. Unfortunately, despite their best efforts, federal agents have limited authority to combat this problem. Federal authorities are only able to prosecute counterfeiters when they violate federal trademark law. This occurs when a registered trademark or a mark substantially similar to a registered trademark is used on an airbag without approval. Because the majority of legitimate airbags and airbag components do not contain trademarks those trafficking in fakes cannot be prosecuted under trademark law. Even when these fakes are discovered by authorities they are often eventually released and can eventually find their way into the marketplace. Additionally, in some cases counterfeiters are shipping airbags without an affixed trademark in order to avoid confiscation and prosecution. Once in the country, the manufacturer's insignia is attached and the counterfeit is sold.

Because of these shortcomings, Honda has worked with a coalition of stakeholders to push for legislation in states across the country to supplement federal law. Over time, this coalition has grown to include automakers, auto dealers, insurers, automotive recyclers and several local safety groups. Over the past four years, our coalition has enacted similar laws in eighteen states with overwhelming bipartisan support. This legislative effort has also been adopted as model legislation by the Council of State Governments in their 2015 "Suggested State Legislation" docket and was endorsed by the National Foundation of Women Legislators in November of 2017. Honda respectfully asks for your support in enacting this important consumer safety legislation in North Dakota as well.

Thank you again for your time and interest in this important safety issue. Customer safety has always been at the core of Honda's philosophy, which is why ten Honda and Acura models earned the Insurance Institute for Highway Safety's Top Safety Pick or Top Safety Pick + awards for model year 2017, and why Honda is considered a safety leader in the industry.

Honda is proud of our relationship with North Dakota, which is home to 80 authorized Honda and Acura dealers who employ over 870 people and provide North Dakota consumers with a wide range of products that utilize the latest environmental and safety technologies. For more information on Honda's presence in North Dakota or our safety leadership, please visit www.hondainamerica.com or follow us on Twitter at @HondainAmerica.

Thank you for your time and attention on this very important consumer protection issue. If you have any questions, or if Honda can otherwise be a resource for you please do not hesitate to contact me.

Sincerely,



Craig Orlan
Sr. State Relations Specialist
Honda North America, Inc.

SPOT A FAKE



HOW TO IDENTIFY A COUNTERFEIT AIRBAG?

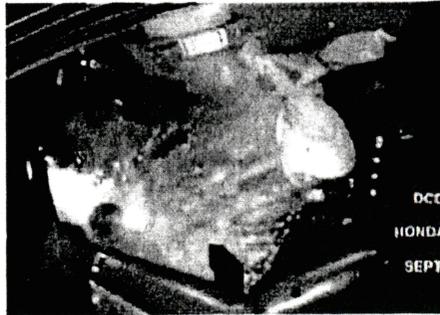
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1 p.3



Counterfeit airbags are out there, and pose a serious risk to consumer safety!

The following 18 states have enacted Honda's model legislation to prohibit the trafficking of dangerous counterfeit and nonfunctional airbags:

AL | CA | CT | FL | GA | IA | LA | MA | MD | NJ | NM | NY | OH | RI | SC | TN | TX | WA



Still images taken from NHTSA's test video of counterfeit airbags in 2012

Over the past several years, tens of thousands of ineffective counterfeit airbags have been discovered by multiple law enforcement agencies in raids across the country. These products are imported to the United States where they are sold online to unscrupulous repair shops who knowingly and intentionally install these products in the vehicles of unwitting consumers. In 2012 the National Highway Traffic Safety Administration (NHTSA) issued a consumer advisory alerting vehicle owners about the danger these airbags pose. This is a problem that impacts not just Honda vehicles, but nearly every make and model vehicle on the road, putting thousands of motorists at risk for serious injury or death.

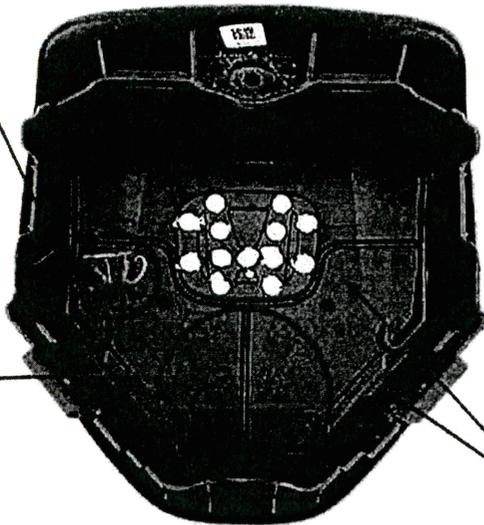
Flip the page to learn more about the key differences between genuine OEM airbags and counterfeit airbags

HONDA

Genuine Honda

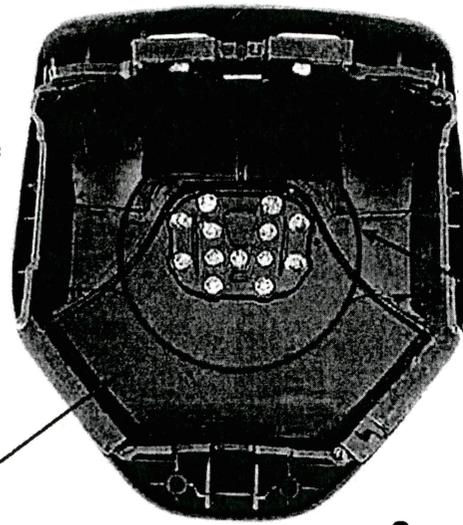
Quality inspector's initials

Information used for quality control



OVERALL REAR DESIGN OF THE COUNTERFEIT IS NOT CONSISTENT WITH THAT OF THE GENUINE

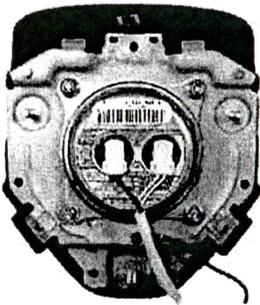
Counterfeit



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Emblem improperly attached by melting with heat

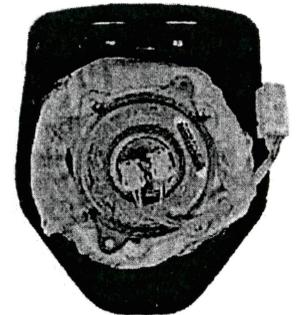
Genuine Honda



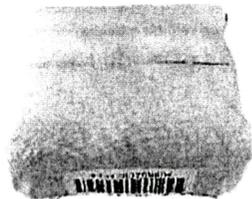
Airbag covers are engineered so that upon deployment, the cover splits along well designed tear seams. This creates a flap that allows the rapidly inflating bag to pass through the cover and create an air cushion without injuring the vehicle occupants. Counterfeits use poor quality molds and materials that do not open as designed.

Genuine OEM inflators are precisely secured and carefully fitted over a metal plate to ensure that the inflator remains in its proper position in the event of a collision. Counterfeit inflators are often very loosely attached presenting a serious safety risk to motorists if the inflator were to deploy.

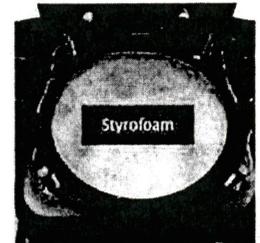
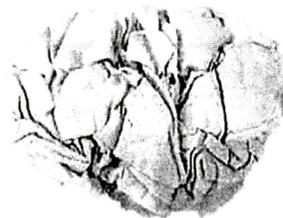
Counterfeit



Genuine Honda

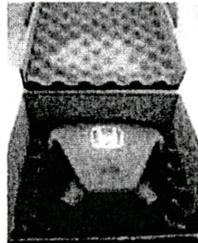
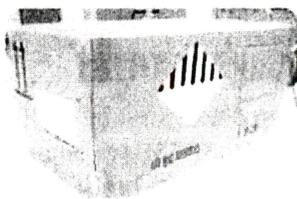


Counterfeit

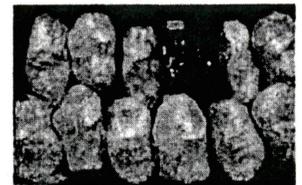


Genuine airbags are labeled and precisely folded to ensure a consistent and safe deployment in the event of a collision. Counterfeit airbags are often haphazardly packed and folded, which can result in an improper and extremely dangerous deployment. Because of the cost and precision involved in replicating genuine airbag technology, many counterfeiters do not even bother to try. Instead they chose to fill airbags with Styrofoam or other debris that will not provide occupants with any protection in the event of a collision.

Genuine Honda



Counterfeit



New genuine OEM airbags can only be purchased from authorized OEM dealerships as required by state motor vehicle franchise laws and OEM / dealer contracts. Because of the explosive nature of these products, they are carefully packaged and labeled as a Class 9 Hazmat as required by federal law. Counterfeit airbags are sold over the internet on various e-commerce websites, often at unreasonably low price points. They are improperly packaged without proper indications that a hazardous material is in the box.

While some of these differences may not be obvious to consumers, they are to automotive repair professionals!

If you have any questions please feel free to reach out to Ember Brillhart or Craig Orlan in Honda's Government Affairs office at 202.661.4400

STATE	LEGISLATIVE SESSION	BILL NUMBER	STATUS
Alabama	2014	SB 163	Signed into Law
California	2016	AB 2387	Signed into Law
Connecticut	2013	SB 1040	Signed into Law
Delaware	2019	HB 28	Introduced
Florida	2014	SB 754	Signed into Law
Georgia	2016	HB 320	Signed into Law
Iowa	2015	HF 287	Signed into Law
Louisiana	2014	SB 32	Signed into Law
Maryland	2016	HB 1236 / SB 969	Signed into Law
Massachusetts	2018	HB 4051	Signed into Law
Nebraska	2019	LB 7	Introduced
New Jersey	2015	SB 2174	Signed into Law
New Mexico	2015	HB 328	Signed into Law
New York	2013	AB 6378	Signed into Law
North Dakota	2019	HB 1143	Introduced
Ohio	2013	HB 177	Signed into Law
Rhode Island	2017	SB 2287	Signed into Law
South Carolina	2016	SB 1015	Signed into Law
Tennessee	2017	SB 2583	Signed into Law
Texas	2013	HB 38	Signed into Law
Virginia	2019	HB 2143	Introduced
Washington State	2016	SSB 6160	Signed into Law

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#1
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1-24-19

#2
P.1

Susan

From: Keiser, George J. <gkeiser@nd.gov>
Sent: Saturday, January 12, 2019 10:03 AM
To: bids@qpsnd.com
Subject: FW: Touching Base...

From: Craig Orlan <craig_orlan@hna.honda.com>
Sent: Friday, January 11, 2019 4:19 PM
To: Matthew Smith <matthew@insurancefraud.org>; Keiser, George J. <gkeiser@nd.gov>
Subject: RE: Touching Base...

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Hello Representative Keiser,

Thank you very much for filing this legislation on behalf of Honda and the Coalition. As Matthew and I both mentioned this bill has been a joint priority of ours for several years.

Simply put, this bill is a comprehensive way to address the growing problem of airbag fraud. For the past several years, we've seen a dramatic rise in the number of counterfeit and otherwise ineffective and dangerous knockoff airbags entering the United States marketplace. These products primarily originate in China, and are then sold over the internet through various e-commerce platforms to unscrupulous repair shops that install these products in the vehicles of unknowing consumers. Of the several thousand counterfeit airbags that have been intercepted and tested, we have found that these products have a **100%** failure rate. Not a single airbag tested has met federal motor vehicle safety standards. The vast majority of these airbags are filled with newspaper, trash bags, t-shirts or other debris that will provide no protection to motorists in the event of a collision. Others are quite literally bombs, as demonstrated in this now famous video released by the National Highway Traffic Safety Administration in 2012:

<https://www.youtube.com/watch?v=TSk2JUuQ3j0>

This problem is not unique to Honda, and is in fact so pervasive that in 2015 Automotive Anti-Counterfeiting Council (A2C2) was established. The A2C2 is a 501(C)(6) organization composed of representative from every major North American vehicle manufacturer that is committed to taking a holistic approach to stopping the flow of dangerous counterfeit automotive parts. They are working to educate consumers, dealers, industry & government about this problem; working with e-commerce platforms to remove these listings from their sites; and supporting law enforcement agencies by providing & assisting with investigative leads, identifying products at raids & seizures, and providing expert testimony in court. Early next week, I will be able to provide you with a letter of support from the A2C2 expressing the entire auto industry's support for this effort.

As I mentioned, the auto industry has worked very closely with a number of federal law enforcement agencies (FBI, Homeland Security, ICE, Customs and Border Protection) but those agencies have limited authority to act, and can only intervene when federal trademark law is violated. Unfortunately, for a number of reasons, the vast majority of knockoff parts do not violate federal trademark law. As a result federal authorities cannot seize these products and they can then enter the stream of commerce.

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To address this shortcoming in federal law; Honda, the Coalition, and a number of other stakeholders are working to supplement federal law by enacting airbag fraud legislation in the states. These laws prohibit the knowing importation, distribution, manufacture, sale, instillation or reinstallation of counterfeit or “nonfunctional” airbags. These terms are very narrowly defined, and were carefully crafted so as not to impact the legitimate salvage and aftermarket parts industry. We are only after the depraved individuals who knowingly and intentionally put public safety at risk by trafficking in “junk” airbags.

These state laws allow federal law enforcement to work with state and local agencies as they did in the case featured in this ABC news story out of California: <https://abc7.com/south-la-man-busted-for-selling-dangerous-counterfeit-airbags-3072982/>. But for the law we passed in California, there would have been nothing federal, state or local law enforcement could have done about this case.

Over the past few years our coalition has passed legislation in 18 states with overwhelming bi-partisan support, and we are excited to enact this important consumer protection bill into law in North Dakota as well.

I’m happy to support this effort in any way that I can. Please feel free to let me know how I can help, and if you have any questions or concerns.

Thank you again for your time and support in this endeavor, and have a great weekend!

Craig Orlan
Senior State Relations Specialist
Honda North America, Inc.
1001 G Street NW | Suite 950W
Washington, D.C. 20001
Office: 202.661.4400
Cell: 202.300.8999

STATE	LEGISLATIVE SESSION	BILL NUMBER	STATUS
Alabama	2014	SB 163	Signed into Law
California	2016	AB 2387	Signed into Law
Connecticut	2013	SB 1040	Signed into Law
Florida	2014	SB 754	Signed into Law
Georgia	2016	HB 320	Signed into Law
Iowa	2015	HF 287	Signed into Law
Louisiana	2014	SB 32	Signed into Law
Maryland	2016	HB 1236 / SB 969	Signed into Law
Massachusetts	2018	HB 4051	Signed into Law
New Jersey	2015	SB 2174	Signed into Law
New Mexico	2015	HB 328	Signed into Law
New York	2013	AB 6378	Signed into Law
Ohio	2013	HB 177	Signed into Law
Rhode Island	2017	SB 2287	Signed into Law
South Carolina	2016	SB 1015	Signed into Law
Tennessee	2017	SB 2583	Signed into Law
Texas	2013	HB 38	Signed into Law
Washington State	2016	SSB 6160	Signed into Law

From: Matthew Smith <matthew@insurancefraud.org>
Sent: Friday, January 11, 2019 2:32 PM
To: Keiser, George J. <gkeiser@nd.gov>; Craig Orlan <craig_orlan@hna.honda.com>
Subject: Re: Touching Base...

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2 p. 3

Thanks George and I am glad to connect you and Craig Orlan of Honda America. Craig, please see Rep. Keiser's request below for information needed to support the airbag bill in North Dakota. My best to you both and have a great weekend.

Matthew J. Smith, Esq.
Director of Government Affairs & General Counsel
Coalition Against Insurance Fraud
202-393-7332
InsuranceFraud.org
Download [FraudWire](#) mobile app for iPhone, & Android

On Jan 11, 2019, at 2:28 PM, Keiser, George J. <gkeiser@nd.gov> wrote:

Matthew- I turned the "air-bag" bill in but do not know when it will be scheduled for a hearing. I suspect it will be the week of the 21st. Could you send or contact the Honda rep and send me information re the problem and solution (in the bill). Jack is one of the "best people" I have ever had the pleasure to meet.

From: Matthew Smith <matthew@insurancefraud.org>
Sent: Friday, January 11, 2019 11:22 AM
To: Keiser, George J. <gkeiser@nd.gov>
Cc: Dennis Jay <dennisjay@insurancefraud.org>
Subject: Touching Base...

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Hi George and I hope this finds you well and enjoying a great start of 2019!

I thought you may enjoy seeing the below from today's *Fraud News Weekly*. We are also closely following your public adjuster bill (1219) and are glad to support either bill in any way.

Also, I was at Jack Gillis' office yesterday at the Consumer Federation of America and your name came up. He thinks very highly of you as well and asked me to send along his greetings.

Stay in touch and I look forward to hopefully seeing you in March in Nashville.

Matthew J. Smith, Esq.
Director of Government Affairs & General Counsel
Coalition Against Insurance Fraud
202-393-7332
InsuranceFraud.org
Download [FraudWire](#) mobile app for iPhone, & Android

Friday, January 11, 2019

<image001.jpg>

HB 1143 #2
1-24-19 p.4

* **Massachusetts started off 2019** with a new airbag-fraud law, and 3 states have already have have filed airbag bills. The Massachusetts law would ban the sale and installing of counterfeit airbags. So would Delaware under a bill jointly filed by House and Senate members. It would clarify existing state law to ensure counterfeit airbags are prohibited in vehicle repairs. Body shops or others using knockoff bags would be punished under the state's penal code. Similar bills were filed in North Dakota by state Rep. George Keiser (who spoke at the Coalition's recent Annual Meeting) and in Virginia. Airbag bans will be introduced in several other states in 2019.

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#3
p.1

January 15, 2019

The Honorable Dan Ruby
North Dakota House of Representatives
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Support for House Bill 1143

Dear Chairman Ruby and Members of the House Transportation Committee,

On behalf of the Automotive Anti-Counterfeiting Council, Inc. (A2C2) and our membership, I write to express our strong support for House Bill 1143, which prohibits the trafficking of replacement counterfeit and nonfunctional airbags and supplemental restraint systems (SRS), and imposes a Class A Misdemeanor penalty for these violations in North Dakota.

The A2C2 is a collaborative industry group comprised of BMW, FCA US, Ford, General Motors, Honda, Hyundai, Kia, Nissan, Subaru, Toyota, Volkswagen Group of America, and their subsidiary brands. Our mission is collaboration among automakers and their partners that strives to eliminate counterfeit automotive components that could harm U.S. consumers. A2C2 is a platform for member companies to collaborate with federal and state authorities in response to increasing trends in automotive counterfeiting.

The emergence and increase of counterfeit airbags and other critical safety parts in the marketplace is extremely troubling, as they jeopardize the safety of vehicle occupants. In October 2012, the National Highway Traffic Safety Administration (NHTSA) and multiple federal law enforcement agencies issued a consumer advisory¹ alerting vehicle owners and repair professionals to the dangers of counterfeit airbags and their prevalence in the marketplace. Airbags are a key component of vehicle supplemental restraint systems, which are credited with saving countless lives nationwide over the course of their history. A single counterfeit airbag or SRS component part can disrupt an entire SRS system and put occupants at risk for serious injury. Because of the complexity of such parts and the need for effective quality control, many counterfeiters refrain from attempting to replicate the life-saving technology contained in SRS systems. For example, many of the counterfeit airbags that have been recovered and examined in recent years were filled with newspaper or other debris.

¹ NHTSA / ICE Safety Advisory Alerting Consumers to Dangers of Counterfeit Air Bags:
<https://www.ice.gov/news/releases/nhtsa-ice-alert-consumers-dangers-counterfeit-air-bags>



HB 1143
1-24-19
#3 p.2

While federal law addresses counterfeiting in a broader sense, the A2C2 feels that state legislation prohibiting the trafficking, sale or installation of counterfeit and nonfunctional airbags and supplemental restraint systems is important because it provides an additional disincentive to would-be counterfeiters and unscrupulous repair shops. North Dakota has no laws prohibiting the installation and reinstallation of these products, nor does it protect consumers against the truly bad actors who knowingly and intentionally manufacture, import and sell these products en masse.

A2C2 commends the 18 states that have already enacted similar legislation to address this problem, and urges North Dakota to join them. If you have any questions, or if the A2C2 can otherwise be of assistance to you, please do not hesitate to let me know.

Thank you for your time and consideration.

Sincerely,



Joseph Cammisio
President
Automotive Anti-Counterfeiting Council, Inc.
www.a2c2.com

Honda North America, Inc.
1001 G Street, N.W. Suite 950
Washington, D.C 20001
Phone (202) 661-4400

January 16, 2019

The Honorable Dan Ruby
North Dakota House of Representatives
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Support for House Bill 1143

Dear Chairman Ruby:

Thank you for the opportunity to express Honda's strong support for Representative Keiser's legislation to prohibit the knowing and intentional trafficking of counterfeit supplemental restraint systems and nonfunctional airbags. Honda is aware of several instances across the country where these products have seriously injured or even killed motorists. To combat this problem Honda is taking a holistic approach, and has spent the past several years working with a broad coalition of stakeholders to raise awareness of this problem, remove internet listings of these products, support federal law enforcement investigations and prosecutions, and to supplement federal law with state laws to protect consumers from these dangerous knockoffs.

While counterfeit parts are not new to the industry, automakers have seen a dramatic rise in the number of counterfeit and otherwise "nonfunctional" critical safety components entering the marketplace in recent years. These products primarily originate in China and are imported to the United States. Here they are sold online to unscrupulous repair shops who install these products in the vehicles of unknowing consumers. While consumers may not be able to tell the difference between real and fake airbags, those manufacturing, selling and installing these products can. There are a number of physical tells and other red flags that are obvious to repair professionals, several of which are explained in detail on the attached "SPOT A FAKE" handout.

Thousands of these imitation airbags have been tested over the years and in every case these knockoffs have failed to meet federal crash worthiness standards, often catastrophically. In 2012 The National Highway Traffic Safety Administration (NHTSA) issued the attached consumer advisory warning the public about this problem and released a now famous video showing just how dangerous these products can be.¹ Because of the cost and precision involved in replicating airbag technology, many counterfeiters do not even bother to try. Instead they chose to fill airbags with sawdust, newspaper, paper towels, Styrofoam or other debris that were never intended to provide vehicle occupants with protection during a crash.

The automotive industry is working closely with federal authorities in Homeland Security, Customs and Border Protection and the FBI to identify counterfeit airbags and prosecute those responsible when

¹ <https://www.youtube.com/watch?v=TSk2JUuQ3j0>

possible. Unfortunately, despite their best efforts, federal agents have limited authority to combat this problem. Federal authorities are only able to prosecute counterfeiters when they violate federal trademark law. This occurs when a registered trademark or a mark substantially similar to a registered trademark is used on an airbag without approval. Because the majority of legitimate airbags and airbag components do not contain trademarks those trafficking in fakes cannot be prosecuted under trademark law. Even when these fakes are discovered by authorities they are often eventually released and can eventually find their way into the marketplace. Additionally, in some cases counterfeiters are shipping airbags without an affixed trademark in order to avoid confiscation and prosecution. Once in the country, the manufacturer's insignia is attached and the counterfeit is sold.

Because of these shortcomings, Honda has worked with a coalition of stakeholders to push for legislation in states across the country to supplement federal law. Over time, this coalition has grown to include automakers, auto dealers, insurers, automotive recyclers and several local safety groups. Over the past four years, our coalition has enacted similar laws in eighteen states with overwhelming bipartisan support. This legislative effort has also been adopted as model legislation by the Council of State Governments in their 2015 "Suggested State Legislation" docket and was endorsed by the National Foundation of Women Legislators in November of 2017. Honda respectfully asks for your support in enacting this important consumer safety legislation in North Dakota as well.

Thank you again for your time and interest in this important safety issue. Customer safety has always been at the core of Honda's philosophy, which is why ten Honda and Acura models earned the Insurance Institute for Highway Safety's Top Safety Pick or Top Safety Pick + awards for model year 2017, and why Honda is considered a safety leader in the industry.

Honda is proud of our relationship with North Dakota, which is home to 80 authorized Honda and Acura dealers who employ over 870 people and provide North Dakota consumers with a wide range of products that utilize the latest environmental and safety technologies. For more information on Honda's presence in North Dakota or our safety leadership, please visit www.hondainamerica.com or follow us on Twitter at @HondainAmerica.

Thank you for your time and attention on this very important consumer protection issue. If you have any questions, or if Honda can otherwise be a resource for you please do not hesitate to contact me.

Sincerely,



Craig Orlan
Sr. State Relations Specialist
Honda North America, Inc.

HB 1143 #1
3/14/17 P93

SPOT A FAKE

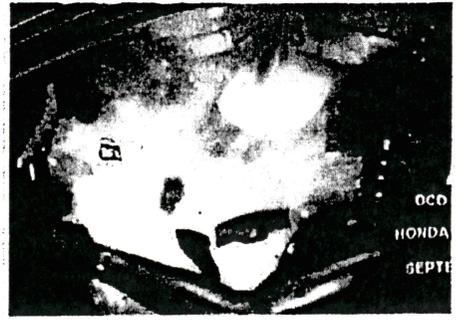
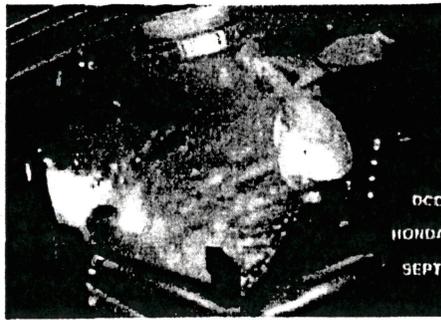


HOW TO IDENTIFY A COUNTERFEIT AIRBAG?



Counterfeit airbags are out there, and pose a serious risk to consumer safety!

The following 18 states have enacted Honda's model legislation to prohibit the trafficking of dangerous counterfeit and nonfunctional airbags:
AL | CA | CT | FL | GA | IA | LA | MA | MD | NJ | NM | NY | OH | RI | SC | TN | TX | WA



Still images taken from NHTSA's test video of counterfeit airbags in 2012

Over the past several years, tens of thousands of ineffective counterfeit airbags have been discovered by multiple law enforcement agencies in raids across the country. These products are imported to the United States where they are sold online to unscrupulous repair shops who knowingly and intentionally install these products in the vehicles of unwitting consumers. In 2012 the National Highway Traffic Safety Administration (NHTSA) issued a consumer advisory alerting vehicle owners about the danger these airbags pose. This is a problem that impacts not just Honda vehicles, but nearly every make and model vehicle on the road, putting thousands of motorists at risk for serious injury or death.

Flip the page to learn more about the key differences between genuine OEM airbags and counterfeit airbags

HONDA

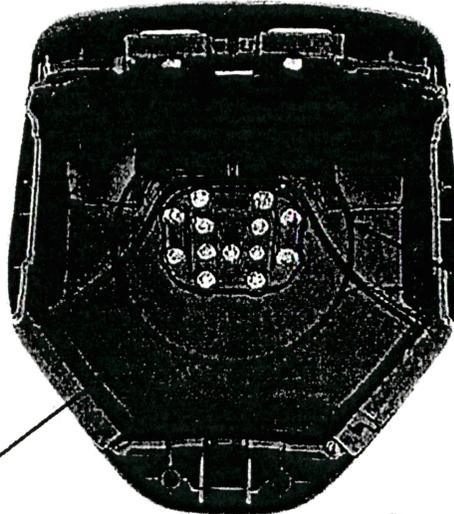
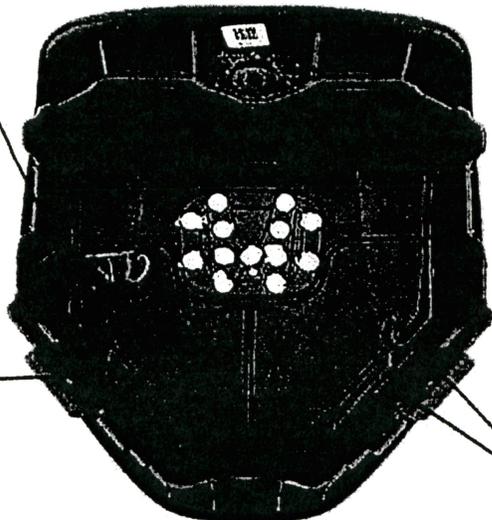
Genuine Honda

Counterfeit

Quality inspector's initials

OVERALL REAR DESIGN OF THE COUNTERFEIT IS NOT CONSISTENT WITH THAT OF THE GENUINE

Information used for quality control

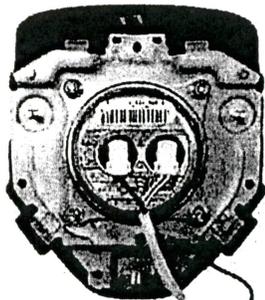


Emblem improperly attached by melting with heat

Genuine Honda

Counterfeit

The tear seam patterns on the counterfeit are not consistent with those of the genuine.



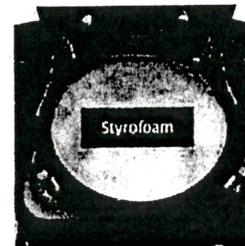
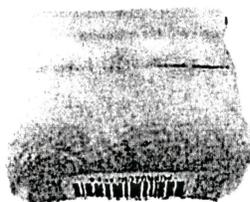
Airbag covers are engineered so that upon deployment, the cover splits along well designed tear seams. This creates a flap that allows the rapidly inflating bag to pass through the cover and create an air cushion without injuring the vehicle occupants. Counterfeits use poor quality molds and materials that do not open as designed.



Genuine OEM inflators are precisely secured and carefully fitted over a metal plate to ensure that the inflator remains in its proper position in the event of a collision. Counterfeit inflators are often very loosely attached presenting a serious safety risk to motorists if the inflator were to deploy.

Genuine Honda

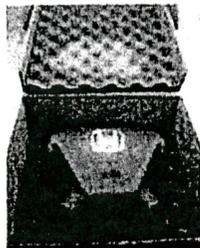
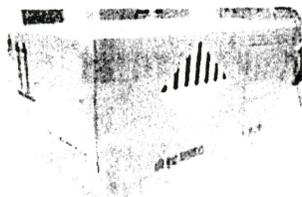
Counterfeit



Genuine airbags are labeled and precisely folded to ensure a consistent and safe deployment in the event of a collision. Counterfeit airbags are often haphazardly packed and folded, which can result in an improper and extremely dangerous deployment. Because of the cost and precision involved in replicating genuine airbag technology, many counterfeiters do not even bother to try. Instead they chose to fill airbags with Styrofoam or other debris that will not provide occupants with any protection in the event of a collision.

Genuine Honda

Counterfeit



New genuine OEM airbags can only be purchased from authorized OEM dealerships as required by state motor vehicle franchise laws and OEM / dealer contracts. Because of the explosive nature of these products, they are carefully packaged and labeled as a Class 9 Hazmat as required by federal law. Counterfeit airbags are sold over the internet on various e-commerce websites, often at unreasonably low price points. They are improperly packaged without proper indications that a hazardous material is in the box.

While some of these differences may not be obvious to consumers, they are to automotive repair professionals!

If you have any questions please feel free to reach out to Ember Brillhart or Craig Orlan in Honda's Government Affairs office at 202.661.4400

STATE	LEGISLATIVE SESSION	BILL NUMBER	STATUS
Alabama	2014	SB 163	Signed into Law
California	2016	AB 2387	Signed into Law
Connecticut	2013	SB 1040	Signed into Law
Delaware	2019	HB 28	Introduced
Florida	2014	SB 754	Signed into Law
Georgia	2016	HB 320	Signed into Law
Iowa	2015	HF 287	Signed into Law
Louisiana	2014	SB 32	Signed into Law
Maryland	2016	HB 1236 / SB 969	Signed into Law
Massachusetts	2018	HB 4051	Signed into Law
Nebraska	2019	LB 7	Introduced
New Jersey	2015	SB 2174	Signed into Law
New Mexico	2015	HB 328	Signed into Law
New York	2013	AB 6378	Signed into Law
North Dakota	2019	HB 1143	Introduced
Ohio	2013	HB 177	Signed into Law
Rhode Island	2017	SB 2287	Signed into Law
South Carolina	2016	SB 1015	Signed into Law
Tennessee	2017	SB 2583	Signed into Law
Texas	2013	HB 38	Signed into Law
Virginia	2019	HB 2143	Introduced
Washington State	2016	SSB 6160	Signed into Law

January 15, 2019

The Honorable Dan Ruby
North Dakota House of Representatives
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

Re: Support for House Bill 1143

Dear Chairman Ruby and Members of the House Transportation Committee,

On behalf of the Automotive Anti-Counterfeiting Council, Inc. (A2C2) and our membership, I write to express our strong support for House Bill 1143, which prohibits the trafficking of replacement counterfeit and nonfunctional airbags and supplemental restraint systems (SRS), and imposes a Class A Misdemeanor penalty for these violations in North Dakota.

The A2C2 is a collaborative industry group comprised of BMW, FCA US, Ford, General Motors, Honda, Hyundai, Kia, Nissan, Subaru, Toyota, Volkswagen Group of America, and their subsidiary brands. Our mission is collaboration among automakers and their partners that strives to eliminate counterfeit automotive components that could harm U.S. consumers. A2C2 is a platform for member companies to collaborate with federal and state authorities in response to increasing trends in automotive counterfeiting.

The emergence and increase of counterfeit airbags and other critical safety parts in the marketplace is extremely troubling, as they jeopardize the safety of vehicle occupants. In October 2012, the National Highway Traffic Safety Administration (NHTSA) and multiple federal law enforcement agencies issued a consumer advisory¹ alerting vehicle owners and repair professionals to the dangers of counterfeit airbags and their prevalence in the marketplace. Airbags are a key component of vehicle supplemental restraint systems, which are credited with saving countless lives nationwide over the course of their history. A single counterfeit airbag or SRS component part can disrupt an entire SRS system and put occupants at risk for serious injury. Because of the complexity of such parts and the need for effective quality control, many counterfeiters refrain from attempting to replicate the life-saving technology contained in SRS systems. For example, many of the counterfeit airbags that have been recovered and examined in recent years were filled with newspaper or other debris.

¹ NHTSA / ICE Safety Advisory Alerting Consumers to Dangers of Counterfeit Air Bags:
<https://www.ice.gov/news/releases/nhtsa-ice-alert-consumers-dangers-counterfeit-air-bags>



HONDA



TOYOTA VOLKSWAGEN
GROUP OF AMERICA

While federal law addresses counterfeiting in a broader sense, the A2C2 feels that state legislation prohibiting the trafficking, sale or installation of counterfeit and nonfunctional airbags and supplemental restraint systems is important because it provides an additional disincentive to would-be counterfeiters and unscrupulous repair shops. North Dakota has no laws prohibiting the installation and reinstallation of these products, nor does it protect consumers against the truly bad actors who knowingly and intentionally manufacture, import and sell these products en masse.

A2C2 commends the 18 states that have already enacted similar legislation to address this problem, and urges North Dakota to join them. If you have any questions, or if the A2C2 can otherwise be of assistance to you, please do not hesitate to let me know.

Thank you for your time and consideration.

Sincerely,



Joseph Cammisio
President
Automotive Anti-Counterfeiting Council, Inc.
www.a2c2.com



HONDA



TOYOTA VOLKSWAGEN
GROUP OF AMERICA

Susan

From: Keiser, George J. <gkeiser@nd.gov>
Sent: Saturday, January 12, 2019 10:03 AM
To: bids@qpsnd.com
Subject: FW: Touching Base...

From: Craig Orlan <craig_orlan@hna.honda.com>
Sent: Friday, January 11, 2019 4:19 PM
To: Matthew Smith <matthew@insurancefraud.org>; Keiser, George J. <gkeiser@nd.gov>
Subject: RE: Touching Base...

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Hello Representative Keiser,

Thank you very much for filing this legislation on behalf of Honda and the Coalition. As Matthew and I both mentioned this bill has been a joint priority of ours for several years.

Simply put, this bill is a comprehensive way to address the growing problem of airbag fraud. For the past several years, we've seen a dramatic rise in the number of counterfeit and otherwise ineffective and dangerous knockoff airbags entering the United States marketplace. These products primarily originate in China, and are then sold over the internet through various e-commerce platforms to unscrupulous repair shops that install these products in the vehicles of unknowing consumers. Of the several thousand counterfeit airbags that have been intercepted and tested, we have found that these products have a **100%** failure rate. Not a single airbag tested has met federal motor vehicle safety standards. The vast majority of these airbags are filled with newspaper, trash bags, t-shirts or other debris that will provide no protection to motorists in the event of a collision. Others are quite literally bombs, as demonstrated in this now famous video released by the National Highway Traffic Safety Administration in 2012:

<https://www.youtube.com/watch?v=TSk2JUuQ3j0>

This problem is not unique to Honda, and is in fact so pervasive that in 2015 Automotive Anti-Counterfeiting Council (A2C2) was established. The A2C2 is a 501(C)(6) organization composed of representative from every major North American vehicle manufacturer that is committed to taking a holistic approach to stopping the flow of dangerous counterfeit automotive parts. They are working to educate consumers, dealers, industry & government about this problem; working with e-commerce platforms to remove these listings from their sites; and supporting law enforcement agencies by providing & assisting with investigative leads, identifying products at raids & seizures, and providing expert testimony in court. Early next week, I will be able to provide you with a letter of support from the A2C2 expressing the entire auto industry's support for this effort.

As I mentioned, the auto industry has worked very closely with a number of federal law enforcement agencies (FBI, Homeland Security, ICE, Customs and Border Protection) but those agencies have limited authority to act, and can only intervene when federal trademark law is violated. Unfortunately, for a number of reasons, the vast majority of knockoff parts do not violate federal trademark law. As a result federal authorities cannot seize these products and they can then enter the stream of commerce.

To address this shortcoming in federal law; Honda, the Coalition, and a number of other stakeholders are working to supplement federal law by enacting airbag fraud legislation in the states. These laws prohibit the knowing importation, distribution, manufacture, sale, instillation or reinstallation of counterfeit or “nonfunctional” airbags. These terms are very narrowly defined, and were carefully crafted so as not to impact the legitimate salvage and aftermarket parts industry. We are only after the depraved individuals who knowingly and intentionally put public safety at risk by trafficking in “junk” airbags.

These state laws allow federal law enforcement to work with state and local agencies as they did in the case featured in this ABC news story out of California: <https://abc7.com/south-la-man-busted-for-selling-dangerous-counterfeit-airbags-3072982/>. But for the law we passed in California, there would have been nothing federal, state or local law enforcement could have done about this case.

Over the past few years our coalition has passed legislation in 18 states with overwhelming bi-partisan support, and we are excited to enact this important consumer protection bill into law in North Dakota as well.

I’m happy to support this effort in any way that I can. Please feel free to let me know how I can help, and if you have any questions or concerns.

Thank you again for your time and support in this endeavor, and have a great weekend!

Craig Orlan
Senior State Relations Specialist
Honda North America, Inc.
1001 G Street NW | Suite 950W
Washington, D.C. 20001
Office: 202.661.4400
Cell: 202.300.8999

STATE	LEGISLATIVE SESSION	BILL NUMBER	STATUS
Alabama	2014	SB 163	Signed into Law
California	2016	AB 2387	Signed into Law
Connecticut	2013	SB 1040	Signed into Law
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Iowa	2015	HF 287	Signed into Law
Louisiana	2014	SB 32	Signed into Law
Maryland	2016	HB 1236 / SB 969	Signed into Law
Massachusetts	2018	HB 4051	Signed into Law
New Jersey	2015	SB 2174	Signed into Law
New Mexico	2015	HB 328	Signed into Law
New York	2013	AB 6378	Signed into Law
Ohio	2013	HB 177	Signed into Law
Rhode Island	2017	SB 2287	Signed into Law
South Carolina	2016	SB 1015	Signed into Law
Tennessee	2017	SB 2583	Signed into Law
Texas	2013	HB 38	Signed into Law
Washington State	2016	SSB 6160	Signed into Law

HB 1143 #1
3/14/10 pg 10

From: Matthew Smith <matthew@insurancefraud.org>
Sent: Friday, January 11, 2019 2:32 PM
To: Keiser, George J. <gkeiser@nd.gov>; Craig Orlan <craig_orlan@hna.honda.com>
Subject: Re: Touching Base...

Thanks George and I am glad to connect you and Craig Orlan of Honda America. Craig, please see Rep. Keiser's request below for information needed to support the airbag bill in North Dakota. My best to you both and have a great weekend.

Matthew J. Smith, Esq.
Director of Government Affairs & General Counsel
Coalition Against Insurance Fraud
202-393-7332
InsuranceFraud.org
Download [FraudWire](#) mobile app for iPhone, & Android

On Jan 11, 2019, at 2:28 PM, Keiser, George J. <gkeiser@nd.gov> wrote:

Matthew- I turned the "air-bag" bill in but do not know when it will be scheduled for a hearing. I suspect it will be the week of the 21st. Could you send or contact the Honda rep and send me information re the problem and solution (in the bill). Jack is one of the "best people" I have ever had the pleasure to meet.

From: Matthew Smith <matthew@insurancefraud.org>
Sent: Friday, January 11, 2019 11:22 AM
To: Keiser, George J. <gkeiser@nd.gov>
Cc: Dennis Jay <dennisjay@insurancefraud.org>
Subject: Touching Base...

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Hi George and I hope this finds you well and enjoying a great start of 2019!

I thought you may enjoy seeing the below from today's *Fraud News Weekly*. We are also closely following your pubic adjuster bill (1219) and are glad to support either bill in any way.

Also, I was at Jack Gillis' office yesterday at the Consumer Federation of America and your name came up. He thinks very highly of you as well and asked me to send along his greetings.

Stay in touch and I look forward to hopefully seeing you in March in Nashville.

Matthew J. Smith, Esq.
Director of Government Affairs & General Counsel
Coalition Against Insurance Fraud
202-393-7332
InsuranceFraud.org
Download [FraudWire](#) mobile app for iPhone, & Android

Friday, January 11, 2019

<image001.jpg>

HB 1143 # 1
3/14/19 pg 11.

* **Massachusetts started off 2019** with a new airbag-fraud law, and 3 states have already have have filed airbag bills. The Massachusetts law would ban the sale and installing of counterfeit airbags. So would Delaware under a bill jointly filed by House and Senate members. It would clarify existing state law to ensure counterfeit airbags are prohibited in vehicle repairs. Body shops or others using knockoff bags would be punished under the state's penal code. Similar bills were filed in North Dakota by state Rep. George Keiser (who spoke at the Coalition's recent Annual Meeting) and in Virginia. Airbag bans will be introduced in several other states in 2019.

Confidentiality Notice: This transmission (including any attachments) may contain confidential information belonging to the sender and is intended only for the use of the party or entity to which it is addressed. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, retention or the taking of action in reliance on the contents of this transmission is strictly prohibited. If you have received this transmission in error, please immediately notify the sender and erase all information and attachments.

NDLA, S TRN - Stenehjem, Elizabeth

From: Rust, David S.
Sent: Monday, March 11, 2019 7:44 PM
To: -Grp-NDLA Senate Transportation; NDLA, S TRN - Stenehjem, Elizabeth; NDLA, Intern 06
- Munson, Josey
Subject: HB 1143: Support of the Coaliton Against Insurance Fraud on Counterfeit Airbags
Attachments: ND counterfeit airbags.pdf; ATT00001.htm

FYI.

David S. Rust
Senator, District 2
PO Box 1198
Tioga, ND 58852
701-664-3508 (H)
701-216-0270 (C)

Begin forwarded message:

From: Matthew Smith <matthew@insurancefraud.org>
Date: March 11, 2019 at 9:04:22 AM CDT
To: drust@nd.gov, dclemens@nd.gov, madwyer@nd.gov, rfors@nd.gov, dpatten@nd.gov,
jbakke@nd.gov
Cc: "Keiser, George J." <gkeiser@nd.gov>, Craig Orlan <craig_orlan@hna.honda.com>
Subject: Support of the Coaliton Against Insurance Fraud for ND HB 1143 on Counterfeit Airbags

CAUTION: This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

Good morning Senator Rust and Committee Members, on behalf of the Coalition Against Insurance Fraud and our more than 180-member organizations, please find our letter in full support of HB 1143 addressing the manufacture, sale and use of counterfeit airbags. This bill, we understand, is set for hearing by your Committee this week and we appreciate your consideration of our letter and helping to protect North Dakota citizens from this type of fraudulent practice.

My best,

Matthew J. Smith, Esq.
Director of Government Affairs & General Counsel
Coalition Against Insurance Fraud
202-393-7332
InsuranceFraud.org
Download [FraudWire](#) mobile app for iPhone, & Android



1012 14th Street., NW, Suite 200
Washington, D.C. 20005
202.393.7330
202.517.9139 fax
www.InsuranceFraud.org

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- Consumer Alliance
- Consumer Federation of America
- Consumer Institute
- Erie Insurance
- Farmers Insurance Group
- Florida Consumer Action Network
- Geico
- Hanover Insurance Group
- Hartford Insurance Group
- International Association of Insurance Fraud
Agencies
- International Association of Lemon Law
Administrators
- John Hancock Financial Services
- Liberty Mutual Group
- Louisiana State Police
- MassMutual
- MetLife, Auto & Home
- National Association of Consumer Agency
Administrators
- National Association of Insurance
Commissioners
- National Conference of Insurance Legislators
- National Consumers League
- National Criminal Justice Association
- National District Attorneys Association
- National Fraud Information Center
- National Insurance Crime Bureau
- National Urban League
- Nationwide Insurance
- Office of Attorney General, Pennsylvania
- Office of District Attorney, San Diego
- OneBeacon Insurance
- Pennsylvania Insurance Fraud Prevention
Authority
- Progressive Insurance
- Prudential Insurance
- Sentry Insurance
- State Farm Insurance Companies
- Travelers Insurance
- Zurich North America
-
- Dennis Jay**
Executive Director

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

March 11, 2019

The Honorable David S. Rust
Chair, Transportation Committee
North Dakota State Senate
600 E. Boulevard Avenue
Bismark, ND 58505

RE: HB 1143 (counterfeit air bags)

Dear Senator Rust,

I am writing on behalf of the Coalition Against Insurance Fraud in support of HB 1143, targeting the use of counterfeit airbags and other equipment used in automobile repair. The bill passed the House on January 29th and now will be heard before your Committee on Thursday.

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 Conference of Insurance Legislators (NCSL) 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. 19 states already have enacted a version of this bill in the past several years. HB 1143 would add protections to North Dakota 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 1143 is intended to address these issues and will help protect North Dakota 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.
Director of Government Affairs & General Counsel

copy: The Honorable Representative George J. Keiser
Mr. Craig Orlan, Honda North America, Inc.