

August 31, 1990

SUBJECT: INSURANCE

Circular Letter No. 10 (1990)
August 31, 1990

TO: ALL AUTHORIZED AUTO INSURERS IN THIS STATE

RE: AUTOMOBILE INSURANCE DISCOUNTS

Anti-lock brakes are proving to be effective in reducing the number of automobile accidents. Insurers have requested, and this Department has approved, premium discounts for vehicles equipped with this important safety device. Recognizing that anti-lock braking systems should reduce accident frequency and improve insurer loss experience for vehicles properly equipped with those systems, Chapter 180 of the Laws of 1990 adds a new subsection (c) to Section 2336 of the Insurance Law, to require all insurers to amend their rating plans that apply to non-commercial private passenger automobiles to "provide for an appropriate reduction in premium charges for bodily injury liability, property damage liability, personal injury protection, medical payment, and collision coverages with respect to automobiles equipped with factory installed anti-lock brakes."

Although the legislation does not require an insurer to provide the discount for commercial vehicles, the Department believes that equivalent savings should be realized in this area. Accordingly, insurers should consider filing an appropriate discount rule applying to such vehicles.

By the terms of this legislation, every authorized insurer that writes any of the coverages enumerated in the statute must file with this Department a rule providing discounts for non-commercial private passenger automobiles to reflect the reduction in losses expected to be realized as a result of the presence of factory-installed anti-lock brakes. Each insurer's filing, which is subject to the Department's approval, should:

- A. be effective for new and renewal policies written on and after September 1, 1990;
- B. apply to all vehicles equipped with a factory-installed anti-lock braking system (whether 2 or 4-wheel), but only if installed by the manufacturer;
- C. explain the procedures (e.g., examining the bill of sale, physical inspection of the vehicle, or evidence that the anti-lock braking system is standard equipment) the insurer will utilize to verify that the insured vehicle has the requisite anti-lock braking system; and
- D. result, on average, in a 5% reduction in the combined premium for all coverages enumerated in the statute. (Insurers may accomplish this result in one of two ways: (1) the 5% discount may be applied to the final premium, including all expenses; or (2) a 7% discount may be applied to the part of the premium that does not include any flat expenses or charges.)

If an insurer believes that the appropriate discount should be more or less than this 5% discount, it may file (with supporting information) a different percentage. In formulating an appropriate rule, insurers should also give consideration to the application of other safety-related discounts, such as those granted for successful completion of

defensive driver courses and the presence of passive occupant restraint systems.

Currently, most insurers offer discounts of 10% for the defensive driving course and 20% for a driver-side passive occupant restraint, increased to 30% when installed in both out-board front seat positions. Discounts for the defensive driving course are applied to the bodily injury and property damage liability coverages, personal injury protection, and collision. The discounts for occupant restraints must be applied to personal injury protection and medical payments and, provided that the insurer provides supporting information, may also be applied to bodily injury liability coverage when a passenger-side air bag is installed.

Please note that Section 2336(c) also provides: "In determining the appropriate reductions, consideration shall be given to other safety discounts that already apply to the coverages affected." Therefore, the insurer's filing should include a rule providing for an overall limit upon the aggregate effect of discounts, in those circumstances where the insured qualifies for multiple safety discounts. The Department will monitor experience in the future to determine the extent to which practice supports these discounts.

In order to encourage safe vehicles and safe driving, and to ensure wide dissemination of the provisions of laws relating to safety discounts, each insurer writing non-commercial private passenger automobile insurance should include, at the earliest possible date, with new and renewal policies, information in easily understandable language describing its safety-related premium discounts. Where an insured receives a premium reduction for anti-lock brakes, that reduction should appear on the declarations page, premium bill, or other appropriate notice furnished to the insured. The anti-lock braking system discount should also be listed on the insurer's rating information form.

Section 223 of the Vehicle and Traffic Law has also been amended, by Chapter 801 of the Laws of 1990, to establish Combat Auto Theft (CAT) programs on a Statewide basis. A CAT program participant receives an official decal identifying the vehicle as one not normally operated between the hours of 1 AM and 5 AM. Law enforcement officials are then authorized in advance to stop the vehicle if operated during that early morning time frame when much vehicle theft occurs. This anti-theft program, which requires local police sanction and which has been successful in New York City, will be expanded throughout New York State pursuant to this law. Some insurers already provide an anti-theft discount on comprehensive coverage for CAT program participants. While the legislation does not mandate a discount for participants in the CAT program, each insurer should review its rating plans and consider offering an appropriate discount.

Please direct all filings, and any questions concerning this Circular Letter, to William F. Allmendinger, CIE (212-602-0337), Principal Insurance Examiner, Property & Casualty Insurance Bureau, at the Insurance Department.

Very truly yours,

[SIGNATURE]

SALVATORE R. CURIALE

SUPERINTENDENT OF INSURANCE