



LEGISLATIVE POSITION

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Reform Regulation 79: Mandatory automobile photo inspection requirements

PIANY supports reform of the mandatory photo inspection requirement for private-passenger automobile physical damage coverage.

Memorandum in Support of: A.2931—by MOA Zebrowski
S.2496—by Sen. Martins

An act to amend the Insurance Law, in relation to inspections of private-passenger automobiles prior to the provision of coverage for physical damage thereto.

Regulation 79 was promulgated more than 20 years ago with the goal of reducing automobile premiums by deterring private-passenger automobile physical damage fraud/theft through a photo-inspection program. The program has since become an expensive, largely ineffective nightmare for insurers, agents and the automobile insurance public. New fraud-fighting tools like Special Investigation Units (SIUs), the enhanced loss-reporting system CLUE (Comprehensive Loss Underwriting Evaluation) and improved DMV title verification procedures make the current photo-inspection program redundant and unnecessary.

Short of full repeal, PIANY has supported every type of liberalization in the current rules, including all recent actions of the department to provide more time and flexibility with which to accommodate the needs of our members' clients and prevent inadvertent lapses in their physical damage coverage by tolling of the five-day deferral for the inspection from the current calendar days, to business days; adoption of an unambiguous definition of "new, unused automobile;" a change in the existing optional waiver at Subdivision 65.3(b)(3) which reduces, from four to two policy years, the amount of time an insured must have been continuously insured with the same insurer for inspection to be waived on an additional or replacement vehicle; adding two more situations in which a company, at its discretion, may waive the inspection requirement; as well as clarifying that digital photos and other durable electronic media are acceptable for producing the required photos and storing the inspection documents.

However, we still believe that the physical damage inspection requirement imposed by Section 3411 of the Insurance Law is a rule whose costs far outweigh its benefits.

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While PIANY appreciates the Insurance Department's continuing willingness to help customers and the industry work within the statutory requirement, we nonetheless consider the requirements to be onerous and unnecessary and support repeal of the underlying statute (Insurance Law Section 3411), which we believe has been rendered unnecessary by vastly improved ways of verifying and tracking the existence and physical condition of insured vehicles since its original enactment.

Short of full repeal, PIANY supports this legislation which allows an auto insurer to waive the right to inspect a motor vehicle prior to issuing an insurance policy if such insurer has tiled a plan of operation to ensure that vehicles covered under such policy have not sustained physical damage.

For all of these reasons PIANY supports this legislation and urges its passage.