

MIA BULLETIN NO. 00-20

To: All Property and Casualty Insurers
From: Steven B. Larsen, Insurance Commissioner
Re: Actions and Exclusions Due to Accidents Caused by Defective Tires
Date: September 28, 2000

As most people are aware, Bridgestone/Firestone currently is engaged in a nationwide recall of certain tires that were manufactured by that company. Bridgestone/Firestone has acknowledged in its recall notice that a defect in certain tires may result in tread belt separation, which can lead to loss of control and a vehicle crash. Many crashes and even fatalities have been attributed to the defect.

It has come to the attention of the Insurance Administration that some insurers are increasing premiums for policies as a result of accidents caused by defective tires. The Insurance Administration considers this action unfairly discriminatory and a violation of 11-306 of the Insurance Article. Similarly, if an insurer were to cancel or refuse to renew a policy as a result of an accident caused by defective tires, the Insurance Administration would consider that action unfairly discriminatory, not reasonably related to the insurers economic and business purposes, and a violation of 27-501 of the Insurance Article.

While insurers are paying claims as a result of accidents caused by defective tires, the policyholders are not at fault for the accidents and do not pose any increased risk to the insurers. Consequently, there is no justification for increasing a premium or canceling or refusing to renew a policy. The proper remedy for insurers is to pursue their subrogation rights against the tire manufacturers.

Effective immediately, an insurer may not:

Increase a premium for a policy of commercial or private passenger motor vehicle liability insurance wholly or partly as a result of an accident caused by defective tires (regardless of whether the increase in premium is due to a surcharge, retiering, or another method of increasing a premium); or

Cancel or refuse to renew a policy of commercial or private passenger motor vehicle liability insurance wholly or partly as a result of an accident caused by defective tires.

These prohibitions apply to all accidents caused by defective tires, regardless of the brand name or manufacturer of the tires.

If an insurer has imposed a premium increase on a currently-existing policy in violation of this bulletin, the insurer shall remove the premium increase and refund or credit to the policyholder the amount of the premium increase dating back to the time that the premium increase was imposed.

Steven B. Larsen
Insurance Commissioner