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Testimony on HB 4293 (H-8)
Senate Committee on Regulatory Reform
November 3, 2011

Thank you, Senator Rocca, for the opportunity to testify today on an issue that will dramatically affect the fireworks and retail industries in Michigan, as well as consumers, fire service, and law enforcement.

Efforts to change Michigan's fireworks law have been under way for the past five years. Many of those efforts have resulted in bills that contained egregious technical errors. Fortunately, with this version of the bill, those serious errors have been eliminated. In this bill, there is one remaining major problem. That problem will cost jobs and increase the cost of doing business in Michigan, and I ask the committee's help in fixing it.

That problem is the requirement in Section 5 (3) for a retail location selling consumer fireworks to maintain a \$10 million liability insurance policy.

I've done extensive research on this requirement, and have determined that due to its cost or lack of availability, it can effectively eliminate existing fireworks retail establishments; including my own, and prevent future fireworks businesses from starting in Michigan.

Proponents of the \$10 million insurance requirement state that a retailer can obtain it as an additional insured from their wholesaler. Problems with obtaining coverage through a wholesaler include the following:

1. It ties the retailer to a single wholesaler. Most fireworks retailers purchase from more than one wholesaler. Any product purchased from one wholesaler will not be covered on a policy purchased from another.
2. Obtaining additional insurance through a wholesaler will give the wholesaler undue influence in the operation of the independent retail business. For example, the wholesaler could require the retailer to carry only the products the wholesaler carries, limiting consumer choice.
3. The ability to obtain \$10 million liability insurance from a fireworks wholesaler is extremely limited, as most importers and wholesalers simply don't carry that much insurance.
4. Coverage as an additional insured will not likely contain the protection the retailer wants or needs, limiting free market choice of insurance products. Additional insured status is not an acceptable option for my business.

Additional arguments against the excessive \$10 million insurance requirement include:

1. The cost of a \$10 million policy could be as much as \$30,000 or more per year, versus \$1,500 to \$5,000 for a \$1 or \$2 million policy. That's a big enough difference to prevent a company from hiring a full time employee, if they can even afford to be in the market.
2. Most small businesses would not be able to pay the deductible for a policy that large, therefore the insurance underwriter would not sell the coverage, and a \$10 million policy would simply be unavailable.
3. HB 4293 H-4 passed the House Regulatory Reform Committee with a \$2 million insurance requirement. This matches the highest in the nation, in Pennsylvania. Most states only require \$1 million, if there is any requirement at all. You may reference the attached table for a synopsis of state insurance requirements obtained from the American Pyrotechnics Association's web site.
4. The U.S. Department of Transportation only requires transport insurance of \$1 million for consumer fireworks, and \$5 million for high explosives like dynamite.
5. There is currently no required minimum for fireworks insurance coverage in Michigan. It is set by the local authority, and has not been a problem for the 80-year span of the current statute. To date there has been no need to implement an insurance minimum, as it's been managed well at the local level.

In summary, requiring \$10 million insurance in order to sell an item that the Consumer Product Safety Commission deems safe for consumers to use without training or supervision is simply ludicrous. I request an amendment to lower the insurance requirement to \$1 million.

With a reasonable insurance requirement of \$1 million in Section 5 (3), current fireworks retailers in Michigan can remain in business and add jobs.

If the insurance requirement remains at \$10 million, I request a no vote on HB 4293.

Thank you.

Table 1: Fireworks Insurance and Fee Requirements by State

	Consumer Insurance	Display Insurance	Wholesale Fee	Retail Fee	
Alabama				200	
Alaska		1 million	50	10	Retail fee is for two years
Arizona					
Arkansas			100	25	
California		1 million	3000	50	
Colorado			750	25	
Connecticut		1 million			
Delaware		1 million			Consumer fireworks not permitted
Florida		500	1000	200	plus \$15 per retail location
Georgia		50k			1000 annual fee to conduct business
Hawaii			2000	500	
Idaho	1 million	1 million		25	
Illinois		1 million			
Indiana		100k		1000	
Iowa					
Kansas					Registration required - No fee
Kentucky		1 million			
Louisiana			250	100	
Maine		300k			
Maryland		50k			
Massachusetts		1 million			Consumer fireworks not permitted
Michigan					Display insurance or bond required - set locally
Minnesota					Display insurance required - set locally
Mississippi					Display insurance required - set locally
Missouri			250		
Montana		1 million			Consumer fireworks wholesaler permit required - no fee
Nebraska			200	25	
Nevada		1 million			
New Hampshire		100k			\$1500 annual fee for sale of fireworks
New Jersey		2,500			Consumer fireworks not permitted
New Mexico			1000	100	
New York		1 million			Consumer fireworks not permitted
North Carolina		500k			
North Dakota				20	
Ohio		1 million			
Oklahoma		1 million	500	10	
Oregon		500			
Pennsylvania	2 million	500		5000	
Rhode Island	1 million	1 million			Permit required for aerial consumer and display
South Carolina		500k	1250/500	200/100	
South Dakota			500	25	
Tennessee		1 million	1000	1000/100	
Texas		500k	1000	20	
Utah					
Vermont					
Virginia					Display bond required - set locally
Washington		1 million	2000/1000	40	
Washington D.C.		1 million			
West Virginia		500k			
Wisconsin					
Wyoming					

