

H

B

16



CSSSHB 16 (Fin): An Act relating to premium increases for automobile insurance policies.

The Administration supports this bill. It requires that an insurance company increasing automobile insurance premiums must advise the affected person before the increase can take effect, and must also apprise the affected person of his appeal rights under AS 21.39.090. This is intended to resolve those situations where an insurance company increases its premiums unjustly and without explanation.



Richard A. Lyon, Commissioner

DATE: 5/16/83

ACTION NARRATIVE

TAPE#36 (Side A)  
Recording  
Number 0002

The meeting was called to order at 8:55 a.m. by Chairman Furnace. Members present were: Representatives Furnace, Uehling, Cowdery and Ringstad. Members absent were: Representatives Koponen, Malone and Wendte. The item for consideration was HB 16.

Number 0012

Representative Milo Fritz, Prime Sponsor of HB 16, explained his reasons for introducing the bill.

Number 0060

There was discussion by committee members and Rep. Fritz relating to insurance policies. The Chairman invited Don Koch from the Division of Insurance with the Department of Commerce and Economic Development to join in the discussion.

Number 0077

Don Koch said that he opposes HB 16 because there is already a mechanism which addresses the issue, however the problem is that most insurers are not aware of it.

Discussion continued.

Number 0316

Ken Moore, Director of the Division of Insurance with the Department of Commerce and Economic Development, explained the genesis of the problem. He cited mechanization - the institution of the computer as primary factors.

There was additional discussion by the committee, Ken Moore and Rep. Fritz concerning the problem and possible resolutions to the problem.

Number 0423

Rep. Furnace suggested that Rep. Fritz and Don Koch jointly examine proposed additions to the bill. He also recommended that Rep. Fritz draft a Sponsor Substitute to include the additional provisions.

Number 0431

There being no further business to come before the committee at this time, Chairman Furnace adjourned the meeting at 9:30 a.m.

HOUSE LABOR & COMMERCE  
STANDING COMMITTEE  
March 17, 1983  
8:49 a.m.

Members Present: Rep. Furnace, Chairman  
Rep. Uehling, Vice-Chairman  
Rep. Cowdery  
Rep. Koponen  
Rep. Ringstad  
Rep. Wendte

Members Absent: Rep. Malone

COMMITTEE CALENDAR

HB 16 "An Act relating to premium increases for  
automobile policies."

HB 131 "An Act relating to unlawful practices in  
the sale or rental of real property."

WITNESS REGISTER

Representative Vernon Hurlbert  
Alaska State Legislature  
Capitol Building, Room 511  
Pouch V  
Juneau, Alaska 99811  
465-3799

Position Statement: Joined the committee in discussion on HB 131  
of which he is the Prime Sponsor.

PREVIOUS ACTION

HB 16 See previous House Labor & Commerce  
Committee Meeting minutes from: March 16,  
1983.

Statutory Reference: Statutory Reference:  
AS 21.36

HB 131 See previous House Labor & Commerce  
Committee Meeting minutes from: March 3,  
March 11, and March 15, 1983.

Statutory Reference: AS 18.80.240

ACTION NARRATIVE

TAPE#37 (Side A)  
Recording  
Number 0002

The meeting was called to order by Chairman Furnace at 8:49 a.m. Members present were: Representatives Furnace, Uehling, Cowdery, Koponen, Ringstad and Wendte, who left after the meeting started. Rep. Malone arrived at 9:08 a.m.

Chairman Furnace stated the purpose of the meeting was to resume discussion on House Bills 16 and 131.

Number 0016

Chairman Furnace set up a subcommittee to investigate various areas of concern relating to the Alaska Power Authority. He appointed Representatives Ringstad, Wendte and Uehling to the committee, with Rep. Ringstad to serve as Chairman. Rep. Furnace asked the subcommittee to prepare an outline identifying the areas which the committee proposes to report back to the full committee in 7 days. He offered the assistance of Jeff Barry, Professional Aide, with the project. He placed a 30-day time limit within which the subcommittee would take a week to prepare an outline of the areas of concern, and in the remaining time formulate conclusions and recommendations. He advised that all other committee members were welcome to sit in on the subcommittee.

Number 0041

The committee assumed discussion concerning the subcommittee.

Number 0070

Chairman Furnace directed the committee's attention to HB 16.

Number 0078

He advised the committee of Rep. Fritz's request that he be given about a week to work with the Division of Insurance to redraft the bill in the form of a Sponsor Substitute.

Number 0086

Chairman Furnace asked that any additional deliberation on HB 16 be postponed until it is remitted by the Prime Sponsor.

Number 0088

The committee took up discussion on HB 131. Rep. Furnace suggested that the committee consider the proposed amendment to the bill

and recommended that if the bill is amended, that an additional hearing be scheduled for Tuesday, March 22, to allow tenants and landlords the opportunity to respond to the total bill.

Number 0112 Chairman Furnace asked Representative Vernon Hurlbert, Prime Sponsor of the bill, to join in the discussion.

Number 0118 Chairman Furnace called a brief recess.

Number 0128 The meeting reconvened.

Number 0130 Chairman Furnace recognized that Rep. Malone had joined the meeting.

Discussion concerning the language in the bill continued.

Number 0269 After examining Number 8, Section (d) of the proposed amendment, Rep. Ringstad moved "to change the 'established' to 'designed' and adopt the amendment."

There was additional discussion concerning the language in question.

Number 0298 Rep. Ringstad moved to change his original motion to read, "'designed or established' solely for occupancy by singles."

There was further discussion by committee members.

Number 0381 Chairman Furnace restated the motion. The committee discussed their concerns with the word 'singles'.

Number 0399 Rep. Malone opposed the amendment and explained why.

Number 0423 Chairman Furnace called for a vote by showing of hands on the revised amendment. Representatives Uehling, Ringstad, Cowdery and Furnace voted in favor of the motion. Representatives Koponen and Malone voted not in favor. The motion passed, however Chairman Furnace served notice of reconsideration.

Number 0445 Chairman Furnace called for a vote by showing of hands on the main motion as

amended. Representatives Ringstad, Cowdery, Uehling and Furnace voted in favor. Representatives Koponen and Malone voted not in favor.

Number 0444

Rep. Furnace stated that the amendment needed more work and he proposed to meet with committee members at a later time in order to work on improving the language of the bill. He scheduled the hearing on HB 131 to resume on Tuesday, March 22.

Number 0457

There being no further items to come before the committee at this time, the meeting was adjourned at 9:40 a.m.

HOUSE LABOR & COMMERCE  
STANDING COMMITTEE  
March 30, 1983  
8:49 a.m.

Members Present: Rep. Furnace, Chairman  
Rep. Uehling, Vice-Chairman  
Rep. Cowdery  
Rep. Ringstad

Members Absent: Rep. Koponen  
Rep. Malone  
Rep. Wendte

COMMITTEE CALENDAR

SSHB 16 "An Act relating to premium increases for  
automobile insurance policies."  
HB 246 "An Act relating to the deregulation of  
interest rates; and providing for an  
effective date."

WITNESS REGISTER

John George, Deputy Director  
Division of Insurance  
Department of Commerce & Economic Development  
Pouch D  
Juneau, Alaska 99811  
465-2515  
Position Statement: Testified on SSHB 16.

Ralph Bennett, Finance Aide  
Representative Bob Bettisworth's Office  
Capitol Building, Room 500  
Pouch V  
Juneau, Alaska 99811  
465-4967  
Position Statement: Testified in behalf of Representative Bob  
Bettisworth, Prime Sponsor of HB 246.

Gary Jenkins  
National Federation of Independent Businesses  
P.O. Box 194  
Auke Bay, Alaska 99821  
586-4100  
Position Statement: Testified in opposition of HB 246.

Jim Hackett  
Alaska Bankers Association  
645 G Street  
Anchorage, Alaska  
265-5754

Position Statement: Answered questions by the committee concerning HB 246.

Win Gruening  
B.M. Behrends Banks  
P.O. Box 1367  
Juneau, Alaska 99802  
586-6800

Position Statement: Testified in support of HB 246.

Don Magnusson  
Alaska Retail Association  
174 South Franklin Street  
Juneau, Alaska 99801  
586-6706

Position Statement: Advised the committee that he was withholding testimony until April 7, when the hearing will be taken up again.

#### PREVIOUS ACTION

SSHB 16

03/21/83: SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 16. by Fritz, Koponen, Lindauer and Tischer, entitled:

"An Act relating to premium increases for automobile insurance policies."

was read the first time and referred to the Labor & Commerce and Finance Committees.

See previous House Labor & Commerce Committee Meeting minutes on HB 16 from: March 16, and March 17, 1983.

Statutory Reference: AS 21.36

HB 246

03/11/83: HOUSE BILL NO. 246 by Bettisworth, entitled:

"An Act relating to the deregulation of interest rates; and providing for an effective date."

was read the first time and referred to the Labor & Commerce Committee.

Statutory Reference: AS 06.20.230(a); AS

06.40.120(c); AS 45.10.120(b); AS  
45.10.120(c); AS 45.45.010(a); AS  
06.20.230(b) & (c); AS 06.45.060(5)(A)(vi);  
and AS 45.45.010(b)

ACTION NARRATIVE

TAPE#45 (Side A)  
Recording  
Number 0002

The meeting was called to order by Chairman Furnace at 8:49 a.m. Members present were: Representative Furnace, Uehling, Cowdery and Ringstad. Representatives Koponen and Malone were absent and Wendte arrived at 8:53 a.m.

Before the committee were two pieces of legislation: SSHB 16 and HB 246.

Number 0024

The committee took up discussion on SSKB 16.

John George, Deputy Director of the Division of Insurance with the Department of Commerce and Economic Development, shared with the committee some of the work that transpired between he and the Prime Sponsor of the bill, Rep. Fritz, in their endeavor to upgrade the bill.

Number 0043

John George said that the bill requires insurance companies to give their clients a 15-day written notice of rate increases and if the client feels that the increase is unmerited, he/she may resolve the issue with the insurance company rather than going to a hearing.

There was discussion by committee members and John George concerning the bill.

Number 0152

Rep. Cowdery moved and asked unanimous consent that SSKB 16 be advanced to the next committee of referral. There were no objections and it was so ordered.

Number 0157

The committee then took up discussion on HB 246. Chairman Furnace gave the committee a brief overview of the bill.

Number 0166

Ralph Bennett, Financial Aide to Representative Bob Bettisworth, Prime Sponsor of the HB 246, presented an in-depth analysis of the legislation.

- Number 0175 In Rep. Bettisworth behalf, Ralph Bennett stated that banks should be allowed to charge an interest rate that reflects market conditions in the market place.
- Number 0180 He discussed the implications of usury ceilings, saying that usury laws do not allow banks to respond to changes in market rates and preserve a reasonable level of profit.
- Number 0218 Gary Jenkins of the National Federation of Independent Businesses testified in opposition of HB 246 in its present form. He expressed concern over the removal of all controls and stated that the limits should be removed in order for banks to have a proper rate of return.
- There was discussion by committee members and Gary Jenkins concerning various aspects of the bill.
- Number 0334 Jim Hackett of the Alaska Banking Association and Win Gruening of B.M. Behrends Bank came before the committee.
- Number 0341 Win Gruening commented on some areas from earlier testimony. Concerning the removal of the usury ceiling, he stated that it is not the intent of banks to raise the rate of return, they would like to be able to service all segments of the market, however due to the restrictions of the usury ceilings, they are not able to do so.
- Number 0346 In regard to discount rates, Win Gruening said that he does not believe that discount rates reflect a true market rate because discount rates are artificially controlled and subject to political pressure. He said that truer market rates are determined by prevailing crime rates throughout the country and by government auctions on bonds.
- Number 0377 Win Gruening explained the implications of deregulation.
- Number 0421 He also expressed his support of the bill and stated that it is a step towards establishing a free market for both the large and small borrower.

There was discussion by committee members with Win Gruening and Jim Hackett answering questions by the committee.

TAPE#45 (Side B)  
Recording  
Number 0000

Continuation of questions and discussion.

Number 0080

Rep. Wendte asked if the committee could be provided a chart reflecting the impact of discount rates.

Number 0127

Jim Hackett commented on Rep. Wendte's request.

Number 0161

Don Magnusson of the Alaska Retail Association advised the committee that he was withholding testimony until April 7, when the hearing will be taken up again.

Number 0168

There being no further items to come before the committee at this time, Chairman Furnace adjourned the meeting at 9:44 a.m.

Sec. 21.36.400 LIMITATION ON SURCHARGES FOR AUTOMOBILE INSURANCE FOR ACCIDENTS OR VIOLATIONS.

(2) An insurer may not charge increased premium or surcharge a rate for automobile insurance based upon an automobile violation unless the insured or other operator residing in the same household has been convicted of that violation.

(b) An insurer may not charge increased premium or surcharge a rate for automobile insurance if;

- ↓
- 3 {
- (1) The automobile was lawfully parked except that an automobile rolling from a parked position may be considered as the operation of the last operator;
  - (2) Reimbursement by or on behalf of a person responsible for the accident has been made or a judgement against such persons exist;
  - (3) The insured or other operator residing in the same household was struck in the rear and has not been convicted of a moving traffic violation in connection with the accident;
  - (4) The other party was convicted of a moving traffic violation in connection with the accident;
  - (5) The insured or other person residing in the same household was hit by a hit and run driver and the accident was reported to the appropriate authorities within 24 hours;
  - (6) Damage is the result of contact with animals or fowl;
  - (7) Damage is limited to and caused by flying gravel, missiles or falling objects; or
  - (8) Loss is subject to coverage under comprehensive coverage.

~~and property, etc.~~

Bill Fact Sheet

Date Received \_\_\_\_\_

Bill Number HB16 Title \_\_\_\_\_

Fiscal Note - Date Requested \_\_\_\_\_ Date Received \_\_\_\_\_

- Of Whom \_\_\_\_\_

Dept. Position Paper - Date Requested 5/13 Date Received \_\_\_\_\_

- Of Whom Katherine Wallen

Resource People

Initial Hearing - Date 5/18/83

People Contacted

Wes - 5/13

Fritz - 4833 - 5/13

Katherine Wallen - 5/13

Follow-up Hearing - Date \_\_\_\_\_

Final Action \_\_\_\_\_ Date \_\_\_\_\_

PROPOSED TITLE: CSSSHB 16(FIN)  
SUBJECT: ACT RELATING TO PREMIUM INCREASES FOR AUTOMOBILE INSURANCE POLICIES

GENERAL DOLLARS: \$0 (F. NOTE)

PRIME SPONSOR: FRITZ.

OTHER DOLLARS: \$0

CO-SPONSORS: KOPONEN, LINDAUER, TISCHER.

CURRENT STATUS: 5/29/84 CHAPTER 0062 SLA 84

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/21/83	01	0573	FIRST READING -- COMMITTEE REPORTS
03/31/83	02	0694	L&C -- DP04, NR01
03/31/83	03	0694	L&C F/NOTE EQUALS ZERO
04/20/83	04	0939	FIN -- CS10, NR01
04/26/83	05	1040	SECOND READING
04/26/83	06	1041	FIN CS ADOPTED BY UNAN CONSENT
04/26/83	07	1041	ADVANCED TO 3RD READING BY UNAN CONSENT
04/26/83	08	1041	THIRD READING
04/26/83	09	1041	PASSED BY DIV 39-00-01
05/14/84	26	3894	TRANSMITTED TO GOVERNOR
05/29/84	27	4177	SIGNED BY GOVERNOR-CH0062, EFF 08/27/84
***	**	**	*** *** **

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/27/83	10	0818	FIRST READING -- COMMITTEE REPORTS
05/23/83	11	1900	L&C -- DP02, NR01
03/09/84	12	2312	RLS -- OTHER04
03/09/84	13	2314	SECOND READING
03/09/84	14	2314	JUD COMM REFERRAL ADDED UNAN CONSENT
03/09/84	15	2314	RECOMMITTED TO JUD BY UNAN CONSENT
04/16/84	16	2754	JUD -- DP03
04/30/84	17	2881	RLS -- OTHER05
04/30/84	18	2883	POSTPONED UNTIL 05/03/84 UNAN CONSENT
05/03/84	19	2910	RECOMMITTED TO L&C BY UNAN CONSENT
05/03/84	20	2982	MOVED FROM L&C TO RLS BY UNAN CONSENT
05/12/84	21	3051	RLS -- OTHER04
			TAKEN UP IMMEDIATELY
05/12/84	22	3056	SECOND READING
05/12/84	23	3056	ADVANCED TO 3RD READING BY UNAN CONSENT
05/12/84	24	3056	THIRD READING
05/12/84	25	3056	PASSED BY DIV 12-04-04
***	**	**	*** *** **

STATE OF ALASKA  
FISCAL NOTE

Revision Date \_\_\_\_\_, 1983

I. REQUEST

Bill/Resolution No.: SSHB 16  
 Title: Auto insurance premium increases  
 Sponsor: Fritz  
 Requestor: House L&C

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.  
 Program Category Affected: Public Prot.  
 BRU, Program of Subprogram(s) Affected:  
Division of Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER (Specify Source)	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Kenneth C. Moore, Director  
 Division: Insurance

Phone: 465-2515

Date: 3/23/83

Approved by Commissioner: Richard A. Lyon  
 Department: Commerce & Economic Development

Date: 3/25/83

Distribution:

Original to Legislative Finance  
 Copy to Office of Management and Budget (for Legislature introduced bills)  
 Copy to Department (for Governor introduced bills)  
 Copy to Sponsor  
 Copy to Requestor (if different from Sponsor)

3/8/83

Representative Milo Fritz  
District 5  
P.O. Box 158  
Anchor Point, Alaska 99556  
(907) 235-8366



While in Juneau  
Pouch V  
Juneau, Alaska 99811  
(907) 465-4833

House of Representatives  
MILO FRITZ

HOUSE BILL 16, AUTOMOBILE INSURANCE PREMIUM INCREASES

I INTRODUCED HB 16, AN ACT RELATING TO PREMIUM INCREASES FOR AUTOMOBILE INSURANCE POLICIES DUE TO A LARGE NUMBER OF COMPLAINTS BY MY CONSTITUENTS. THESE PEOPLE HAVE FELT THAT THEIR INSURANCE PREMIUMS WERE UNJUSTLY RAISED AND THAT THEY HAD NO PROCEDURE AVAILABLE TO APPEAL THE INSURER'S DECISION. THIS BILL SETS FORTH A PROCEDURE FOR AN APPEAL PROCESS BY WHICH THE GENERAL PUBLIC CAN HAVE JUSTICE SERVED. IT WILL NOT ALLOW INSURANCE COMPANIES TO RAISE THE INSURED'S PREMIUM UNLESS THEY ARE UNIFORM IN THEIR POLICY AND HAVE GIVEN THE INSURED AN OPPORTUNITY TO REFUTE THE INSURER'S CLAIM.

BULLETIN 73-5 FROM THE DEPARTMENT OF COMMERCE, DIVISION OF INSURANCE IS ADDITIONAL PROOF THAT THERE HAS BEEN A PROBLEM FOR SOME TIME. THE FACT IS THAT THIS BULLETIN AND THE PRESENT STATUTE, TITLE 21, WHICH GOVERNS INSURANCE, HAVE NOT TAKEN CARE OF THIS PROBLEM.

THERE HAS BEEN SOME CONCERN FROM THE INSURANCE INDUSTRY THAT HB 16 WOULD BE BURDENSOME ON THEM. I HOPE THAT THEY WILL PROPOSE ALTERNATIVES WHICH THE COMMITTEE CAN ACT UPON.

# STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

## DEPARTMENT OF COMMERCE

DIVISION OF INSURANCE POUCH D — JUNEAU 99801

February 26, 1973

BULLETIN 73-5

TO: ALL INSURERS WRITING AUTOMOBILE INSURANCE FOR DELIVERY IN THE STATE OF ALASKA

RE: USE OF ACCIDENT INFORMATION APPEARING ON MOTOR VEHICLE RECORD ABSTRACTS ISSUED BY THE ALASKA DEPARTMENT OF PUBLIC SAFETY

An increasing number of complaints reveal that a substantial degree of abuse is occurring in connection with accident information appearing on individual motor vehicle record (MVR) "Abstracts issued by the Alaska Department of Public Safety." We have found that insurers are applying "Safe Driver Points" or rate surcharges for accidents shown on the abstract without first determining that such accidents are "At Fault" accidents.

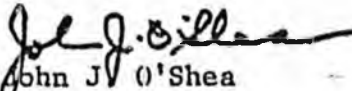
Since the MVR abstract displays accidents without regard to fault, it is improper for an insurer to rely solely upon such an indication as justification for an additional charge. No insurer may blindly charge points or surcharge a risk for an accident appearing on the MVR abstract. In the same light, cancellations or non-renewals based on accident information appearing on the abstract will not be condoned unless supporting determination is made concerning the fault of the accident.

"Safe Driver Points" or rate surcharges may be charged for "At Fault" accidents involving injury to person or damage to property in excess of \$100 in which the insured or person covered under the policy is involved except accidents where:

1. The automobile was lawfully parked (An automobile rolling from a parked position need not be considered as lawfully parked, but may be considered as the operation of the last operator); or
2. Reimbursement by or on behalf of a person responsible for the accident has been made or a judgement against such persons exist; or

3. The insured or other operator residing in the same household was struck in the rear and has not been convicted of a moving traffic violation in connection with the accident; or
4. The other party was convicted of a moving traffic violation in connection with the accident and the insured was not; or
5. The insured or other operator residing in the same household was hit by a "Hit and Run" driver and same was reported to authorities within 24 hours; or
6. Damage is the result of contact with animals or fowl; or
7. Damage is limited to and caused by flying gravel, missiles or falling objects.

THIS BULLETIN IS EFFECTIVE IMMEDIATELY.

  
John J. O'Shea  
Director

Sec. 21.39.090. Information to be furnished insureds: Hearings and appeals of insureds. Each rating organization and each insurer which makes its own rate shall, within a reasonable time after receiving written request and upon payment of the reasonable charge as it may make, furnish to an insured affected by a rate made by it, or to the authorized representative of the insured, all pertinent information concerning the rate. Each rating organization and each insurer which makes its own rates shall provide within this state reasonable means for a person aggrieved by the application of its rating system to be heard, in person or by his authorized representative, on his written request to review the manner in which the rating system has been applied in connection with the insurance afforded him. If the rating organization or insurer fails to grant or reject the request within 30 days after it is made, the applicant may proceed in the same manner as if his application had been rejected. A party affected by the action of the rating organization or the insurer on the request may, within 30 days after written notice of the action, appeal to the director, who, after a hearing held upon not less than 10 days' written notice to the appellant and to the rating organization or insurer, may affirm or reverse the action. (§ 1 ch 120 SLA 1966)

HOUSE LABOR & COMMERCE  
STANDING COMMITTEE  
March 16, 1983  
8:55 a.m.

Members Present: Rep. Furnace, Chairman  
Rep. Uehling, Vice-Chairman  
Rep. Cowdery  
Rep. Ringstad

Members Absent: Rep. Koponen  
Rep. Malone  
Rep. Wendte

COMMITTEE CALENDAR

HB 16 "An Act relating to premium increases for  
automobile insurance policies."

WITNESS REGISTER

Representative Milo Fritz  
Alaska State Legislature  
Capitol Building, Room 114  
Pouch V  
Juneau, Alaska 99811  
465-4833  
Position Statement: Prime Sponsor of HB 16.

Don Koch  
Division of Insurance  
Department of Commerce & Economic Development  
Pouch D  
Juneau, Alaska 99811  
465-2577  
Position Statement: Answered questions by the committee  
concerning HB 16.

Ken Moore, Director  
Division of Insurance  
Department of Commerce & Economic Development  
Pouch D  
Juneau, Alaska 99811  
465-2515  
Position Statement: Gave testimony of HB 16.

PREVIOUS ACTION

HB 16 There was no previous action to record.  
Statutory Reference: AS 21.36



ONCE AGAIN H.B. 16, " AN ACT RELATING TO PREMIUM INCREASES FOR AUTOMOBILE INSURANCE POLICIES", IS BEFORE THE SENATE FOR CONSIDERATION. THIS LEGISLATION WAS INTRODUCED BY REPRESENTATIVE MILO FRITZ IN RESPONSE TO A LARGE NUMBER OF COMPLAINTS BY HIS CONSTITUENTS. THESE PEOPLE FELT THAT THEIR INSURANCE PREMIUMS WERE UNJUSTLY RAISED AND THAT THEY HAD NO PROCEDURE TO APPEAL THE INSURER'S DECISION. HB 16 STATES THAT THE INSURANCE COMPANY WILL NOTIFY THE INSURED OF THE SIMPLE PROCEDURE FOR AN APPEAL PROCESS WHICH IS PRESENTLY IN LAW.

HB 16 WAS WRITTEN IN CONSULTATION WITH THE INSURANCE INDUSTRY LOBBYIST, AND THE DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE. THIS LEGISLATION FURTHER CLARIFIES THE PRESENT LAW AND GIVES THE ORDINARY CITIZEN AN EXPLANATION OF HIS/HER RIGHTS. THIS BILL COVERS PRIVATE, PERSONAL VEHICLES ONLY, AND DOES NOT EFFECT COMMERCIAL INSURANCE COVERAGE.

I RECOMMEND PASSAGE OF THIS LEGISLATION.

ADDITIONAL INFORMATION

1) SECTION 1 (a) - A CONCERN MAY ARISE AS TO THE DEFINITION OF "SAME CLASS". IF AN INDIVIDUAL IS INVOLVED IN AN ACCIDENT AT WHICH HE/SHE WAS AT FAULT, THE DRIVER WOULD BE PLACED IN ANOTHER CLASS IN WHICH ALL IN THAT CLASS HAD BEEN INVOLVED IN AN ACCIDENT IN WHICH THEY WERE AT FAULT. EACH TIME A DRIVER HAS A VIOLATION/ACCIDENT HE/SHE GOES INTO A DIFFERENT

*I AM PREPARED TO ANSWER ANY QUESTIONS,  
MEET WITH ANYONE AT ANY  
PLACE - JUST*

*TRAVEL ANYWHERE, MEET WITH ANYONE -  
JUST PLEASE DISPOSE OF THIS BILL -*

CLASS. THEREFORE, THIS LANGUAGE IS NOT RESTRICTING THE INSURANCE COMPANY.

SECTION 1(b) - THIS SECTION GUARANTEES THAT THE INSURANCE COMPANY CANNOT RAISE RATES ONLY BECAUSE THE INSURER WAS ISSUED A CITATION. THE DRIVER MUST HAVE BEEN CONVICTED ON THE VIOLATION.

THE INSURANCE POLICY COVERS ONLY THE PEOPLE RESIDING IN THE HOUSEHOLD BECAUSE INSURERS DO NOT HAVE THE TOOLS AVAILABLE TO INCREASE RATES WITH EQUITY. MOTOR VEHICLE RECORDS OF AN INDIVIDUAL ARE CONFIDENTIAL RECORDS UNDER AS 28.15.151. WHILE AN INSURER CAN ACCESS THE RECORD OF ITS INSURED AND MEMBERS OF THE HOUSEHOLD WITH THE AGREEMENT OF THOSE PERSONS, IT CANNOT DO SO WITH OTHERS. THE DRIVER THAT GENERATES A VIOLATION WHILE DRIVING A VEHICLE BELONGING TO SOMEONE ELSE DOES NOT AVOID A CHARGE ON HIS/HER POLICY FOR THAT INCIDENT. THE DRIVERS OWN INSURER HAS THE ABILITY TO CHARGE FOR THE VIOLATION.

Refers to appeal procedure is (d)

19.080

§ 21.39.090

INSURANCE

§ 21.39.100

or decision of the rating organization in approving or rejecting a proposed change in or addition to the filings of the rating organization and the director shall, after a hearing held upon not less than 10 days' written notice to the appellant and to the rating organization, issue an order approving the action or decision of the rating organization or directing it to give further consideration to the proposal, or, if the appeal is in the action or decision of the rating organization in rejecting a proposed addition to its filings, he may, in the event he finds that the action or decision was unreasonable, issue an order directing the rating organization to make an addition to its filings, on behalf of its members and subscribers, in a manner consistent with his findings, within a reasonable time after the issuance of the order

(b) If the appeal is based upon the failure of the rating organization to make a filing on behalf of the member or subscriber, which is based on a system of expense provisions which differs, in accordance with the right granted in § 30 (a) (3) of this chapter, from the system of expense provisions included in a filing made by the rating organization, the director shall, if he grants the appeal, order the rating organization to make the requested filing for use by the appellant. In deciding the appeal the director shall apply the standards set out in § 30 of this chapter. (§ 1 ch 120 SLA 1966)

**Sec. 21.39.090. Information to be furnished insureds: Hearings and appeals of insureds.** Each rating organization and each insurer which makes its own rate shall, within a reasonable time after receiving written request and upon payment of the reasonable charge as it may make, furnish to an insured affected by a rate made by it, or to the authorized representative of the insured, all pertinent information concerning the rate. Each rating organization and each insurer which makes its own rates shall provide within this state reasonable means for a person aggrieved by the application of its rating system to be heard, in person or by his authorized representative, on his written request to review the manner in which the rating system has been applied in connection with the insurance afforded him. If the rating organization or insurer fails to grant or reject the request within 30 days after it is made, the applicant may proceed in the same manner as if his application had been rejected. A party affected by the action of the rating organization or the insurer on the request may, within 30 days after written notice of the action, appeal to the director, who, after a hearing held upon not less than 10 days' written notice to the appellant and to the rating organization or insurer, may affirm or reverse the action. (§ 1 ch 120 SLA 1966)

**Sec. 21.39.100. Advisory organizations.** (a) Each group, association or other organization of insurers, whether located inside

# Alaska State Legislature



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## House of Representatives

MILO FRITZ

### MEMORANDUM

TO: Senator Dick Eliason

FROM: Representative Milo H. Fritz M.D. *Milo*

DATE: May 7, 1984

SUBJECT: HB 16 An Act Relating To Premium Increases For Automobile Insurance Policies

I introduced HB 16, An Act Relating to Premium Increases For Automobile Insurance Policies because of a large number of Complaints by my constituents. These people have felt that their insurance premiums were unjustly raised and that they had no procedure to appeal the insurer's decision. This bill that the insurance company notify the insured of the simple procedure for an appeal process which is presently the law.

Bulletin 73-5 from the department of Commerce, Division of Insurance is additional proof that there has been a problem for some time. The fact is that this bulletin and the present statute, Title 21, which governs insurance, has not taken care of this problem.

HB 16 was written in consultation with the Insurance Industry lobbyist, and the Division of Insurance, Department of Commerce. It further clarifies the present law and gives the ordinary citizen an explanation of his/her rights. This bill covers private, personal vehicles only, and does not effect commercial insurance coverage.

If there are any further questions, please contact me at 465 - 4833. I would appreciate this bill being back on the Senate Floor as soon as possible. Your help would be appreciated.

# STATE OF ALASKA

WILLIAM A. EGAN, GOVERNOR

## DEPARTMENT OF COMMERCE

DIVISION OF INSURANCE

POUCH D — JUNEAU 99801

February 26, 1973

BULLETIN 73-5

TO: ALL INSURERS WRITING AUTOMOBILE INSURANCE FOR DELIVERY IN THE STATE OF ALASKA

RE: USE OF ACCIDENT INFORMATION APPEARING ON MOTOR VEHICLE RECORD ABSTRACTS ISSUED BY THE ALASKA DEPARTMENT OF PUBLIC SAFETY

An increasing number of complaints reveal that a substantial degree of abuse is occurring in connection with accident information appearing on individual motor vehicle record (MVR) "Abstracts issued by the Alaska Department of Public Safety." We have found that insurers are applying "Safe Driver Points" or rate surcharges for accidents shown on the abstract without first determining that such accidents are "At Fault" accidents.

Since the MVR abstract displays accidents without regard to fault, it is improper for an insurer to rely solely upon such an indication as justification for an additional charge. No insurer may blindly charge points or surcharge a risk for an accident appearing on the MVR abstract. In the same light, cancellations or non-renewals based on accident information appearing on the abstract will not be condoned unless supporting determination is made concerning the fault of the accident.

"Safe Driver Points" or rate surcharges may be charged for "At Fault" accidents involving injury to person or damage to property in excess of \$100 in which the insured or person covered under the policy is involved except accidents where:

1. The automobile was lawfully parked (An automobile rolling from a parked position need not be considered as lawfully parked, but may be considered as the operation of the last operator); or
2. Reimbursement by or on behalf of a person responsible for the accident has been made or a judgement against such persons exist; or

Proposed amendment #1.

Page 1, line 16. After "unless" delete "the insured or another person who resides in the insured's household and is covered by the policy" and add "the person charged".

★ We would urge that this amendment not be adopted. The effect of the change is to permit the insurer to charge a premium surcharge or increase the premium for the violations of a person who is not normally an insured under the policy. Insurers do not have the tools available to apply such a rule with equality. Motor vehicle records of an individual are confidential records under AS 28.15.151. While an insurer can access the record of its insured and members of his household with the agreement of those persons, it cannot do so with others. Further, the MVR does not identify the vehicle in which the violation occurred, so the rule would not lend itself to practical application. The extension of this provision to persons not living in the household will result in a hit or miss situation as far as charging the additional for the violation. The logic behind allowing an insurer to make a charge of this kind is that it is a measure of the increased propensity of the driver with violations to have accidents. This logic does not readily extend to the incidental driver who is not a member of the household. That driver may never again produce a driving exposure under that particular policy.

★ The driver that generates a violation while driving a vehicle belonging to someone else does not avoid a charge on his or her own policy for that incident. The driver's own insurer has the ability to charge for the violation. The proposed approach merely doubles the penalty.

Proposed amendment #2.

Page 1, line 25. After "right" delete "of appeal" and add "to a hearing and to appeal".

Under AS 21.39.090, an insured does not have an automatic right to a hearing before the insurer or its rating organization. The insurer has a "right" to reject or fail to grant a hearing. This is not unreasonable as some requests are going to be frivolous and should not be heard. Nevertheless, the insurer is going to want to clean its own laundry whenever possible. Still, an insured denied a hearing has a right to an appeal of that action before the director. The proposed amendment tends to suggest a right to a hearing before the insurer and that is not precisely the way AS 21.39.090 is structured. An insured is still entitled to "his day in court", so abuses by an insurer will be detected. We are very much concerned that this proposal will result in increased costs for automobile insurance. An alternative change on line 25 would be to change the words "right of appeal" to read "rights".

3/28/84

*KOM*

Senator Eliason has requested an analysis of several proposed amendments to CSSH 16(Fin). These are set forth below with the requested comment.

Proposed amendment #1.

Page 1, line 16. After "unless" delete "the insured or another person who resides in the insured's household and is covered by the policy" and add "the person charged".

We would urge that this amendment not be adopted. The effect of the change is to permit the insurer to charge a premium surcharge or increase the premium for the violations of a person who is not normally an insured under the policy. The extension of this provision to persons not living in the household will result in a hit or miss situation as far as charging the additional for the violation. The insurer will not have reasonable access to the name and drivers license number of an incidental driver. The logic behind allowing an insurer to make a charge of this kind is that it is a measure of the increased propensity of the driver with violations to have accidents. This logic does not readily extend to the incidental driver who is not a member of the household. That driver may never again produce a driving exposure under that particular policy. If that were true it would be unreasonable to charge for an exposure that does not exist under that policy.

Proposed amendment #2.

Page 1, line 18. After "been" delete "convicted" and add a word that covers the situation of an individual pleading guilty without trial or who merely pays a fine.

This situation is already handled by insurers in the way described. If clarity is still further desired, we would suggest that the language be left as it is with an additional sentence to subsection (b) on line 18 to read: "In this subsection, 'convicted' includes a plea of guilty without trial, and the uncontested payment of a fine for the charged violation."

Proposed amendment #3.

Page 1, line 25. After "right" delete "of appeal" and add "to a hearing and to appeal".

Under AS 21.39.090, an insured does not have an automatic right to a hearing before the insurer or its rating organization. The insurer has a "right" to reject or fail to grant a hearing. This is not unreasonable as some requests are going to be frivolous and should not be heard. Still the insured denied a hearing has a right to an appeal of that action before the director. The proposed amendment tends to suggest a right to a hearing before the insurer and that is not precisely the way AS 21.39.090 is structured. An insured is still entitled to "his day in court", so abuses by an insurer will be detected. An alternative change on line 25 would be to change the words "right of appeal" to read "rights".

SUMMARY OF HB 16

*Well received*

HB 15 REQUIRES THAT AN INSURANCE COMPANY INCREASING AUTOMOBILE INSURANCE PREMIUMS MUST ADVISE THE AFFECTED PERSON BEFORE THE INCREASE CAN TAKE EFFECT, AND MUST ALSO APPRISE THE AFFECTED PERSON OF HIS/HER APPEAL RIGHTS.

THIS LEGISLATION WAS INTRODUCED IN RESPONSE TO A LARGE NUMBER OF COMPLAINTS. HB 16 WILL RESOLVE THOSE SITUATIONS WHERE AN INSURANCE COMPANY INCREASES ITS PREMIUMS UNJUSTLY AND WITHOUT EXPLANATION.

MORE INFORMATION

HB 16 REQUIRES INSURANCE COMPANIES TO GIVE THEIR CLIENTS A 15-DAY WRITTEN NOTICE OF RATE INCREASES AND IF THE CLIENT FEELS THAT THE INCREASE IS UNMERITED, HE/SHE MAY RESOLVE THE ISSUE WITH THE INSURANCE COMPANY RATHER THAN GOING TO A HEARING.