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OFFICIAL BUSINESS

ALASKA STATE LEGISLATURE - SENATE
COMMITTEE ON LABOR AND COMMERCE

SENATOR RICHARD I. ELIASON
CHAIRMAN

POUCH V • JUNEAU, ALASKA 99811
(907) 465-3844

MEMORANDUM

TO: Senator Dick Eliason
FROM: Sheila Peterson *Sheila*
RE: Financial Responsibility Act
DATE: April 18, 1984

Today Bill Brown, Chief of Driver Services, Department of Public Safety, confirmed a recent telephone conversation I had with Charles Hosack, Deputy Director of the Division of Motor Vehicles, regarding the functions of the existing Financial Responsibility Act.

If an individual causes an accident and is not covered by insurance, the driver is required to show proof of insurance for the next three years and to establish a system to repay the victim for damages. If these conditions are not met, the Department of Public Safety will suspend the license of the driver until these requirements are satisfactorily met.

Mr. Brown estimated that 2-3% of the victims of motor vehicle accidents are not compensated either by their insurance company or by an individual complying with the Financial Responsibility Act. This percentage relates to all accidents in Alaska.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5912

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7522
CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3181
CABLE ADDRESS: DENALI
TELECOPIER: 479-8478

200 CHENEGA STREET
P.O. BOX 787
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH R. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
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JAMES M. GORSKI
TIMOTHY R. BYRNES

JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASSEN
KENNETH D. LOUGEE*
KENNETH F. BRITTAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHERLAND
CRAIG A. CARLSON
JAMES E. RAMSEY
JOSEPH S. SLUSSER*
LESLIE A. MORRILL
JOHN B. THORSNESS
JAMES R. SZENDER
GAIL M. BALLOU*
GREGORY W. LESSMEIER*

*FAIRBANKS OFFICE
**JUNEAU OFFICE
***VALDEZ OFFICE

March 21, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Mandatory Automobile Insurance
Our File: 00220-0044

Dear Senator Eliason:

On behalf of State Farm Insurance Company and Allstate Insurance Company, I am writing to you concerning the subject of mandatory automobile insurance. We understand the Conference Committee which has been considering this issue has now been given limited powers of Free Conference. We would urge the members of this body to seriously consider the alternatives to mandatory automobile insurance. Any form of mandatory automobile insurance carries an expensive price tag, not only to the consumer, but to the State as well. We strongly believe that the alternative measure, such as a mandatory offer of uninsured motorist and underinsured motorist coverage should be considered and given an opportunity to work. This alternative is much cheaper, will probably be more effective, and deserves consideration given the split of opinion among the public as to whether mandatory insurance should be enacted.

We have previously written members of the Conference Committee regarding an Anchorage television show called "Mid-Week", which addressed the topic of mandatory automobile insurance on March 1, 1984. This television show is a weekly, live call in show in Anchorage. During and after the television show, the station, MultiVisions, ran a television poll, asking the following question: "Do you favor mandatory automobile insurance in Alaska?" A partner of mine, Joe Huddleston, was in the control

room and watched the votes as they were telephoned in. During the preliminary stages of the program, none of the voters cast their votes against mandatory insurance. At the one-half hour mark, the votes were 82% for mandatory insurance and 18% against. From that point forward, the votes shifted dramatically. With five minutes to go, the voting trend had shifted so dramatically that the vote was 55% for mandatory insurance and 45% against and this was announced at the conclusion of the program. By the time we had left the studio, five minutes later, the votes were virtually equal.

MultiVisions continued to run the poll for several days, and as of 10:00 a.m. on March 8, 1984, 47% of the 9,478 votes cast were in favor of mandatory insurance, 51% were opposed. Enclosed herewith is a copy of a letter from MultiVisions certifying those results. The poll concluded on March 12, 1984, and Mr. Scott of MultiVisions advised us at that time that over 14,000 votes came in, with 49% responding affirmatively, and 48% responding negatively. Although this poll was not conducted in a scientific fashion, it does indicate that the people in Anchorage are split right down the middle on the issue of mandatory automobile insurance. We also believe the pattern of votes as they came in during the television show on mandatory insurance shows that once people understand that mandatory insurance is going to be expensive, not totally effective regardless of how it is enforced, and that there are other alternatives available which are much less expensive, their view toward mandatory insurance changes dramatically.

We have previously sent members of the Conference Committee a copy of a Best's Insurance Management Report, dated December 5, 1983, which shows the 1982 average private passenger automobile insurance premiums nationwide. For your information, we enclose a copy of that report for your records. As you can see, in 1982, Alaska's average automobile premium ranked number eight in expense when compared to the average premium rates in other states. Every single state which had an average automobile premium more expensive than Alaska is a state which has enacted mandatory insurance. We also think it significant that Texas enacted mandatory insurance in 1982, and as you can see the average premium rate rose enough to bring it from thirty-third in cost up to thirteenth in cost. West Virginia enacted compulsory insurance either in 1982 or shortly before 1982, and rose from twenty-second in cost up to ninth in cost. Although I do not know what forms of mandatory insurance these states did enact, the trend is nonetheless significant.


We do not believe that mandatory automobile insurance will be

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

looked upon favorably by members of the public if they know its cost, lack of effectiveness and that there are other alternatives available which cost less. Even the alternative mandatory insurance measure which is being considered by the Free Conference Committee carries a fiscal note of approximately \$1 million dollars. The alternatives will carry no such fiscal note, and as we have previously indicated to you, the costs to the policy holder are small. For example, we have previously estimated that uninsured motorist coverage for the average policy holder is presently in the area of \$8 semi-annually for coverage which meets the present minimum level of financial responsibility. To increase this coverage to the level set forth in the bills before you would result in an expected semi-annual premium increase for the average policy holder of approximately \$1.90. State Farm estimates the cost of underinsured motorists coverage, in the amount set forth in the bill before you to be approximately \$12 annually for bodily injury and \$10 annually for property damage. We clearly feel the expected costs of these alternatives is most reasonable, and that members of the public will so feel as well. We strongly urge members of this body to consider the alternatives to mandatory automobile insurance. These alternatives are cheaper administratively, cheaper to our policy holders, and we believe will be just as effective. If experience shows that this is not true, this body can always take steps to enact mandatory automobile insurance.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Michael L. Lessmeier

Enclosures

MLL/mh

cc: All Alaska State Legislators

BEST'S INSURANCE MANAGEMENT REPORTS

Property/Casualty
Release No. 32
December 5, 1983



A.M. Best Company
Oldwick, N.J. 08852
201-439-2200

Financial News | Washington Review | Perspectives | On-Line Reports

1982 Average Private Passenger Automobile Insurance

Last year in the United States, approximately 147,968,000 drivers paid \$36,620,824,000 in premiums to insure themselves, third parties and almost 123 million automobiles against collision, personal injury, theft and the inevitable litigation springing from these various misfortunes of the road.

Using 1980 census estimates which put total U.S. population at 226,504,825, Americans now have, statistically, well over one car for every two individuals at their disposal. Although the country cannot yet claim an automobile for each licensed driver, the .83 car/driver ratio in 1982 reflects the long-standing fascination with private car ownership that Henry Ford envisioned over 60 years ago.

Most drivers are conscious of the fact that premiums paid for necessary insurance coverage vary widely from state to state. Cost is not directly related to amount of coverage, but

rather has to do with the individual state's particular body of laws that deals with the complicated process that takes place between the filing and paying of claims. Thus, in 1982, drivers in Alabama paid an average premium of \$190.55, while in New Jersey, comparable insurance cost owners \$455.80 per year.

The national average automobile premium in 1982 was \$298.30, up from \$274.79 in 1981. This is an increase of 8.6%, the highest percentage gain since 1977 and almost double the 4.6% increase from 1980 to 1981. The graph presented here shows the steady rise in average policy costs.

On this page is a table that shows average automobile premiums by state, ranked from the highest to the lowest premium paid. Although there was shifting back and forth within the ratings for almost all states, most changes were

continued

Average Automobile Premiums (Ranked highest to lowest)

1982	\$ Amount	1981	\$ Amount	1982	\$ Amount	1981	\$ Amount		
1	New Jersey	455.80	1	411.90	27	Florida	264.07	37	233.99
2	Massachusetts	387.49	5	338.82	28	Missouri	263.56	21	258.39
3	New York	384.81	3	351.52	29	Vermont	261.38	29	246.72
4	Nevada	384.44	2	380.15	30	Arkansas	259.51	46	218.96
5	Louisiana	368.59	4	348.06					
6	California	358.29	7	335.91	31	New Hampshire	256.93	36	234.12
7	Pennsylvania	357.98	8	318.74	32	Georgia	255.53	28	247.12
8	Alaska	354.09	6	335.93	33	Virginia	253.63	40	228.70
9	West Virginia	344.69	22	258.22	34	Montana	252.21	25	254.14
10	Hawaii	343.99	13	290.57	35	Oklahoma	251.52	35	235.15
11	District of Columbia	328.50	24	255.57	36	Utah	251.00	31	244.85
12	Maryland	318.47	11	295.71	37	Nebraska	247.28	32	243.52
13	Texas	310.40	33	243.29	38	North Dakota	241.22	34	237.03
14	Michigan	307.01	9	300.70	39	Maine	240.91	39	231.99
15	South Carolina	306.19	16	277.20	40	Idaho	231.25	38	232.14
16	Connecticut	305.80	10	296.28	41	New Mexico	229.86	30	246.51
17	Arizona	301.53	12	291.11	42	Wisconsin	229.64	42	226.46
18	Rhode Island	300.99	17	271.21	43	Iowa	229.05	45	224.14
19	Delaware	296.42	14	280.95	44	Indiana	226.51	41	228.61
20	Illinois	291.62	20	262.51	45	Kentucky	226.24	43	225.73
21	Oregon	291.17	18	270.42	46	Ohio	226.19	44	224.25
22	Colorado	287.00	26	253.80	47	Mississippi	211.52	47	211.35
23	Minnesota	285.59	15	278.97	48	North Carolina	210.72	49	193.87
24	Washington	282.71	19	264.41	49	South Dakota	201.14	48	197.24
25	Kansas	265.63	27	252.15	50	Tennessee	194.58	51	183.85
26	Wyoming	264.29	23	257.56	51	Alabama	190.55	50	187.14
						National Average	298.30		274.79

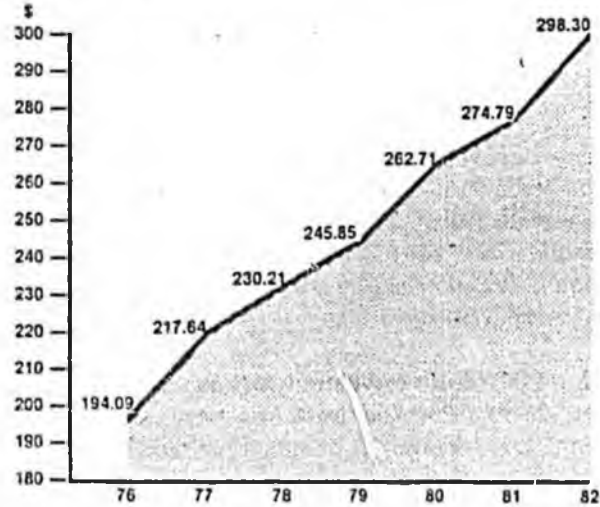
Automobile Premiums *continued*

within a relatively small range. Outstanding exceptions are Texas, whose average premium rose sharply enough to bring it from 33rd to 13th. This apparent large increase, however, is mainly the result of a state compulsory insurance law that went into effect in January, 1982, resulting in a larger number of drivers contributing to the total premium pool. Arkansas went from 46th to 30th in the expense standings, and West Virginia and District of Columbia rose 13 places each.

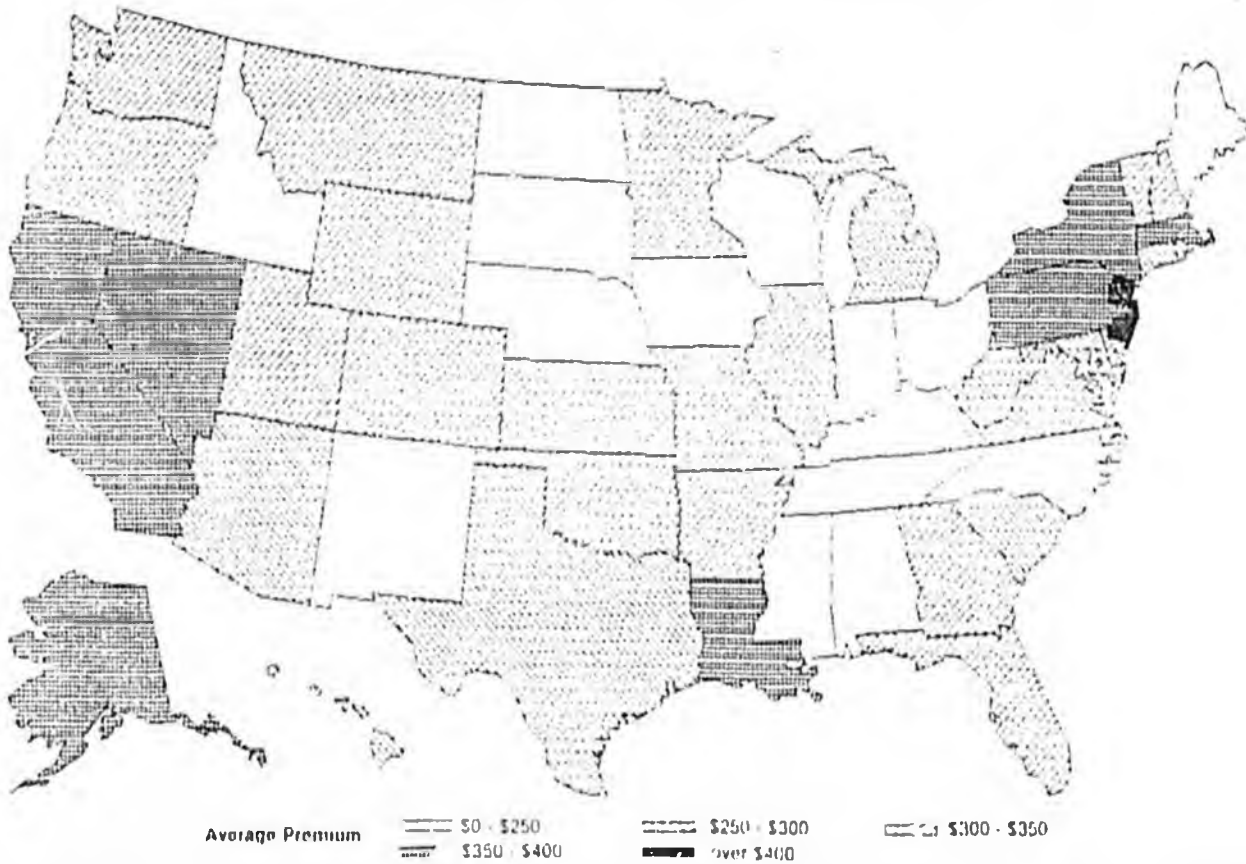
The state of New Mexico reduced auto insurance enough to drop from 30th to 41st in premium cost.

The statistical data upon which these figures are partially based was extracted from a *Best's Executive Data Service* annual study, which makes available total direct premiums written by state in the private passenger line. The number of auto registrations used (122,763,369) is slightly inflated as the Federal Highway Administration includes commercial vehicles, mainly taxicabs (but not trucks or buses), in its tally of private automobiles.

**Average Auto Premiums
1976 - 1982**



1982 Average Automobile Premiums By State



A.M. Best Co. Datacenter is the source for the statistical exhibits in *Best's Insurance Management Reports*.



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MultiVisions



March 8, 1984

Michael Lessmeier
Hughes, Thorsness, Gantz, Powell & Brundin
210 Ferry Way, Suite 100
Juneau, Alaska 99801

Dear Mr. Lessmeier:

Here are the results of our "Touch Vote" public opinion question that we have been running on Channel 52 for approximately one week.

Question: Do you favor mandatory auto insurance in Alaska?

Yes	Votes	4,478	47%
No	Votes	4,836	51%
Undecided	Votes	163	1%
Total	Votes	9,478	

These results are as of 10:00 a.m. on March 8, 1984. Due to the method of polling, results can be altered. MultiVisions in no way purports this to be a scientific poll.

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Blvd.
Anchorage, Alaska 99503
907/562-2400



DICK RANDOLPH, Agent
Auto - Life - Health - Home and Business

1105 Cushman St., Fairbanks, Alaska 99701
Phone: Off: 907-456-7787

March 19, 1984

TO: All Alaska State Legislators

FROM: Dick Randolph

SUBJECT: Mandatory Auto Insurance

Mandatory automobile insurance has been and continues to be a topic of concern to many Alaskans and the legislature. This concern is legitimate and I believe ought to be addressed. However, the panacea that mandatory insurance is a cure all and the image that a large majority of Alaskans want a mandatory insurance law enacted, or that such action would be in the public interest is, I believe, incorrect. The history of mandatory auto insurance has been that it raises rates, is very difficult, expensive and frustrating to attempt to enforce, and that even under the most severe enforcement effort a substantial percentage of uninsured drivers still exist.

I agree that there is a problem. It should be resolved in as economical, effective and principled way as possible. The problem is that a certain percentage of Alaskan drivers are not able or required to perform financially when they are responsible for damaging or injuring others with an automobile. Our present financial responsibility law should be strengthened and vigorously enforced. In addition, I believe the legal system ought to require a much greater degree of responsibility than it does regardless of whether or not the offender has insurance. If drivers understand that responsibility is going to be required they will tend to be more responsible. The law currently allows those without insurance or assets to walk away. This should not be so easily allowed.

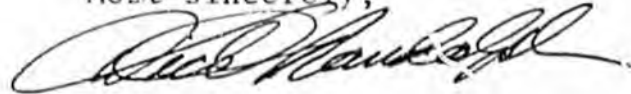
As for the insurance systems involvement, we must answer the question, what is the fairest, most cost effective, and acceptable (from the consumers point of view), way of dealing with this problem. I'm completely convinced that the cheapest, least frustrating way for all concerned is to assure that first party coverages to cover all possibilities, are available to every Alaskan who chooses to protect themselves. The following first party coverages are currently available. Bodily injury and property damage liability, bodily injury, uninsured motorist, medical up to \$100,000, comprehensive, collision, emergency road service, car rental, accidental death and disability income. IN ADDITION, UNINSURED

PROPERTY DAMAGE AND UNDERINSURED BODILY INJURY AND PROPERTY DAMAGE SHOULD BE MADE AVAILABLE. It is interesting that most states that have mandatory insurance laws still require the industry to offer these first party coverages; an admission that there are still uninsured and underinsured drivers on their highways. The liability, comprehensive, and collision coverages account for the major portion of an insurance premium. The other first party coverage cost very little. The same would be true of first party uninsured property damage and underinsured bodily injury and property damage. It will be cheaper and far less frustrating for the insurance consumer to purchase these coverages than to pick up their share of the increased cost and frustration of a mandatory program. More importantly anyone who wants to can absolutely guarantee that every contingency will be covered in the event they are involved in an accident. I recommend that all companies doing business in Alaska offer these additional first party coverages as the most effective solution.

This does not necessarily mean that the uninsured drivers avoids their responsibility. The insurance industry can and does subrogate against the at fault party and any money recovered is applied toward the loss ratio and has a positive effect on premiums.

Except for a couple of technical improvements, the Senate Substitute for HB7, which past last session, very adequately addresses all the legitimate concerns. I would urge you to support its passage.

Most sincerely,

A handwritten signature in cursive script, appearing to read "Dick Randolph".

Dick Randolph
Agent



Robert E. Gieringer, M.D.

A PROFESSIONAL CORPORATION
4048 LAUREL ST., SUITE 103
ANCHORAGE ALASKA 99508

TELEPHONE (907) 563-3232

March 14, 1984

Richard Eliason
Senate House
Juneau, Alaska

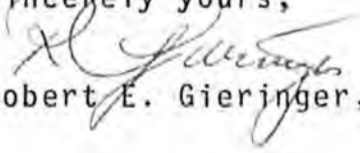
Dear Senator Eliason:

I'm writing you about the auto insurance legislation which House Speaker, Joe Hayes, has proposed over the past year. I've noticed that since his original proposal the legislation has been watered down and weakened to such an extent that it appears to me to have lost most of it's effect. Regarding most other aspects of social responsibility, we do not require someone to be responsible after the fact for their actions and I see no reason why we should alter our routine in this matter. Driving an automobile is not a right but is still a privilege which requires responsibility to other drivers.

In my work as an orthopaedic surgeon I see many people who are deprived of their livelihood and physically disabled because of the results of an unfortunate accident. Statistically, I understand that our chances of meeting an uninsured driver in an automobile accident is about 50%. When a person loses his transportation and perhaps the use of his arm or leg for several months, this is an economic disaster for him. I'm simply tired of seeing someone who is legally responsible for the cause of such an accident but financially irresponsible walk away from such a tragedy. Neither do I see that it is a fair responsibility for those of us who are insured to pay an additional fee for uninsured motorists.

On the other side, I'm sure there are many factors I don't see or understand. I know that strict legislation would discourage some newcomers, job seekers, job developers and so forth from coming to Alaska, but I think many of these less responsible newcomers detract from the quality of Alaskan development. I'm enclosing a copy of an editorial from the Anchorage Times on March 7, 1984. I hope you'll take time to read it and show it to some other members of the House Senate Negotiating Committee. I feel we have to be firm on this legislation.

Sincerely yours,


Robert E. Gieringer, M.D.

cc: Joe Hayes
REG/jjb

Auto insurance

A NEW EFFORT to enact more effective automobile insurance laws is being made by Rep. Joe Hayes. He hopes to overcome the resistance of the Senate. It is to be hoped that he will succeed.

The goal in the beginning was to require all motorists to carry accident insurance. The idea is a good one in view of the fact that a major portion of all accidents involve motorists who have no insurance to pay for damages they cause and, usually, those motorists who have no insurance are financially unable to pay personally.

Rep. Hayes filed a strong bill and won its approval in the House, only to have it go down the drain in the Senate. The upper house produced its own bill that was watered down to the point of doubtful value.

A COMPROMISE that has now been proposed by Mr. Hayes might open the door for further negotiations and enactment of a bill that still can help protect the public.

His compromise would be soft on enforcement until the motorist becomes involved in an accident. The original bill would have required proof of insurance before a car could be licensed. The new bill would require the purchase of insurance but no proof of it until an accident occurs.

After an accident, the whole world would come tumbling down on the motorist if he has failed to carry insurance. He would lose his driver's license for a year. Further than that, the compromise provides for loss of a driver's license when an uninsured motorist is ar-

rested for driving under the influence or is guilty of other serious charges.

To overcome rural opposition, the insurance requirements would be applicable only in urban centers.

THE NEW PROPOSAL now goes before the conference committee that reduced the original program to hash. There have been some indications that the House-Senate negotiators would be more willing to approve it. Apparently the mandatory provisions of the original bill were an obstacle.

It may be hard for some Alaskans to understand how senators cannot accept a provision that makes it mandatory for a motorist to protect the public from his delinquencies. This focus of attention on the wayward motorist, rather than his innocent victim, stirs recollections of discussions that criminals appear to get better protection from the law than do the victims of their crimes.

Any proposal that makes a man face up to his public responsibilities can't be all bad. The public needs all the help it can get to protect life, liberty and property from wrongful damage.

The compromise proposed by Rep. Hayes, although affording less protection than the original plan, does define the liability and put the responsibility on the back of the motorist, where it belongs. Without it, the irresponsible motorist can smash someone's automobile, pay for none of the damage and not even forfeit his driver's license.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5912

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7522
CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3161
CABLE ADDRESS: DENALI
TELECOPIER: 479-2478

200 CHENEGA STREET
P.O. BOX 767
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

DAVID H. THORSNESS
RICHARD O. GANTZ
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GAIL M. BALLOU*
GREGORY W. LESSMEIER*

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

March 13, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Compulsory insurance
Our File: 00220-0044

Dear Senator Eliason:

On February 29, 1984 we were asked to appear on a television show called "Midtown", which is a weekly, live call-in show in Anchorage. The topic of the television show was mandatory auto insurance. During and after the television show, the station, MultiVisions, ran a television poll, asking the following question: "Do you favor mandatory auto insurance in Alaska?" We have enclosed herewith a letter from MultiVisions showing the results of that poll as of 10:00 a.m. on March 8, 1984. As you can see from that letter, approximately 51% of the votes received at that time were opposed to mandatory auto insurance in Alaska.


We have since checked again with MultiVisions, and Mr. Scott has advised us that the poll concluded last night, March 12, 1984. Over 14,000 votes came in, 49% responding affirmatively, and 48% responding negatively. Although this poll was not conducted in a scientific fashion, it does indicate that people in Anchorage are essentially split right down the middle on the issue of mandatory auto insurance. We continue to believe that once consumers are aware of the cost and effectiveness of mandatory auto insurance,

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

they will not be in favor of it, particularly if other alternatives, such as uninsured motorist and underinsured motorist coverages are made available.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Michael L. Lessmeier

Enclosure

MLL/mh

cc: Members of the Conference Committee on Compulsory Insurance

MultiVisions



March 8, 1984

Michael Lessmeier
Hughes, Thorsness, Gantz, Powell & Brundin
210 Ferry Way, Suite 100
Juneau, Alaska 99801

Dear Mr. Lessmeier:

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Question: Do you favor mandatory auto insurance in Alaska?

Yes	Votes	4,478	47%
No	Votes	4,836	51%
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These results are as of 10:00 a.m. on March 8, 1984. Due to the method of polling, results can be altered. MultiVisions in no way purports this to be a scientific poll.

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Blvd.
Anchorage, Alaska 99503
907/562-2400

RONALD T. WEST, ATTORNEY AT LAW

605 W 4TH AVE 21

ANCHORAGE, ALASKA 99501

TELEPHONE
(907) 278-0342

March 8, 1983

*File
HB-7
Yes
3-13*

MAR 11 RECD

The Honorable Ramona Barnes
House Judiciary Committee
Pouch V
Juneau, Alaska 99801

Dear Ramona:

Thank you for your letter of the 28th wherein you indicated that you were filing House Bill No. 7, regarding automobile insurance as a condition to register and operate a motor vehicle.

The bill seems to me to be well drafted and to cover every eventuality including the cancellation of insurance as soon as a vehicle is registered. However, one concern I have with the bill concerns its political chances and my suggestion is that you will run into some opposition from representatives of communities which are not tied into the State Highway system or Juneau.

The reason I state this is that in my travels to some bush communities which have roads of a few miles or 15 or 20 miles, I have noted that the vehicles are not licensed, titled or registered and that all manner of people drive them, some with licenses and some without. In my opinion, this is probably a reasonable working relationship because there are so few vehicles. The logic does not work, however, with respect to communities that are inter-connected by the highway system and/or the marine highway system. Perhaps some rider could be put on which would cover this. I think the goal of the bill is excellent and if there is anything I can do to assist in its passage, please advise.

Very truly yours,

Ronald T. West
Ronald T. West
Attorney at Law

RTW:me

ALASKA STATE SENATE

JOE P. JOSEPHSON
DISTRICT G - ANCHORAGE
1526 F STREET
ANCHORAGE, ALASKA 99501
(907) 277-4419



WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-4907
(907) 465 4525

COMMITTEES
HEALTH, EDUCATION & SOCIAL SERVICES (CHAIR)
JUDICIARY (VICE CHAIR)
FINANCE
MAJORITY CAUCUS (CHAIR)

February 9, 1984

Mr. George King
Chairman
Anchorage Transportation Commission
Municipality of Anchorage
Pouch 6-650
Anchorage, Alaska 99502-0650

Dear George:

Thank you for your recent letter concerning mandatory automobile insurance. I am pleased to know that the Anchorage Transportation Commission supports Senate Bill 223, and the counterpart legislation introduced in the House of Representatives by Speaker Hayes.

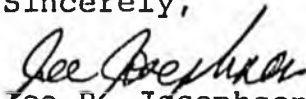
The Speaker and I have been working together from the inception to develop a bill that will meet the goal of mandatory automobile insurance. Polls indicate overwhelming support for mandatory automobile insurance in Anchorage.

We believe that a workable bill, and a bill that can be passed, has now been developed. A copy of the new draft is enclosed.

By copy of this letter, I am taking the liberty of acquainting all Anchorage Senators with the Anchorage Transportation Commission's views. Your comments about the particular provisions of the new draft are invited and will also be shared with my colleagues.

With best wishes, I am

Sincerely,


Joe P. Josephson
State Senator

JPJ:rak
Enclosure

cc: Senators Rodey, Sturgulewski, Faiks, P. Fischer
V. Fischer, Gilman, Kelly, Pettyjohn, Eliason ✓

**Municipality
of
Anchorage**



POUCH 6-650
ANCHORAGE, ALASKA 99502-0650
(907) 264-4877

TONY KNOWLES,
MAYOR

DEPARTMENT OF TRANSPORTATION
Transportation Inspection Division

January 30, 1984

Senator Joe Josephson
State Capital
Pouch V
Juneau, Alaska 99811

Dear Senator Josephson:

The Anchorage Transportation Commission, at its last meeting on January 25, 1984, unanimously passed a resolution to support any Senate bill that would require mandatory automobile insurance. We were pleased to hear that you have introduced Senate Bill 223 that addresses that problem.

The Anchorage Transportation Commission regulates taxicabs, limousines and airport limousines. The owners of these for-hire vehicles are not only saddled with high insurance costs but too frequently are involved in accidents with uninsured motorists. Consequently the owner of the vehicle suffers the cost of repairs and the large loss of down-time of the taxi or limousine.

We support your efforts to end this unfair treatment of all insured vehicle owners and urge all Senators to support Senate Bill 223.

Sincerely,

George King
Chairman, Anchorage Transportation Commission

GK:mb

RECEIVED

1984

Josephson,



EVANS EQUIPMENT COMPANY ☐ 720 EAST WHITNEY ROAD, ANCHORAGE, ALASKA 99501 ☐ (907) 276-4838

December 20, 1983

Richard I. Eliason
P.O. Box 143
Sitka, AK 99835

Dear Senator Eliason:

The attached is a typical situation that our Company and employees experience when mandatory insurance is not a requirement.

Please vote for compulsory liability insurance and protect us from those irresponsible individuals who don't care. The present system doesn't work!

Thank you.

Very truly yours,

EVANS EQUIPMENT COMPANY

Gene L. Tenny
Branch Manager

GLT/jb
Enclosure

R. N. SUTLIFF

LAWYER

125 CHRISTENSEN DRIVE, NO. 1 • ANCHORAGE, ALASKA 99501
TELEPHONE (907) 279-0661

November 16, 1983

Ms. Sharon Naus
State of Alaska
Department of Public Safety
Division of Motor Vehicles
Pouch N
Juneau, Alaska 99811

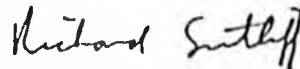
Dear Ms. Naus:

A truck owned by my client Evans Equipment Company was involved in an accident July 18, 1983 with a car driven by Mr. Leland. Mr. Leland backed into the Evans truck causing damage in the total amount of \$398.21. A copy of the accident report is included for your review as well as copies of estimates to repair the damage. To the best of my knowledge Mr. Leland is uninsured.

On August 17, 1983, a letter was written to Mr. Leland at the address given on the accident report demanding payment for the damages done to the Evans truck. The letter was returned "Not Deliverable as Addressed - Unable to Forward". A copy of that letter is enclosed for your review.

On behalf of Evans Equipment Company I request that you take action to have Mr. Leland's drivers license revoked as he has not met his financial responsibility in this accident.

Cordially yours,



R. N. Sutliff

Enclosures

cc: G. Tenny

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF MOTOR VEHICLES

POUCH N
JUNEAU, ALASKA 99811
PHONE: 465-4361

November 21, 1983

R. N. Sutliff
125 Christensen Dr. #1
Anchorage, Alaska 99501

RECEIVED

NOV 23 1983

R. N. SUTLIFF, LAWYER

Your Client: Evans Equipment
Reference Number:
Accident Date: 7/18/83
SR Case Number: 83-09952
Other Party: Terry Leland

The driving privilege will be/ was suspended

Action will be taken upon receipt of a judgment obtained through a civil court. A certificate of fact must accompany the judgment.

Has filed compliance in the form of

Has reported liability insurance with

This accident cannot be processed under the Safety Responsibility Law unless:

Sufficient evidence is received which indicates there is a reasonable probability of a judgment being rendered against the uninsured party.

Sufficient evidence is received that property damages sustained are in excess of \$500 and/or medical bills for any amount up to \$25,000 for one person or \$50,000 per accident.

This case cannot be pursued as more than one year has elapsed since the accident.

This case is pending, awaiting additional information.

Remarks:

Financial Responsibility Section

R. N. SUTLIFF

LAWYER

125 CHRISTENSEN DRIVE, NO. 1 • ANCHORAGE, ALASKA 99501
TELEPHONE (907) 279-0661

December 2, 1983

Gene Tenny
Evans Equipment Company
720 Whitney Road
Anchorage, Alaska 99501

RE: Terry Leland Truck Accident
Our File No. 81.010

Dear Gene:

Enclosed is a copy of the response from the Financial Responsibility Section of the Department of Public Safety, Division of Motor Vehicles. You will note that the department refuses to take action because our damages did not exceed \$500.00. A review of the statute confirms the correctness of the position taken by the department. At this point in time our only option is to proceed with a suit against Mr. Leland. Given the size of this claim I do not recommend litigation but will proceed to sue Mr. Leland if you wish me to do so.

Cordially yours,



R. N. Sutliff

Enclosure



Robert E. Gieringer, M.D.

A PROFESSIONAL CORPORATION
4001 DALE STREET, SUITE 117
ANCHORAGE, ALASKA 99504
TELEPHONE (907) 276-7616

November 8, 1983

Rep. Richard Eliason
Box 143
Sitka, AK 99835

Dear Rep. Eliason:

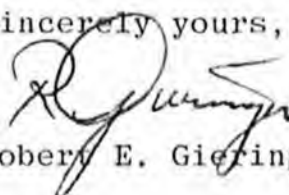
The responsibility of automobile drivers to others is becoming an increasing problem in urban Alaska. Recently we've been made more aware of the responsibility of the intoxicated motorist and legislation has been passed to curb this problem. Another problem which has not been addressed adequately by legislation is the financial responsibility of a driver. It appears to me that transportation by automobile is a privilege and not a right. For the vast majority of us it is a convenience not a necessity since there are other modes of public transportation available. I'm concerned about the loss to the responsible driver who is injured or has his automobile damaged by an uninsured motorist. The financial responsibility of driving must accompany the privilege in urban Alaska.

Other states have such legislation and it has been successful with strict provisions. The House of Representatives has recently passed such legislation with enforcement provisions in House Bill 35-2. Similar legislation passed in the senate lost any force because it eliminated any mandatory provision.

The responsibility for an uninsured motorist cannot be left in the hands of the insured motorist. Newcomers from the lower forty-eight arrive every day. We must have some means of insuring our safety against the irresponsibility of many of these people who arrive in their large heavily loaded four wheel drive trucks and worn-out tires.

Please give your attention to this urgent need for active legislation.

Sincerely yours,


Robert E. Gieringer, M.D.

REG/dk



DICK RANDOLPH, Agent
Auto - Life - Health - Home and Business

1105 Cushman St., Fairbanks, Alaska 99701
Phone: Off: 907-456-7787

Jan. 27, 1984

Senator Dick Eliason
Pouch V
Juneau, AK 99811

Dear Dick

I'm not going to attempt to debate the pros and cons of mandatory insurance in this letter, but do believe that the enclosed material, plus my brief comments should be of some value to you in considering the advisability of subjecting Alaskans to a mandatory insurance system.

I have studied Jeff Day's report of 5-1-83 and Ken Moore's response of 5-24-83 and basically agree with the Director's critique of Jeff's work.

I agree that there is a problem. It should be resolved in as economical, effective and principled way as possible. The problem is that a certain percentage of Alaskans drivers are not able or required to perform financially when they are responsible for damaging or injuring others with an automobile. Our present financial responsibility law should be strengthened and vigorously enforced. In addition, I believe the legal system ought to require a much greater degree of responsibility than it does regardless of whether or not the offender has insurance. If drivers understand that responsibility is going to be required they will tend to be more responsible. The law currently allows those without insurance or assets to walk away. This should not be so easily allowed.

As for the insurance systems involvement, we must answer the question, what is the fairest, most cost effective, and acceptable (from the consumers point of view), way of dealing with this problem. I'm completely convinced that the cheapest, least frustrating way for all concerned is to assure that first party coverages to cover all possibilities, are available to every Alaskan who chooses to protect themself. The following first party coverages are currently available. Bodily injury and property damage liability, bodily injury uninsured motorist, medical up to \$100,000, comprehensive, collision, emergency road service, car rental, accidental death and disability income. I've enclosed a brochure and a print out describing the coverages and showing the cost of each of these

coverage for an average driver with a medium priced car. You can readily see that the liability, comprehensive, and collision coverages account for the major portion of an insurance premium. The other first party coverage cost very little. The same would be true of first party uninsured property damage and underinsured bodily injury and property damage. It will be cheaper and far less frustrating for the insurance consumer to purchase these coverages than to pick up their share of the increased cost and frustration of a mandatory program. More importantly anyone who wants to can absolutely guaranteed that every contingency will be covered in the event they are involved in an accident. I recommend that all companies doing business in Alaska offer these additional first party coverages as the most effective solution.

This does not necessarily mean that the uninsured drivers avoids their responsibility. The insurance industry can and does subrogate against the at fault party and any money recovered is applied toward the loss ratio and has a positive effect on premiums.

Much more could be said, but I'm sure that your are not short on input. I do ask that you seriously consider my point of view and the enclosed information and that we have an opportunity to visit on this personally before a final determination is made.

Thanks, Dick, for your consideration. I look forward to hearing from you and to discussing this with you soon.

Most Sincerely,



Dick Randolph
Agent



JANUARY 26, 1984

S10486ACN50	AUTO RATE QUOTE--MUTUAL	
QUOTE # 1 1980	TERR:03	*
1FD:009 CLASS:1B	PREMIUM	*
GRD 50 100/25	\$73.92	*
DED \$25000	\$7.48	*
COMP \$50 DED	\$40.04	*
COLL \$200 DED	\$79.64	*
ERS	\$2.60	*
R-1 \$14/DAY	\$5.50	*
UM 50/100	\$9.90	*
S 2 AT 10000	\$6.00	*
Z 1 PERSON(S)	\$4.50	*
	NET PREMIUM	\$229.58
	TOTAL PREMIUM	\$229.58

PRESS ACCEPT TO CONTINUE

Pleasure use only

Excerpts from a Statement presented by State Farm Insurance Companies
to the Legislative Study Committee State of Tennessee
September 23, 1981

Compulsory insurance laws just don't work very well, despite the expensive price tag they carry. Direct costs to taxpayers and insurance buyers are high. Indirect costs in terms of harm to the insurance marketplace are often so great as to make the system a very destructive one.

The history of compulsory insurance in this country has shown that the problems spawned by such a system usually extend well beyond the governmental agencies directly involved such as the Insurance Department and the Department of Motor Vehicles. In some compulsory states, the entire fabric of government becomes infected as new problems develop and bureaucratic involvement become pervasive.

Though a proposal to require motorists to carry liability insurance seems simple enough in concept, the requirement has, in a number of states, led to demands for additional controls over insurers and their customers, with the ultimate effect being the destruction of most of the benefits derived from the highly competitive automobile insurance market. I am confident that the state of Tennessee is proud of the competitive vigor of its market and covets the continued benefits of competition on behalf of its citizens. Therefore, I believe the experience in states which have experimented with compulsory insurance, and whose citizens have suffered as a result, will be of interest to you.

To begin, we need to be reminded that people don't like to be compelled to do anything, whether they believe it is the government or the insurance industry which is compelling them. Compulsory liability

insurance focuses public attention on the subject of the compulsion, the liability insurance contract. The attention given the automobile insurance industry following passage of compulsory has often resulted in a take over by the state of basic insurance management decisions and the substitution of administrative control for healthy marketplace competition.

The first state to enact a compulsory insurance statute was Massachusetts in 1927. A half-century later, Massachusetts is generally conceded to have the worst insurance market in the country, for buyers and sellers alike. This has developed gradually over that fifty year period. First, there was a heavy increase in insurance costs. Motorists, operating under the belief that everyone was insured, immediately became very claims conscious. In addition, only bodily injury liability coverage was made compulsory. Therefore, a number of fenderbender accidents were accompanied by headaches, back pain, etc., so that the property damage of the not-at-fault driver might be recovered from the liability insurer of the offending driver, even though his property damage liability might not have been covered. Skyrocketing costs resulted in demands that government step in and "do something about it." The next step was a requirement that all rates for the compulsory coverage be uniform for all companies and effective on the first of January of each year. The result was, and continues to be, a political circus during the last month or two of the year as the insurance commissioner promulgates the raise for the year ahead. With prices established in an intense political spotlight of this nature, it is not surprising that, more often than not, rates are set too low for the

companies to make a reasonable profit, or even to break even in some years. Numerous lawsuits have been filed to force an increase (or occasionally a decrease) in rates. The market is characterized, for the most part, by very reluctant sellers.

With this constant turmoil there has, inevitably, been further government tinkering, attempts to correct the fundametal problem by treating only the symptoms. Classifications and territories have been changed arbitrarily, imposing subsidies upon some groups of premium payers in favor of others. And, in order to solve resulting availability problems, the state has instituted a reinsurance facility which requires every company to accept every applicant and permits the pooling of unwanted insureds. The number of insureds put into the reinsurance pool is approximately 40 percent. The pool loses substantial amounts of money, since high-risk drivers must be written at the same rates as are all other insureds. A recent Insurance Commissioner of Massachuettts estimated that approximately \$71 was being contributed, per voluntary insured, in order to subsidize the losses of the reinsurance facility. Those responsible for preserving the insurance market here in Tennessee should not even consider risking a situation which might result in the same aberrations as in the Massachusetts market.

The next state to enact compulsory liability insurance was New York and the lesson from New York is a lesson of gigantic costs for taxpayers and even bigger headaches for insurance consumers. The basic problems attendant to any compulsory insurance system are compounded when

serious attempts are made to enforce the law and heavy compulsion is exerted. New York determined to make its law work and the results have been spectacularly unsuccessful. It is estimated that, since inception, perhaps \$200 million have been spent attempting to enforce the New York law and no one is yet sure how much of an increase in the percentage of insured vehicles has been achieved. But the problems involve more than dollars spent attempting to force compliance. For the first 15 years insurers were required to notify the New York Bureau of Motor Vehicles whenever coverage had been cancelled. Because of this, every time a policyholder was late in remitting his premium, every time the premium was delayed by the U.S. Mails, or even when the policyholder decided to change companies, the insurance company was required to notify the Department of Motor Vehicles. In the meantime, most of the trady insureds remitted their premiums or the new company filed a notice of coverage, thus restoring the insured's eligibility. Often the DMV sent a notice to the insured threatening to pick up his plates and this was followed by an irate letter from the insured to the company asking why it was stupid enough to tell the Department that coverage was not in force. In 1973 the notice requirements were dropped but they have now been reinstated. As you can imagine, automobile insurance is not the most loved commercial enterprise doing business in New York; not, for the matter, is the Department of Motor Vehicles all that popular with the citizenry.

The State of North Carolina, might be characterized as a southern style Massachusetts. In 1953 North Carolina passed the third compulsory statute in the country. Immediately, the uniform rates, promulgated by

the North Carolina Rating Bureau and approved by the Insurance Department became subject to political pressure and were, more often than not, set at unrealistically low levels. The Assigned Risk Plan gradually increased in size until it became the largest in the country, percentage wise. So, in North Carolina as in Massachusetts, companies must take every applicant and may cede unwanted insureds to the Facility pool. Also as in Massachusetts, artificial changes in the rating plan have been required by the Insurance Commissioner and the legislature, and the result is groups of policyholders subsidizing others, primarily low-risk insureds subsidizing high risk drivers.

Michigan is experiencing one of the most unfortunate changes in an insurance marketplace ever seen in this country and this has been a direct result of the compulsory no-fault law in effect there. Trial lawyers attacked the very strong Michigan no-fault law but it was upheld by the state Supreme Court. However, almost as an after-thought and without giving the parties an opportunity to comment or to present briefs on the subject, the court declared that if insurance is compulsory, due process requires that each purchaser of the coverage must have an opportunity for a hearing and is entitled to certain other procedural safeguards concerning the price he pays for insurance. The response to this unfortunate decision was passage of legislation by the Michigan Legislature which has turned a healthy market into one which is in great turmoil. The terms of the statute defy description in any short statement but the primary requirement is a form of "take all comers" as in Massachusetts and North Carolina, plus the loss of rating criteria.

Finally, we have the state of South Carolina. Here again we have a requirement that companies write all applicants at their preferred rate.

In addition, the Insurance Commissioner establishes a uniform class plan and certain uniform rating criteria.

A recent editorial appearing in the National Underwriter, the leading insurance weekly trade publication, highlighted the problems of states with compulsory insurance, using North and South Carolina as primary examples. The editorial suggested that problems in these states "show, in graphic detail, how difficult it can be to implement social legislation and still make everybody happy. They also raise a number of important questions about efficacy of such legislation in the field of insurance. These questions go well beyond the nuances of the Carolina situations; they are national in scope. The editorial went on to refer to some of the unfortunate results which have arisen in these two states and the difficult situation in which insurance consumers find themselves as compared to consumers in other states.

With the passage of compulsory automobile liability insurance in the 29 states which presently have it, one of two results has usually occurred. In the majority of the states, a decision has been made not to devote a large amount of financial and manpower resources to the enforcement of the new compulsory law. This decision has resulted from a lack of budget and manpower or from a decision to permit people to respond voluntarily to the new compulsory requirements. The result in those states has usually been a modest increase in the number of insured vehicles, at the most a percentage point or two above what might be accomplished by careful enforcement of the financial responsibility law already in the statutes. The other approach is that described in this

statement, heavyhanded attempts to enforce the law by a handful of states. The results have been ineffective from the standdpoint of compliance, expensive in terms of money and manpower expended, and disastrous in terms of the effect on the insurance marketplace and on consumers who look to the automobile insurance industr for vigorous competition in price and service.

Compulsory Auto Insurance Does It Work?

"The compulsory liability insurance system is expensive to enforce, with only minimal increase in the percentage of drivers who are insured"

*. . .South Carolina Legislative Insurance Study
Committee Report.*

"The law is a farce". . .Louisiana Insurance Commissioner Sherman Bernard.

" . . .almost certainly a social liability from a cost-benefit standpoint. . .less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program". . .California Department of Motor Vehicles program analysis.

**"Pennsylvania's mandatory no-fault insurance law is bogged down in a bureaucratic morass . . .from 800,000 to 2 million motorists are able to get their licenses without having insurance or cancel it once the registration is issued"
. . .National Underwriter**

"In order for the act to be properly enforced, 28 commissioned South Carolina highway patrolmen have been assigned solely to financial responsibility enforcement. . .the cost of administration and enforcement. . .for the current fiscal year. . .approximately \$1,308,000". . .South Carolina Financial Responsibility Administrator Fred Sojourner.

"The compulsory insurance law. . .(has) failed miserably to achieve its aims". . .New York Daily News.

"Failed miserably. . ."

New York then. . .

Excerpts from a *New York Daily News* series done six years after the state had put a compulsory insurance law on the books. Although it appeared some time ago (1963) it demonstrates how dismally the system was working:

"The compulsory insurance law. . .(has) failed miserably to achieve its aims. Insurance companies despise it, the Motor Vehicles Department is suffering with it, the district attorneys won't prosecute on it and police departments don't enforce it. . .as far as *News* reporters could determine, no uninsured driver has ever been sent to jail, no matter what human or property damage he has caused. . .the best official estimate of just how many deadbeats are menacing our streets and highways at this very moment. . .puts the figure at 226,000."

New York now. . .

Time apparently has not improved that condition. A study was ordered in 1978 for the New York Department of Motor Vehicles on the uninsured motorist problem in the state. In a spot check of just over 9,000 vehicles, 606 were discovered to be uninsured. That percentage, projected on total vehicles registered in the state (7,556,000) would indicate that there could be 491,000 uninsured cars on the road in New York.

. . .Meanwhile, back in Michigan

Another 1978 survey for the Michigan Department of State on compliance with the state's compulsory no-fault insurance law turned up similar results. Of 1,000 cars sampled, 116 were proven uninsured and owners of another 43 were listed as "uncooperative" to the extent that no determination could be made. With 4.5 million passenger cars registered in Michigan at that time, the projection of that percentage gets the potential uninsured total to well over the half million mark.

“...The law is a farce”

Excerpts from a *National Underwriter* story, Jan. 5, 1979:

“The (Louisiana) law was not put into effect until July 1, 1978. The Office of Motor Vehicles was allocated \$1.2 million for the 1978-79 fiscal year to enforce the law. Beginning in January 1979, 16 special officers will begin picking up licenses of offenders, another 10 officers were expected to be in the field by March and their full-time job will be following up revocation notices. Leroy Havard,

assistant secretary of state, estimated there is about 83 to 84 percent compliance with the liability law.”

.....

Louisiana Insurance Commissioner Sherman Bernard commented on the law later in the article: “I honestly believe the law is a farce. It has been forced on the people. I don't believe it is fair for a state to say you have to buy insurance...”

“MORALLY AND SOCIALLY WRONG”

Excerpts from a report commissioned by the Joint Legislative Automobile Liability Insurance Study Committee, State of South Carolina. The report was prepared by Dr. John W. Hall, chairman, Insurance Department, Georgia State University.

“The compulsory liability insurance system is expensive to enforce, with only minimal increase in the percentage of drivers who are insured. . .

“The system forces people to pay high premiums relative to their income for benefits for others when they cannot themselves afford adequate benefits to cover their own loss. . .the more affluent. . .must carry relatively high liability insurance limits for the benefit of others. At the same time, the less economically well to do will purchase the minimum benefits which are totally unsatisfactory. . .for these reasons it appears morally and socially wrong to require liability insurance as a condition precedent to enjoying the privileges of automobile driving and ownership.”

After undue harassment and untold dollars, we still have uninsured motorists

Excerpts from remarks by Clayton P. Sturgeon, chairman of the Insurance Industry Committee on Motor Vehicle Administration, before the joint public hearing of the Judiciary Committee and Financial Institutions and Insurance Committee, Washington State Senate, Oct. 27, 1979.

"Even with years and years of experience in trying to enforce these laws, and after undue harassment of thousands of motorists, and the expenditure of untold amounts of money, every state still ends up with an uninsured motorist problem. . .very serious thought must be given to the cost of any new program. A compulsory law becomes a farce unless adequate resources are directed toward enforcement."

He also told the 46th annual conference of the American Association of Motor Vehicle Administrators, on June 20, 1979:

"Most insurers prefer to improve existing motor vehicle financial responsibility laws. One advantage of such laws over compulsory insurance is that it is on an individual—not a group—basis.

"The requirement to produce evidence of financial responsibility is generally imposed only after a demonstration by act or accident that the public needs such protection. . . .in spite of the fact that such. . .a system is on a person-by-person basis, many states have demonstrated their lack of capacity to administer and enforce such modest laws.

"Advocates of compulsory auto insurance legislation rarely review the record of their own state in this area. It is ironic that such supporters propose to establish a significantly more complex and costly mechanism—and one with much less prospect of success."

Misdirected. . .Inefficient. . .Ineffective

Following is the conclusion from the "summary analysis of program effectiveness and efficiency of the California Compulsory Financial Responsibility Program," conducted for the California Department of Motor Vehicles, December 1976:

"From an overall standpoint, the Compulsory Financial Responsibility Program shows indications of being:

misdirected. . .The program is punishment oriented rather than protection or prevention oriented.

inefficient. . .If all social costs associated with this program are considered, this program is almost certainly a social liability from a cost-benefit standpoint.

ineffective. . .Less than one-half of one percent of the drivers in California are financially responsible as a consequence of this program."

"Bogged down in a bureaucratic morass"

Excerpts from a *National Underwriter* story, March 16, 1979:

"Enforcement of Pennsylvania's mandatory no-fault insurance law is bogged down in a bureaucratic morass in the automobile licensing agency—the Pennsylvania Department of Transportation. . .the Insurance Federation of Pennsylvania estimated that because of gaping loopholes in enforcement, from 800,000 to 2,000,000 motorists are able to get their licenses without having insurance or cancel it

once the registration is issued.

" . . . Reports of cancellations are sent to Penn DOT but the agency pleads poverty and lack of staff to administer the program. . . Robert Mustin, assistant director of the traffic safety bureau, said the 40,000 notices that come in from companies each month on cancellations or lapses are just too much for the staff to handle. 'We'll never be current,' he declares."

28 Patrolmen, \$1.3 million = 76,000 uninsured

Excerpts from remarks by Fred E. Sojourner, financial responsibility administrator, Motor Vehicle Division, South Carolina Department of Highways, at the American Association of Motor Vehicle Administrators conference in Clearwater Beach, Fla., June 19, 1979:

"In order for the act to be properly enforced, 28 commissioned South Carolina Highway Patrolmen have been assigned solely to financial responsibility enforcement. . .

"Since enactment of the compulsory law in October of 1974, the estimated percentage of uninsured motor vehicles on South Carolina's highways has fallen. . . to approximately 4.4 percent.

"The cost for the administration and enforcement of the South Carolina Motor Vehicle Financial Responsibility Act and the South Carolina Automobile Reparation Reform Act for the current fiscal year through April 30, 1979 has totaled approximately \$1,308,000."

(Editor's Note: The 4.4 percent uninsured motorist estimate becomes about 76,000 motorists driving without insurance when applied to vehicles registered in South Carolina.)

". . . You can't legislate responsibility"

Excerpts from the *Lexington, Ky. Leader*, Sept. 12, 1979:

"This week marks the first anniversary of a state law that was aimed at reducing uninsured auto injuries and deaths—the Kentucky insurance sticker law. . . according to numbers supplied by detectives assigned to the police department's hit-and-run unit, more than half of the drivers in Lexington's fatal accidents through August had no insurance.

" . . . State Rep. Bobby Richardson, D-Glasgow, majority leader and legislator who sponsored the

bill in last year's Kentucky General Assembly, contends the law is directly responsible for 'improving the automobile coverage rate in Kentucky.' But Fayette County's statistics of death involving uninsured drivers stand in silence alongside those conflicting claims. . . State Police Lt. Ernest Blevins offered the theory of the uninsured driver: "You just can't legislate responsibility."

There are better solutions

As this sampling of comments indicates, compulsory automobile insurance laws don't work.

Dozens of states have tried a variety of laws. While those laws have caused enforcement headaches, bureaucratic snarls, spending of needless millions of taxpayer dollars and unnecessary harassment of motorists, there is one thing they haven't accomplished. They have not appreciably reduced the number of uninsured motorists on the highways.

Strong, well-administered financial responsibility laws are a better solution.

Financial responsibility laws are publicly acceptable because they deal with specific individuals. The burden of proving financial responsibility falls only on those who have caused someone damage—not on the thousands or millions who have done nothing. And since those laws are administered and enforced on a person-by-person basis, they are much more cost-effective.

The private automobile insurance industry has long offered practical alternatives for assuring protection against the financially irresponsible driver. Uninsured motorist coverage is available in all states—generally for only a few dollars a year—which will indemnify the responsible motorist and his passengers for injuries caused by the uninsured.

Well-administered financial responsibility laws and broadened protection under the uninsured motorist coverages are goals far preferable to the imposition of a system of compulsory insurance—a system with a proven record of failure.

Prepared by the Public Relations Department
State Farm Insurance Companies
Home Office: Bloomington, Ill.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5812

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7522
CABLE ADDRESS: DENALI
TELECOPIER: 274-7525
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3161
CABLE ADDRESS: DENALI
TELECOPIER: 479-8478

200 CHENEGW STREET
P.O. BOX 787
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH P. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS***
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GORSKI
TIMOTHY R. BYRNES

JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASSEN
KENNETH D. LOUGEE*
KENNETH F. BRITAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHERLAND
CRAIG A. CARLSON
JAMES E. RAMSEY
JOSEPH S. SLUSSER*
LESLIE A. MORRILL
JOHN B. THORSNESS
JAMES R. SZENDER
GAIL M. BALLOU*
GREGORY W. LESSMEIER*

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

February 3, 1984

Senator Richard I. Eliason
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Alaska HB 7

Dear Senator Eliason:

I am writing to you on behalf of Allstate Insurance Company and State Farm Insurance Company. We recently received a redraft of HB 7 from the Division of Insurance, and since we understand that redraft has been circulated to you, we wanted to provide our initial comments regarding that redraft, as well as a revised version which incorporates a number of our suggestions.

It is important for us to emphasize at the outset that neither State Farm or Allstate favor compulsory liability insurance. Once Alaska consumers understand the true effect of such a law, we do not believe they will either. It has been our experience that compulsory insurance laws simply don't work well, despite the expensive price tag they carry. The direct costs to taxpayers and insurance buyers are high, and indirect costs in terms of harm to the insurance marketplace are often so great as to make the system a destructive one.

These sentiments regarding compulsory insurance laws were very recently echoed by the Illinois Department of Transportation. In the latest issue of that department's Traffic Safety Update, the costs and complexities of compulsory laws are effectively detailed. We have enclosed herewith a copy of that article for your reference.

Although we remain opposed to compulsory insurance, we are aware of the political realities of this situation. If the legislature is determined to enact a compulsory law in 1984, we want to make every effort to ensure that the bill is well-conceived and well-implemented. It is in this context that our comments are offered and, we hope, received.

We are attaching hereto a revised version of HB 7 which incorporates our suggestions. Most of these suggestions are either technical in nature or merely clarify existing provisions. We have attempted not to disturb the basic underpinnings of the bill or the result it seeks to accomplish.

The following section references are to the attached draft.

1) We deleted the sections proposing an increase in limits in the Motor Vehicle Safety Responsibility Act and reduced the proposed minimum limits in AS 28.22.010(c) from 50/100/25 to the existing safety responsibility minimum limits of 25/50/10.

Alaska currently has one of the highest safety responsibility limits in the nation and we believe those limits are more than adequate for the vast majority of Alaska drivers. Drivers needing higher limits will find them readily available in the Alaska marketplace.

More importantly, increasing the minimum limits makes the insurance more expensive. (The actuarial department of State Farm indicates that the difference in premium for a State Farm policyholder could be as high as \$150 per year--and this is for bodily injury and property liability coverages alone. Uninsured and underinsured motorists (UM/UIM) coverage in such limits further exacerbates the price increase.) It seems unfair to Alaska consumers not only to mandate coverage, but to mandate it in amounts, and at an expense far greater than almost any other state in the nation.

Finally, the increased cost of the product defeats the purported purpose of a compulsory law--i.e. to reduce the uninsured motorist population. Many motorists currently insured will simply be economically forced to forego coverage irrespective of the prescribed severe penalties. Similarly, drivers who are presently uninsured are often so because of the cost. It is difficult to believe that increasing the cost of insurance will lead them to an insurance agent.

2) AS 28.20.440(b)(3)(A) and AS 28.22.010(b) define the term "underinsured motor vehicle".

There is much confusion among insurance purchasers as to the meaning of this term. Some believe the term means simply "inadequate". A consumer who must determine whether to retain or delete this coverage should understand what protection it provides and when that protection is "triggered".

The first portion of the definition is standard "difference in limits" language similar to that incorporated in the submitted draft. The second portion of the definition becomes relevant when multiple injured parties exist. The "reduction for payment to others" language eliminates the "rush to the pot of gold" and provides increased benefits for the insured.

3) AS 28.20.440(b)(3)(B)(1) and AS 28.22.010(c)(3)(D).

Clarify the intent that UM/UIM coverage does not come into play until after applicable liability policies and bonds have been exhausted.

4) AS 28.20.440(b)(3)(B)(2) and AS 28.22.010(c)(3)(A).

UM/UIM coverage should be a single combined coverage. This ensures that the insured will have the same protection available whether he is injured by an uninsured or underinsured motorist. It removes the fortuity factor and makes the selection process much simpler.

5) AS 28.20.440(b)(3)(B)(3) and AS 28.22.010(c)(3)(A).

Eliminate the potential problem of a court interpreting the rejection/deletion language as applying at each renewal. Once the insured makes his initial decision as to whether he desires UM/UIM coverage and, if so, at what limits, that decision should remain effective until he affirmatively requests otherwise. To require written rejections/deletions at each policy renewal (normally a six month interval) would be unnecessarily burdensome on both the insured and the insurer.

6) AS 28.20.440(b)(3)(C) and AS 28.22.010(c)(3)(E).

Provide that the "direct physical contact" requirement applies to both bodily injury and property damage claims.

7) AS 28.20.440(b)(3)(D) and AS 28.22.010(c)(3)(B)(1).

Define property damage for purposes of UM/UIM coverage.

8) AS 28.20.440(m)(2) and AS 28.22.010(n)(2).

Provide for an offset from the UM/UIM coverage for bodily injury liability payments. This situation commonly arises in comparative negligence states such as Alaska. An injured passenger may attempt to collect both under the insured driver's BI and UM/UIM coverages, alleging that his injuries were caused by the negligence of both the insured driver and an uninsured driver. An offset should be provided in such instances.

9) AS 28.20.440(n) and AS 28.22.010(o).

Modify the anti-stacking provisions and set out a priority of payment in instances where more than one UM or UIM coverage or policy may be applicable. The priority language is merely a technical amendment.

The anti-stacking provision, however, is critical. The language must make clear that coverage may not be stacked whether multiple vehicles are written under one policy or under several individual policies. The previous draft seemed to apply only when the vehicles were written on a single policy. This would be manifestly unfair to companies such as State Farm who write individual policies.

10) AS 28.20.440(o) and AS 28.22.010(p).

Clarify that UM/UIM coverage does not apply in situations where the alleged uninsured or underinsured vehicle is owned by the named insured or a resident relative, but not insured. In the absence of such provisions, a person could own several vehicles but insure only one. This is contrary to the intent underlying UM/UIM coverage and would work to the economic disadvantage of insureds who purchase separate policies (i.e. UM/UIM premiums would have to be increased to accommodate the increased loss expense).

11) AS 28.20.010(c).

Clarifies that subsequent to the effective date of the legislation all policies and renewals must contain certain enumerated provisions. The language allows for an automatic incorporation of UM/UIM at designated limits subject only to the insured's option to affirmatively delete such coverage.

Such language is common in other jurisdictions and we believe provides the most effective means of supplying the coverage. In accordance with subparagraph (2) of this subsection, if an

insured currently has UM coverage he automatically obtains UM/UIM at the same limits. If he has no existing UM coverage or has UM with limits less than \$25,000, he automatically has UM/UIM with \$25,000 limits. Again, any insured has the option of deleting the UM/UIM coverage entirely.

Paragraph (D) of this subsection affirmatively states that insurers may offer higher UM/UIM limits or UM/UIM property damage deductibles other than \$250.

12) AS 28.20.010(f).

The draft submitted to us proposed AS 28.20.010(e) which stated:

The motor vehicle liability policy need not insure liability under a workers' compensation law nor liability for damage to property owned by, rented to, in charge of, or transported by the insured.

We would delete this provision from proposed Chapter 22 and replace it with language making it clear that any limitation, exclusion, etc. is permitted unless it violates the requirements of Chapter 22 or other applicable laws.

Our concern is that the proposed subsection might be interpreted to mean that the stated limitations (e.g. workers' compensation) are the only ones which a motor vehicle policy may contain.

13) AS 28.22.010(i).

Eliminates excess, umbrella and miscellaneous other policies from the requirements of the chapter.

14) We deleted the following subsection from Chapter 22:

A motor vehicle liability policy may provide that the insured shall reimburse the insurance carrier for any payment the insurance carrier would not have been obligated to make under the terms of the policy except for the provisions of this chapter.

As in comment #12, we believe that this subsection applies for purposes of Chapter 20 (Motor Vehicle Safety Responsibility Act) but would be inappropriate in proposed Chapter 22. There is no absolute liability under Chapter 22, therefore a reimbursement provision is unnecessary.

15) AS 28.22.040 and AS 28.22.050.

These sections deal with method of proof following a reportable accident or moving traffic violation. We believe the requirement of a formal affidavit is unnecessarily burdensome on insurance agents, especially if notarization is required. We believe that "written confirmation" serves the same purpose and allows for greater ease and flexibility of compliance.

16) We deleted the proposed revision to existing AS 21.39.155(a).

The proposed change would authorize the director to require carriers to participate in an "assigned risk pool" if the director finds that such participation is in the public interest.

We find this proposal duplicative of existing law. AS 28.20.580 currently empowers the director to implement an assigned risk plan.

If the proposed amendment is meant to enable the director to establish a residual market pooling mechanism other than an assigned risk plan, we believe such a proposal is inappropriate at this time. The Alaska assigned risk plan is small and has functioned well. Even if a compulsory law substantially increased the population of the plan (an assumption our experience would not support), there is every reason to believe the current assigned risk plan could effectively handle the increase.

While State Farm and the insurance industry has every confidence in the wisdom and discretion of the current division staff, we are mindful of instances where insurance departments in other jurisdictions have severely hampered the underwriting, rating and sale of insurance through their orchestration of a residual market mechanism. We would not want such scenarios recreated in Alaska.

17) AS 21.89.020 is repealed.

The provisions now appear at AS 28.22.010(c)(2).

18) Finally we would like to express a general concern about the severity of the proposed penalties for failing to maintain insurance. Although we recognize the salutary purpose which the penalties are designed to accomplish, we believe that courts may be hesitant to subject violators to the harsh combination of a mandatory fine, license suspension and forfeiture of the person's motor vehicle.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

We left the language intact, but we would like to invite a reconsideration of the provisions.

We thank you for the opportunity to provide this material to you.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN


Michael L. Lessmeier

MLL/mh

cc: Members of the Conference Committee on HB 7

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CCS SS HB 7

IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to motor vehicles;
and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. DECLARATION OF PURPOSE. The legislature is concerned over the rising toll of motor vehicle accidents and the suffering and loss inflicted by them. The legislature determines that it is a matter of grave concern that motorists be financially responsible for their negligent acts so that innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them. The legislature finds and declares that the public interest can best be served by the requirement that both the owner and the operator of a motor vehicle be required to maintain coverage under a motor vehicle liability policy issued in conformity with AS 28.22.010 or a certificate of self-insurance issued under AS 28.20.400.

The legislature also finds and declares that the most economical and practical time of proof of compliance with this requirement is when an operator of a motor vehicle has been involved in a reportable accident or charged with a moving traffic violation.

1 * Section 2. AS 28.20.440(b)(3) is amended to read:

2 (3) contain coverage in the amounts set out
3 in (2) of this subsection for the protection of
4 the persons insured under the policy who are
5 legally entitled to recover damages from owners or
6 operators of uninsured or underinsured motor vehicles
7 because of bodily injury or death, or damage to or
8 destruction of property in excess of \$250 arising out
9 of the ownership, maintenance or use of the uninsured
10 or underinsured motor vehicle. [EXCEPT THAT THIS
11 COVERAGE MAY BE WAIVED IN WRITING BY THE INSURED ON
12 OR BEFORE THE EFFECTIVE DATE OF THE POLICY.]

13 (A) "Underinsured motor vehicle" means
14 a motor vehicle licensed for highway use with
15 respect to the ownership, operation, maintenance
16 or use of which motor vehicle there is a bodily
17 injury or property damage insurance policy or a
18 bond applicable at the time of the accident and
19 the amount of insurance or bond:

20 (1) is less than the limit for
21 uninsured and underinsured motorists
22 coverage under the insured's policy; or

23 (2) has been reduced by payments
24 to persons other than an insured, injured
25 in an accident, to less than the limit for
26 uninsured and underinsured motorists
27 coverage under the insured's policy.

1 (B) The uninsured and underinsured
2 motorists coverage provided for in this chapter:

3 (1) shall not apply to bodily
4 injury, sickness, disease or death of an
5 insured or damage to or destruction of
6 property of an insured until the limits of
7 liability of all bodily injury and property
8 damage liability bonds and policies that
9 apply have been used up by payments or
10 judgments or settlements;

11 (2) shall be a single combined
12 coverage; and

13 (3) may be rejected by the insured
14 in writing. If the insured has rejected
15 such coverage, the coverage shall not be
16 included in any supplemental, renewal or
17 replacement policy unless the insured subse-
18 quently requests such coverage in writing.

19 (C) If both the owner and operator of the
20 uninsured vehicle are unknown, payment under the
21 uninsured and underinsured motorists coverage
22 shall be made only where direct physical contact
23 between the insured and uninsured or underinsured
24 motor vehicles has occurred. A vehicle that has
25 left the scene of the accident is presumed to be
26 uninsured if the person insured reports the
27 accident to the appropriate authorities within
28 24 hours.

1 (D) The uninsured and underinsured motorists
2 coverage for damage to or destruction of property
3 is subject to a deductible of \$250 in any one acci-
4 dent, but the insurer may offer a deductible other
5 than \$250. This coverage shall be limited to damage
6 to or destruction of the insured motor vehicle. It
7 shall not include loss of use of such vehicle.

8 * Section 3. AS 28.20.440 is amended by adding new
9 subsections to read:

10 (1) The maximum liability of the insurance
11 carrier under the uninsured and underinsured
12 motorists coverage required to be offered pursuant
13 to AS 28.20.440 (b)(3) shall be the difference
14 between the coverage limit of liability and the
15 amount paid to the insured by or on behalf of the
16 uninsured or underinsured motorist.

17 (m) Amounts payable under the uninsured
18 motorists and underinsured motorists coverage
19 required to be offered pursuant to AS 28.20.440
20 (b)(3) shall be reduced by:

21 (1) amounts paid or to be paid under
22 any workers' compensation law;

23 (2) amounts paid or payable under any
24 valid and collectible motor vehicle medical
25 payments or bodily injury or death liability
26 insurance; and

27 (3) amounts paid by or on behalf of
28 the uninsured or underinsured motorist.

1 (n) In the event an insured is entitled to
2 uninsured or underinsured motorists coverage
3 under more than one policy of motor vehicle
4 liability insurance, or under more than one
5 coverage if two or more vehicles are insured
6 under one policy, the maximum amount an insured
7 may recover shall not exceed the highest limit
8 of any one policy or coverage. Where multiple
9 policies or coverages apply, payment should be
10 made in the following order of priority, subject
11 to the limit of liability for each applicable
12 policy or coverage:

13 (1) a policy or coverage covering a
14 motor vehicle occupied by the injured
15 person at the time of the accident;

16 (2) a policy or coverage covering a
17 motor vehicle which came into contact with
18 the insured while a pedestrian; and

19 (3) a policy or coverage covering a
20 motor vehicle not involved in the accident
21 with respect to which the injured person is
22 an insured or a named insured.

23 (o) The uninsured and underinsured motorists
24 coverage provided for in this chapter does not
25 apply to bodily injury or death or damage to or
26 destruction of property of an insured:

1 (1) while occupying a motor vehicle
2 owned by, but not insured by, the named
3 insured or resident spouse or resident
4 relative; or

5 (2) through being struck by a vehicle
6 owned by the named insured, or resident
7 spouse or resident relative.

8 * Section 4. AS 28 is amended by adding a new chapter
9 to read:

10 Chapter 22. MOTOR VEHICLE LIABILITY INSURANCE

11 Section 28.22.010. MOTOR VEHICLE LIABILITY POLICY

12 (a) In this chapter "motor vehicle
13 liability policy" means an "owner's policy" or
14 an "operator's policy" containing an agreement
15 or endorsement as provided in this section and
16 issued by an insurance carrier authorized to
17 transact business in the state to or for the
18 benefit of the person named as insured.

19 (b) "Underinsured motor vehicle" means a
20 motor vehicle with respect to the ownership,
21 operation, maintenance or use of which there is
22 a bodily injury or property damage insurance
23 policy or a bond applicable at the time of the
24 accident and the amount of insurance or bond:

25 (1) is less than the limit for
26 insured and uninsured motorists coverage
27 under the insured's policy; or

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(2) has been reduced by payments to persons other than an insured, injured in the accident, to less than the limit for uninsured and underinsured motorists coverage under the insured's policy.

(c) No new policy or renewal of an existing policy insuring against loss resulting from liability imposed by law for bodily injury or death or property damage suffered by any person arising out of the ownership, maintenance, or use of a motor vehicle shall be issued with respect to any motor vehicle registered or principally garaged in this state unless the owner's policy:

(1) designates by description or appropriate reference all vehicles that it covers;

(2) insures the person named against loss from liability imposed by law for damages arising out of the ownership, maintenance, or use of the vehicle in the United States or the Dominion of Canada subject to limits exclusive of interest and costs, with respect to each vehicle, as follows:

1 (A) \$25,000 because of bodily
2 injury to or death of one person in any
3 one accident, and, subject to the same
4 limit for one person, \$50,000 because of
5 bodily injury to or death of two or more
6 persons in any one accident; and

7 (B) \$10,000 because of damage
8 to or destruction of property of
9 others in any one accident;

10 (3) contains coverage for the protection
11 of the persons insured under the policy who
12 are legally entitled to recover damages
13 from the owner or operator of an uninsured
14 or underinsured motor vehicle because of
15 bodily injury or death, or damage to or
16 destruction of property in excess of \$250
17 arising out of the ownership, maintenance,
18 or use of the uninsured or underinsured
19 motor vehicle.

20 (A) The coverage shall be a
21 single combined coverage. This
22 coverage may be deleted by the insured
23 in writing. If the insured has
24 deleted such coverage, the coverage
25 shall not be included in any supplemental,
26 renewal or replacement policy unless
27 the insured subsequently requests such
28 coverage in writing.

1 (B) Uninsured and underinsured
2 motorists coverage shall be subject to
3 the following limits, exclusive of
4 interest and costs, and deductibles
5 for any one accident:

6 (1) damage to or destruction
7 of property shall have \$10,000
8 limits and be subject to a \$250
9 deductible. This coverage shall
10 be limited to damage to or
11 destruction of the insured motor
12 vehicle. It shall not include loss
13 of use of the vehicle.

14 (2) bodily injury or death
15 shall have limits equal to
16 the greater of either (a) the
17 insured's existing limits for
18 uninsured motorists coverage, or
19 (b) the amounts set out in (2)
20 of this section.

21 (C) Nothing contained in (B) of
22 this section shall preclude an insurer
23 from offering higher limits of uninsured
24 and underinsured coverage or a deductible
25 for damage to or destruction of property
26 other than \$250 in accordance with its
27 rating plans and rules at the written
28 request of the insured.

1 (D) The uninsured and underinsured
2 motorists coverage provided for in
3 this chapter shall not apply to
4 bodily injury, sickness, disease, or
5 death of an insured or damage to or
6 destruction of property of an insured
7 until the limits of liability of all
8 bodily injury and property damage
9 liability bonds and policies that
10 apply have been used up by payments
11 or judgments or settlements;

12 (E) Payment under the uninsured
13 and underinsured motorists coverage
14 shall be made only where direct
15 physical contact between the insured
16 and uninsured or underinsured motor
17 vehicles has occurred. A vehicle that
18 has left the scene of the accident is
19 presumed to be uninsured, if the
20 person insured reports the accident to
21 the appropriate authorities within 24
22 hours.

23 (d) The operator's policy of liability
24 insurance shall insure the person named as
25 insured against loss from the liability imposed

1 on the operator by law for damages arising
2 out of the use by the operator of a motor
3 vehicle not owned by the operator, within the
4 same territorial limits and subject to the same
5 limits of liability as are required for an
6 owner's policy of liability insurance.

7 (e) The motor vehicle liability policy
8 shall state the name and address of the named
9 insured, the coverage, the premium charges, the
10 policy period and the limits of liability, and
11 shall contain an agreement or an endorsement
12 that insurance is provided in accordance
13 with the coverage defined in (c)(2) of this
14 section for bodily injury and death or property
15 damage, or both.

16 (f) Nothing contained in this chapter
17 shall be interpreted to prohibit a motor vehicle
18 liability policy from containing limitations,
19 conditions, exceptions, exclusions or other
20 provisions which themselves do not violate the
21 requirements of this chapter or other applicable
22 laws.

23 (g) Every motor vehicle liability policy
24 is subject to the following provisions but these
25 provisions need not be contained in the policy:

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(1) the satisfaction by the insured of a judgment for injury or damages is not a condition precedent to the right or duty of the insurance carrier to make payment on account of injury or damage;

(2) the insurance carrier may settle a claim covered by the policy, and if settlement is made in good faith, the amount of settlement is deductible from the limits of liability specified in (c) of this section; and

(3) The policy, the written application for the policy, if any, and every rider or endorsement that does not conflict with the provisions of this chapter constitute the entire contract between the parties.

(h) A policy that grants the coverage required for a motor vehicle liability policy may also grant lawful coverage in excess of or in addition to the coverage specified for a policy and the excess or additional coverage is not subject to the provisions of this chapter. With respect to a policy that grants excess or additional coverage the term "motor vehicle liability policy" applies only to that part of the coverage that is required by this section.

1 (i) A policy shall be excluded from
2 the application of this chapter if the automobile
3 or motor vehicle liability coverage is provided
4 only on an excess or umbrella basis. Nothing in
5 this chapter shall be construed to require that
6 uninsured and underinsured motorist coverage
7 shall be offered or provided on any homeowner
8 policy, personal and resident's liability
9 policy, personal and farm liability policy,
10 general liability policy, comprehensive personal
11 liability policy, manufacturers' and contractors'
12 policy, premises liability policy, special multi-
13 peril policy, or any other policy or endorsement
14 where automobile liability coverage is offered
15 as incidental to some other basic coverage,
16 notwithstanding that any such policy may provide
17 automobile or motor vehicle liability coverage
18 on insured premises or the ways immediately
19 adjoining.

20 (j) A motor vehicle liability policy
21 may provide for proration of the insurance
22 with other valid and collectible insurance.

23 (k) The requirements for a motor vehicle
24 liability policy may be fulfilled by the policies
25 of one or more insurance carriers who together
26 meet the requirements.

1 (1) A binder issued pending the issuance
2 of a motor vehicle liability policy fulfills the
3 requirements for a policy.

4 (m) The maximum liability of the insurance
5 carrier under the uninsured and underinsured
6 motorists coverage required pursuant to AS
7 28.22.010 (c)(3) shall be the difference between
8 the coverage limit of liability and the amount
9 paid to the insured by or on behalf of the
10 uninsured or underinsured motorist.

11 (n) Amounts payable under the uninsured
12 motorists and underinsured motorists coverage
13 required pursuant to AS 28.22.010(c)(3) shall be
14 reduced by:

15 (1) amounts paid or to be paid
16 under any workers' compensation law;

17 (2) amounts paid or payable under any
18 valid and collectible motor vehicle
19 medical payments or bodily injury or death
20 liability insurance; and

21 (3) amounts paid by or on behalf
22 of the uninsured or underinsured motorist.

23 (o) In the event an insured is entitled to
24 uninsured or underinsured motorists coverage
25 under more than one policy of motor vehicle
26 liability insurance, or under more than one

1 coverage if two or more vehicles are insured
2 under one policy, the maximum amount an insured
3 may recover shall not exceed the highest limit
4 of any one policy or coverage. Where multiple
5 policies or coverages apply, payment should be
6 made in the following order of priority, subject
7 to the limit of liability for each applicable
8 policy or coverage:

10 (1) a policy or coverage covering a
11 motor vehicle occupied by the injured
12 person at the time of the accident;

13 (2) a policy or coverage covering a
14 motor vehicle which came into contact with
15 the insured while a pedestrian; and

16 (3) a policy or coverage covering a
17 motor vehicle not involved in the accident
18 with respect to which the injured person is
19 an insured or a named insured.

20 (p) The uninsured and underinsured motorists
21 coverage provided for in this chapter does not
22 apply to bodily injury or death or damage to or
23 destruction of property of an insured:

24 (1) while occupying a motor vehicle
25 owned by, but not insured by, the named
26 insured or resident spouse or resident
27 relative; or

1 (2) through being struck by a vehicle
2 owned by the named insured, or resident
3 spouse or resident relative.

4 Sec. 28.22.020. REQUIREMENTS OF POLICY. (a) A
5 policy is not effective under AS 28.22.010 unless it is
6 issued by an insurance company or surety company authorized
7 to do business in this state, except as provided in (b)
8 of this section, and unless it complies with the limit
9 requirements established in AS 28.22.010(c)(2).

10 (b) A policy is not effective under AS 28.22.010
11 with respect to a vehicle not registered in the state or
12 a vehicle that was registered in another jurisdiction at
13 the effective date of the policy or the most recent
14 renewal of it, unless the insurance or surety company
15 issuing the policy is authorized to do business in the
16 state, or if the company is not authorized to do business
17 in the state, unless it executes a power of attorney
18 authorizing the director of the Division of Insurance to
19 accept service on its behalf of notice or process in an
20 action upon the policy arising out of the accident.

21 Sec. 28.22.030. MOTOR VEHICLE LIABILITY INSURANCE
22 REQUIRED. (a) The operator or owner of a motor vehicle,
23 driven upon a highway, vehicular way or area, or other
24 public property in this state shall have motor vehicle
25 liability insurance that complies with AS 28.22.010 or a
26 certificate of self-insurance that complies with AS
27 28.20.400 in effect for the motor vehicle.

1 (b) A person involved in a reportable accident in
2 this state resulting in bodily injury to or death of a
3 person or damage to the property of any one person
4 exceeding \$500 must prove that a motor vehicle liability
5 policy was in effect for the motor vehicle involved in
6 the accident at the time of the accident.

7 (c) A person charged with or otherwise cited for a
8 moving traffic violation must prove that a motor vehicle
9 liability policy was in effect for the motor vehicle
10 operated at the time the charged violation occurred.

11 (d) A person who violates (a) of this section
12 commits a class B misdemeanor. Upon conviction the court
13 shall impose a fine of not less than \$250. The court may
14 not suspend the minimum fine imposed under this subsection.

15 (e) In addition to the fine required under (d) of
16 this section, the court shall impose the following sentence
17 on a person convicted of violating (a) of this section:

18 (1) for a person not previously convicted
19 of an offense under (a) of this section, suspension
20 of that person's driver's license for one year;

21 (2) for a person once previously convicted of
22 an offense under (a) of this section within 10 years,
23 suspension of the person's driver's license for not
24 less than one year nor more than two years with no
25 limited license privileges during the period of
26 suspension; and

1 (3) for a person twice or more previously
2 convicted of an offense under (a) of this section
3 within 10 years, suspension of that person's driver's
4 license for not less than two years with no limited
5 license privileges during the suspension and
6 forfeiture of the person's motor vehicle under AS
7 28.22.070.

8 Sec. 28.22.040. METHOD OF PROOF FOLLOWING A REPORTABLE
9 ACCIDENT. (a) A person involved in an accident required
10 to prove that a motor vehicle liability policy was in
11 effect pursuant to AS 28.22.030(b), shall within 15 days
12 of the accident:

13 (1) present a copy of the insurance policy, certifi-
14 cate, bond, or insurance binder to the Department of Motor
15 Vehicles for inspection; or

16 (2) provide the Department of Motor Vehicles with
17 written confirmation from an insurance company, insurance
18 agent, insurance broker or surplus lines broker confirming
19 that as of the time of the accident a valid motor vehicle
20 liability policy issued in conformity with AS 28.22.010
21 was in effect; or,

22 (3) advise the Department of Motor Vehicles that a
23 certificate of self-insurance is in effect.

24 (b) The Department of Motor Vehicles shall develop and
25 implement a program to spot check the veracity of the
26 documents filed as proof under this section.

1 (c) Knowingly providing false information required under
2 this section is a Class A misdemeanor.

3 Sec. 28.22.050. METHOD OF PROOF FOLLOWING A CHARGE
4 OF A MOVING TRAFFIC VIOLATION. (a) A person charged
5 with or otherwise cited for a moving traffic violation
6 described in AS 28.22.030(c) shall, at the time of
7 appearance in court, present written confirmation from
8 an insurance company, insurance agent, insurance broker
9 or surplus lines broker confirming that as of the time of
10 the charged violation, a valid motor vehicle liability policy
11 issued in conformity with AS 28.22.010 was in effect, or
12 advise the court that a certificate of self-insurance
13 issued by the Department of Motor Vehicles was in effect
14 and present a copy of the certificate.

15 (b) A person charged with or otherwise cited for a
16 moving traffic violation described in AS 28.22.030(c) who
17 elects to post bail in lieu of appearance in court, shall
18 present with the bail written confirmation from an insur-
19 ance company, insurance agent, insurance broker or surplus
20 lines broker confirming that as of the time of the
21 charged violation, a valid motor vehicle liability policy
22 issued in conformity with AS 28.22.010 was in effect, or
23 advise the court that a certificate of self-insurance
24 issued by the Department of Motor Vehicles was in effect
25 and present a copy of the certificate. The court shall
26 report any failure to present written confirmation
27 described in this subsection to the department.

1 Sec. 28.22.050. PROOF FOR THE FUTURE. (a) A
2 person who violates AS 28.22.030(a) must file proof of
3 financial responsibility for the future pursuant to AS
4 28.20.230 before the driving privilege may be restored or
5 before limited license privileges may be granted by the
6 court.

7 (b) A filing of proof of financial responsibility
8 under AS 28.20.230 shall be required for a period of
9 three years following expiration of the suspension of
10 license under AS 28.22.030(e).

11 Sec. 28.22.070. FORFEITURE OF MOTOR VEHICLE. (a)
12 After conviction of an offense under AS 28.22.030, if the
13 convicted person was twice or more previously convicted
14 within the last ten years of violating AS 28.22.030 or a
15 statute in another jurisdiction with elements substantially
16 similar to AS 28.22.030, the state may move the court to
17 order the forfeiture of a motor vehicle. Upon receipt of
18 a motion for forfeiture, the court shall schedule a
19 hearing on the matter and shall notify the state of the
20 time and place set for the hearing.

21 (b) After receiving notice of the time and place of
22 the hearing, the state shall provide to every person
23 who has an ascertainable ownership or security interest
24 in the motor vehicle written notice that includes:

- 25 (1) a description of the motor vehicle;
26 (2) the time and place of the forfeiture
27 hearing;

1 (3) the legal authority under which the motor
2 vehicle may be forfeited; and

3 (4) notice of the right to intervene to
4 protect the interest in the motor vehicle.

5 (c) At the hearing, a person who claims an ownership
6 or security interest in the motor vehicle must establish
7 by a preponderance of evidence that:

8 (1) the petitioner has an interest in the
9 motor vehicle acquired in good faith;

10 (2) a person other than the petitioner was
11 convicted of violating AS 28.22.030; and

12 (3) before parting with the motor vehicle, the
13 petitioner did not know or have reasonable cause to
14 believe that it would be used in the commission of
15 an offense.

16 (d) If a person satisfies the requirements of (c)
17 of this section, the court shall order that an amount
18 equal to the value of the petitioner's interest in the
19 motor vehicle be paid to the petitioner from the proceeds
20 of the sale of the motor vehicle, or shall order that the
21 motor vehicle be released to the petitioner together with
22 title to the motor vehicle.

23 (e) Upon forfeiture of a motor vehicle, the court
24 shall require the surrender of the registration and
25 certificate of title of that motor vehicle for delivery
26 by the court to the Department of Motor Vehicles unless
27 the title is released to a petitioner under (d) of this
28 section.

1 (f) If not released under (d) of this section, a
2 motor vehicle forfeited under this section may be disposed
3 of at the discretion of the department.

4 * Sec. 5. AS 28.20.390(3), AS 28.20.490 and
5 AS 21.89.020 are repealed.

6 * Sec. 6. This Act takes effect January 1, 1985 and
7 its provisions apply to policies issued, replaced or
8 renewed subsequent to that date.



Traffic Safety Update

JAN 30 1984

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Compulsory Insurance...a Simple Law?

The rationale for compulsory insurance could not be simpler - require every vehicle to be covered by a liability insurance policy.

Simple? Apparently not!

Currently, 34 states and the District of Columbia have some form of compulsory insurance statute. None of these states can report every automobile on the roads and streets within their jurisdiction as being insured.

The simplicity of compulsory insurance ends before it begins. What would it take to administer a law that would require everyone to have insurance on every vehicle every day of the year? How would it be enforced? What would be the expense?

Some states have attempted to administer a compulsory insurance law by requiring a motorist to give "self-certification" insurance information prior to being issued registration. The motorist gives the name of the insurance company, policy period, and policy number. The state may verify as high as 10 percent to test the insured's status. Room for error? Certainly. A motorist gives false information and has only one chance in ten of being discovered.

States that administer a compulsory insurance law requiring insurance companies to issue the motorist an I.D. card have their share of problems. The motorist can cancel the policy the day following the issuance of registration while retaining possession of the I.D. card. The motorist can also keep the I.D. card if the policy lapses. In addition, the I.D. cards can be "created" and the fraudulent cards used to purchase registration. The fraudulent card is likely to go undetected until someone verifies the validity with the insurance company. As with "self-certification," the highest rate verified by any state is 10 percent, while some states do not verify any of the information they receive.

Any attempt to administer compulsory liability insurance is expensive. It is expensive to the state and it is expensive to the insurance industry. In New York state, the annual cost to administer their compulsory insurance statute is estimated to be in excess of \$10 million. Any expense, naturally, is passed on to the motoring public

through taxation and increased insurance premiums. Even with compulsory statutes, most states continue to administer a financial responsibility law to determine the insurance status of a motorist who has been involved in an accident.

Financial responsibility laws and compulsory insurance laws came into existence in the mid-1920's. The financial responsibility law requires a motorist who has been in an accident to show that he has financial means to compensate his victims. Most motorists establish their financial responsibilities by carrying a liability policy. A motorist can also establish financial responsibility by depositing a security up to a specified limit. The failure of a motorist to establish financial responsibility after an accident usually results in suspension of the driver's driving privileges and the owner's registration privileges.

Opponents of compulsory insurance see several advantages in financial responsibility laws. These laws do not require insurance before vehicles can be licensed. They are aimed at drivers who cause accidents, not at every driver in the state. They do not make it a crime to drive without insurance - most compulsory insurance laws make driving without insurance a misdemeanor. The cost to administer a financial responsibility law is much less than compulsory laws.

A well-administered financial responsibility law is as effective as a compulsory law. Why spend large amounts of money attempting to administer a compulsory law that will harass the motoring public? Most drivers in states with financial responsibility laws carry liability insurance and, in addition, usually carry uninsured motorist and medical payment coverage to protect themselves if involved in an accident with an uninsured motorist.

It is clear that compulsory insurance requirements have failed in their attempts to force all motorists to buy liability insurance. Most states with compulsory statutes require insurance companies doing business in that state to offer uninsured motorist coverage. Why? Not all vehicles carry liability insurance.

Compulsory insurance statutes cannot be termed simple law.



BEST'S INSURANCE MANAGEMENT REPORTS

Property/Casualty
Release No. 32
December 5, 1983



A.M. Best Company
Oldwick, N.J. 08852
201-439-2200

Financial News | Washington Review | Perspectives | **On-Line Reports**

1982 Average Private Passenger Automobile Insurance

Last year in the United States, approximately 147,968,000 drivers paid \$36,620,824,000 in premiums to insure themselves, third parties and almost 123 million automobiles against collision, personal injury, theft and the inevitable litigation springing from these various misfortunes of the road.

Using 1980 census estimates which put total U.S. population at 226,504,825, Americans now have, statistically, well over one car for every two individuals at their disposal. Although the country cannot yet claim an automobile for each licensed driver, the .83 car/driver ratio in 1982 reflects the long-standing fascination with private car ownership that Henry Ford envisioned over 60 years ago.

Most drivers are conscious of the fact that premiums paid for necessary insurance coverage vary widely from state to state. Cost is not directly related to amount of coverage, but

rather has to do with the individual state's particular body of laws that deals with the complicated process that takes place between the filing and paying of claims. Thus, in 1982, drivers in Alabama paid an average premium of \$190.55, while in New Jersey, comparable insurance cost owners \$455.80 per year.

The national average automobile premium in 1982 was \$298.30, up from \$274.79 in 1981. This is an increase of 8.6%, the highest percentage gain since 1977 and almost double the 4.6% increase from 1980 to 1981. The graph presented here shows the steady rise in average policy costs.

On this page is a table that shows average automobile premiums by state, ranked from the highest to the lowest premium paid. Although there was shifting back and forth within the ratings for almost all states, most changes were

continued

Average Automobile Premiums
(Ranked highest to lowest)

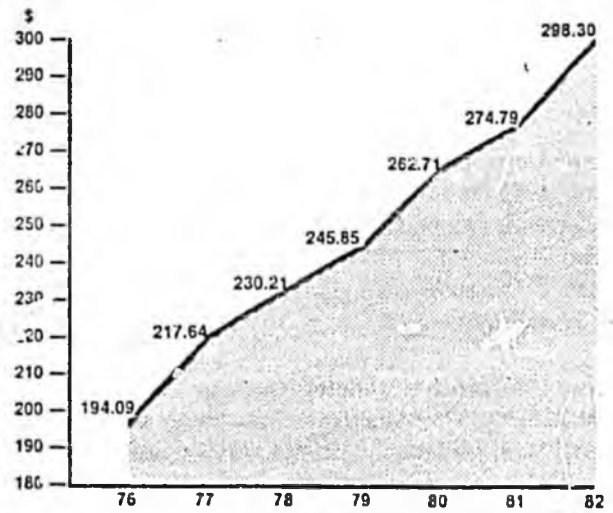
1982		\$	1981	\$	1982		\$	1981	\$
		Amount		Amount			Amount		Amount
1	New Jersey	455.80	1	411.90	27	Florida	264.07	37	233.99
2	Massachusetts	387.49	5	338.82	28	Missouri	263.56	21	258.39
3	New York	384.81	3	351.52	29	Vermont	261.38	29	246.72
4	Nevada	384.44	2	380.15	30	Arkansas	259.51	46	210.96
5	Louisiana	368.59	4	348.06					
6	California	358.29	7	335.91	31	New Hampshire	256.93	36	234.12
7	Pennsylvania	357.98	8	318.74	32	Georgia	255.53	28	247.12
8	Alaska	354.09	6	335.93	33	Virginia	252.63	40	228.70
9	West Virginia	344.69	22	258.22	34	Montana	252.21	25	254.14
10	Hawaii	343.99	13	290.57	35	Oklahoma	251.52	35	235.15
11	Dist. of Columbia	328.50	24	255.57	36	Utah	251.00	31	244.85
12	Maryland	318.47	11	295.71	37	Nebraska	247.28	5	243.52
13	Texas	310.40	33	243.29	38	North Dakota	241.22	34	237.03
14	Michigan	307.01	9	300.70	39	Maine	240.91	39	231.99
15	South Carolina	306.19	16	277.20	40	Idaho	231.25	38	232.14
16	Connecticut	305.80	10	295.28	41	New Mexico	229.86	30	246.51
17	Arizona	301.53	12	291.11	42	Wisconsin	229.64	42	226.46
18	Rhode Island	300.99	17	271.21	43	Iowa	229.05	45	224.14
19	Delaware	296.42	14	280.95	44	Indiana	226.51	41	228.61
20	Illinois	291.62	20	262.51	45	Kentucky	226.24	43	225.73
21	Oregon	291.17	18	270.42	46	Ohio	226.19	44	224.25
22	Colorado	287.00	26	253.80	47	Mississippi	211.52	47	211.35
23	Minnesota	285.59	15	278.97	48	North Carolina	210.72	49	193.87
24	Washington	282.71	19	264.41	49	South Dakota	201.14	48	197.24
25	Kansas	265.89	27	252.15	50	Tennessee	194.58	51	183.85
26	Wyoming	264.29	23	257.56	51	Alabama	190.55	50	187.14
						National Average	298.30		274.79

Automobile Premiums *continued*
 within a relatively small range. Outstanding exceptions are Texas, whose average premium rose sharply enough to bring it from 33rd in cost up to 13th. This apparent large increase, however, is mainly the result of a state compulsory insurance law that went into effect in January, 1982, resulting in a larger number of drivers contributing to the total premium pool. Arkansas went from 46th to 30th in the expense standings, and West Virginia and District of Columbia rose 13 places each.

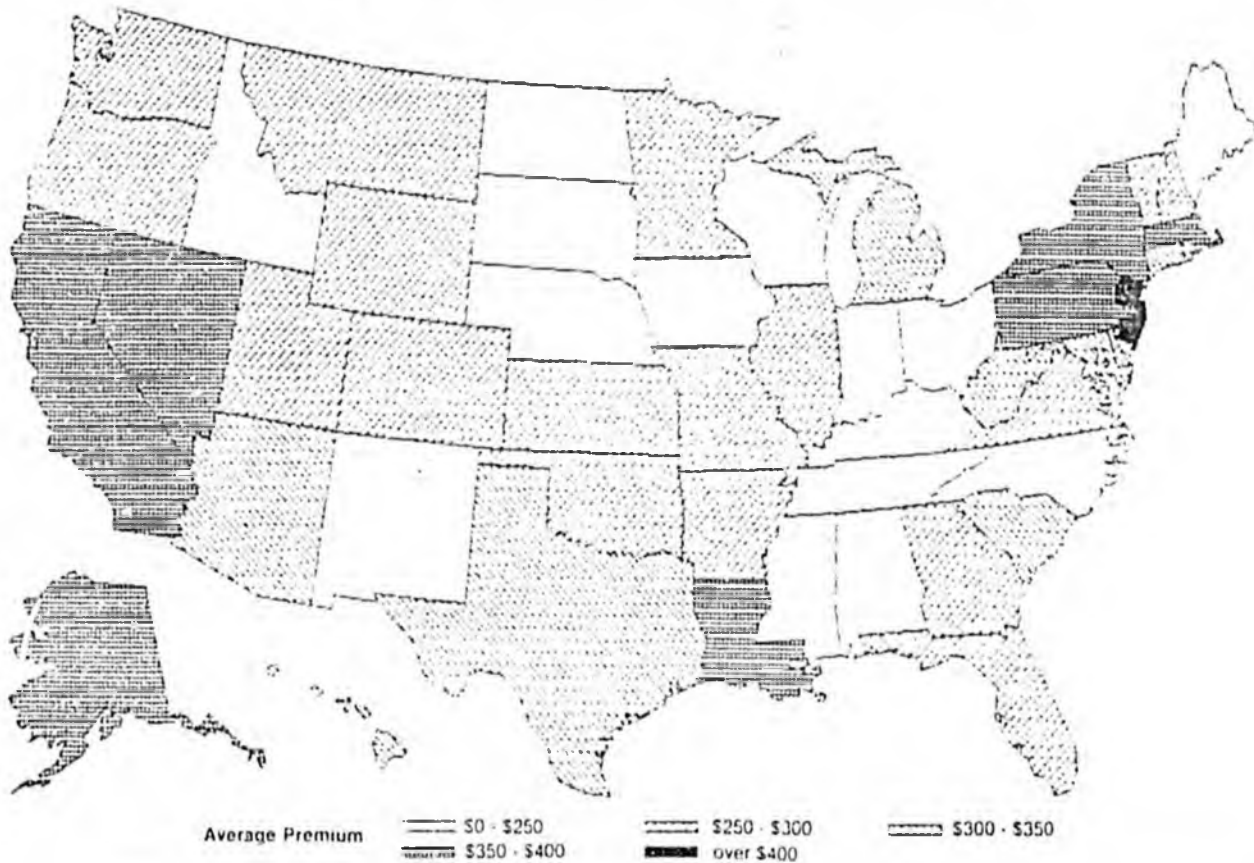
The state of New Mexico reduced auto insurance enough to drop from 30th to 41st in premium cost.

The statistical data upon which these figures are partially based was extracted from a *Best's Executive Data Service* annual study, which makes available total direct premiums written by state in the private passenger line. The number of auto registrations used (122,763,369) is slightly inflated as the Federal Highway Administration includes commercial vehicles, mainly taxicabs (but not trucks or buses), in its tally of private automobiles.

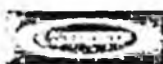
**Average Auto Premiums
 1976 - 1982**



1982 Average Automobile Premiums By State



A.M. Best Co. Datacenter is the source for the statistical exhibits in *Best's Insurance Management Reports*.



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Alaska State Legislature



Speaker of the House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

MEMORANDUM

June 25, 1983

To: All Senators

From: Rep. Joe Hayes
Speaker of the House *J. Hayes*

Re: DHSS MEMO/ Cost of uninsured drivers

*counter-
argument
by Dept
attached*

During the hearing process on HB 7/ auto liability insurance, my office was contacted by the Department of Health and Social Services. Spokesmen for the department indicated that hundreds of thousands of dollars are paid annually to the victims of uninsured motorists. I have attached a memo from Rod Betit: Director, Division of Public Assistance.

He outlines 5 typical examples of victims of uninsured drivers. While the Senate Labor and Commerce Committee spent much time reviewing alternatives, the approach proposed by the Committee to solving this problem would not help all of these victims.

Our current law only requires insurance after someone has become a victim of an irresponsible driver. The Senate L&C version makes no changes to that policy while the House version would change that philosophy to require insurance prior to registration or renewal of registration.

32 other states have passed similar legislation. I encourage you to consider passage of legislation substantively similar to the House version of HB 7.

Thanks

To: Rod Betit
Director
Division of Public Assistance

From: Henry Jeske
Collections Manager
Medical Review

Date: May 25, 1983

SUBJECT: Medical Assistance Required Because of Uninsured Motorists.

In response to your inquiry of Medical Assistance needs related to uninsured automobile drivers and owners I am providing you with this report of the TPL office involvement within this area.

It has been the experience of the Public Assistance TPL office during the last four years that the State of Alaska does pay a significant amount of public assistance for individuals who have been injured by uninsured automobile owners or drivers who are determined to be liable to the injured recipient. A difficulty of providing statistics in this area, however, is inherent in that this office normally has not been made aware if the past of uninsured accident cases requiring medical assistance. As there was little probability of obtaining any recovery, they were never investigated. The current system, though, does investigate all injury related medical assistance over \$500.00 for possible third party liability and statistics for automobile injury medical care needs will be available in the future.

There are enough past "vivid" examples of the need for public assistance brought about because of uninsured motorists, however, that they should be described in this report for purposes of providing evidence that there is significant cost to the public due to the State having inadequate requirements of liability and medical insurance for automobile owners and drivers. The cases listed below are accidents which have been investigated by this office within the last two years for third party liability.

1. Pedestrian hit and dragged by automobile. Driver of vehicle cited for DWI. No insurance. Cost to medical assistance was \$30,000.00.
2. Taxi-driver was hit head on by uninsured driver and owner. Cost of medical assistance exceeds \$120,000. Future cost of medical care and public assistance may be substantial.

3. An individual injured when his car was struck by another car which ran a stop light. Insurance was available for \$50,000, but inadequate for \$150,000 medical cost to date. Cost to public is \$100,000 medical assistance plus substantial medical care and public assistance in the future.
4. Individual was passenger in a vehicle driven and owned by uninsured driver. An accident in which driver was cited resulted in injury leaving passenger paralyzed for life. Cost exceeds \$50,000.
5. Teenager on motorcycle hit by camper truck pulling boat. Driver of the vehicle was uninsured. Due to no insurance, the accident was never properly investigated for possible liability. Injured party has been in a coma since July 5, 1980 accident. Medical assistance cost to date exceeds \$100,000.

I regret not having a more comprehensive compilation of statistics in this area. Past concentration on recovery probabilities, though, precluded accumulation of information on Medicaid paid victims of uninsured motorists that were recoverable by this office.

* * * * *

From Don Lock

MEMORANDUM

State of Alaska

TO: **Red Betit**
Director
Division of Public Assistance

DATE: **May 25, 1983**

FILE NO:

TELEPHONE NO

FROM: **Henry A. Jeske**
Collectibles Manager
Medical Review

SUBJECT: **Medical Assistance**
Required Because of
Uninsured Motorists

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Rod Betit
May 25, 1983
Page 2

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I regret not having a more comprehensive compilation of statistics in this area. Past concentration on recovery probabilities, though, precluded accumulation of information on Medicaid paid victims of uninsured motorists that were unrecoverable by this office.

Addendum:

A Mr. Donald Koch, Chief of Market Surveillance, Division of Insurance, came to my office May 23, 1983, to discuss a comment attributed to Jeff Day during legislative hearings on HB 7 that I had telephoned Jeff Day and informed him that there were one and a half million dollars of medical assistance provided parties injured by uninsured drivers and that a portion of that is to be recovered. Wrong! I telephoned Jeff Day with a question of whether the cost of medical assistance required because of uninsured motorists had been discussed in the deliberations of HB 7. He informed me that it had not and that he was glad to be aware of this cost area. The million and a half figure during our discussion pertained to my receivables in all areas of TPL when I described my job functions in response to his question of what I did for DPA. My original inquiry regarding HB 7 resulted from interest that passage of this bill would assist with medical assistance cost avoidance. I also informed Jeff Day that if he needed specific data that he would have to contact Bob Oyden and/or yourself for instructing the TPL office to extract this information from files.

cc: Karen Martz
Brent Miner

M E M O R A N D U M

TO: Honorable Richard Eliason
Chairman, Senate Labor and Commerce Committee

FROM: Michael T. Thomas
American Insurance Association

DATE: June 22, 1983

RE: Constitutionality and Fairness of Sen CS for
CS for SS HB 7 (L+C)

The current CS for HB 7 would require purchase of liability insurance as a condition of registration of a car. Where registration is not required, because the car is located and driven in an area not connected to the State road system, insurance would be required. In addition, the bill would now authorize exemption from the insurance requirement if a car is to be operated in communities accessible to the connected state highway system by the State ferries, except seven named communities.

As you know from the June 21 hearing, it is unclear whether all communities not connected with the rest of the State by highway - Nome, Kotzebue, Barrow, Bethel and others - are legally exempt from registration. Apparently enforcement of registration has been suspended in Kotzebue, and perhaps elsewhere. The question of registration may not be critical, in and of itself; but HB 7 would require a several hundred dollar insurance payment, not a \$30 registration fee. More important, criminal sanctions and presumptive sentencing would follow on whether registration is or is not required.

My initial conclusion is that the committee substitute proposed on June 21 raises substantial constitutional questions of two kinds. First, it appears to violate Article I, Section 1 of the State Constitution, which guarantees to all persons "equal rights, opportunities and protection under the law." It does that by treating persons in different communities differently, in a law having criminal sanctions, without the kind of substantial justification that our Supreme Court would require. Second, the law raises questions of unconstitutional vagueness, inasmuch as citizens are not reasonably able to determine from the face of the law whether they are excused from its obligations.

The modern standard for review of equal protection claims under the State Constitution was stated in State v. Erickson, 574 P.2d 1, 12 (Alaska 1978):

"Initially, we must look to the purpose of the statute, viewing the legislation as a whole, and the circumstances surrounding it. It must be determined that this purpose is legitimate, that it falls within the police power of the state. Examining the means used to accomplish the legislative objectives and the reasons advanced therefore, the court must then determine whether the means chosen substantially further the goals of the enactment. Finally, the state interest in the chosen means must be balanced against the nature of the constitutional right involved.
[footnotes omitted]

Without doing an exhaustive analysis, it appears that the means chosen by the bill - requiring insurance in all major communities and in all communities inter-connected by road - do not substantially advance the stated objective of the legislation. The Declaration of Purpose in Section 1 states that:

The legislature is concerned over the rising toll of motor vehicle accidents and the suffering and loss inflicted by them. The legislature determines that it is a matter of grave concern that motorists be financially responsible for their negligent acts so that innocent victims of motor vehicle accidents may be recompensed for the injury and financial loss inflicted upon them. The legislature finds and declares that the public interest can best be served by the requirement that the owner of a motor vehicle be required to furnish evidence of the existence of a motor vehicle liability policy ...

Assuming for discussion that passing legislation requiring insurance would guarantee recompense to victims of accidents (which as you know we doubt), it is difficult to see how enforcing the obligation (or criminal sanctions) on citizens in Spenard, Minto, Cordova and Wrangell, but not on citizens in Kotzebue, Nome, Dillingham or Yakutat, can be justified. (A list of other examples is attached). There are cars, and highways, and accidents, and victims, in all of those places. Working poor people in all of those places need their vehicles. Yet people in one group of towns face presumptive sentences if they don't buy insurance, and

people in the other towns get none of the asserted benefit of the law even if they themselves choose to buy liability insurance.

The vagueness problem comes about because of the uncertainty over registration. Could any legislator voting for this bill tell a constituent from Nome or Bethel, or any isolated community with state-built and maintained roads, whether the law applied? The inability to know the answer voids the law. Poole v. State, 524 P.2d 286 (Alaska 1974); Brown v. Municipality of Anchorage, 584 P.2d 35 (Alaska 1978).

It is clear that the law would be challenged, since prosecutions would be brought under it.

We would also suggest that the bill is unfair and somewhat illogical. In an attempt to accomodate poor drivers in certain villages, it treats them very differently from poor people in other parts of the state. It also treats victims of accidents differently, depending upon where they are when they are injured. Finally, to the extent the bill does exempt poorer citizens, it is counter-productive, since people without assets are the ones who must have insurance if they are to respond in damages. Making people with assets buy insurance does not advance the bill's stated purpose.

We are willing to undertake a more extensive analysis of the constitutional problems if it would be helpful. We have not addressed the question of whether this would be considered a "local or special act," and thus violate Article II, Section 19 of the Constitution, for example.

Insurance
Required

Insurance
Not Required

Situation
Unknown

(Partial list - For Illustrated Purposes Only)

Minto
Eagle
Manley Hot Springs
Circle
Livingood
Talkeetna
Delta
Cantwell
Paxson
Sutton
Copper Center
Anchor Point
Seward
Copper Landing
Cordova

Craig
Klawock
Hydaburg
Cold Bay
Dutch Harbor
Dillingham
Angoon
Hoonah
Whittier
Kotzebue
Port Lions
Afognak

Barrow
Nome
Bethel
Yakutat
Whittier

**TITLE 17.
TRANSPORTATION
AND PUBLIC FACILITIES**

Chapter

- 5. Administration
(17 AAC 05.010-17 AAC 05.020)
- 7. Regulations for Professional Services
Contracts
(17 AAC 07.010-17 AAC 07.900)
- 10. Engineering: Encroachments,
Driveways, and Road Approaches
(17 AAC 10.010-17 AAC 10.050)
- 15. Utility and Railroad Permits
(17 AAC 15.010-17 AAC 15.901)
- 20. Maintenance
(17 AAC 20.010-17 AAC 20.040)
- 25. Operations, Wheeled Vehicles
(17 AAC 25.010-17 AAC 25.110)
- 30. North Road Operations
(17 AAC 30.010-17 AAC 30.070)
- 40. Aviation
(17 AAC 40.010-17 AAC 40.550)
- 50. Buildings (17 AAC 50.010)
- 70. Marine Transportation
(17 AAC 70.010-17 AAC 70.230)
- 80. Water and Harbors
(17 AAC 80.010-17 AAC 80.110)

**CHAPTER 05.
ADMINISTRATION**

Section

- 10. Alaska Highway System
- 20. Commissioner's deed

17 AAC 05.010. ALASKA HIGHWAY SYSTEM. (a) A highway system consisting of such facilities as the commissioner may designate shall be known as the "Alaska Highway System."

(b) The Alaska Highway System shall be compiled in a list and published for public information in a suitable manner and shall contain the following:

- (1) the name common to or designated for the facility;
- (2) its numerical designation, if any;
- (3) its beginning and terminal points; and

(4) its general route by denoting principal settlements and landmarks along its course.

(c) Maps and other identifying documents may be inspected at district and headquarter offices located at Anchorage, Fairbanks, Juneau, Nome and Valdez.

(d) The Alaska Highway System shall become official upon a declaration of adoption by the commissioner, and no revision, addition, or deletion to it may become effective without a similar declaration, except by law; official maps of the system shall be made available at cost.

(e) The provisions of this section relating to the adoption of the Alaska Highway System do not apply to minor adjustments, revisions, or relocations to it so long as the general location, route, and termini remain substantially unchanged and the class of the highway is not altered.

(f) The Alaska Highway System may include both present and future routes, provided that the latter are suitably distinguished from the former upon all maps, and in all recommendations and declarations. (Eff. 6/25/69, Reg. 30; am 9/3/72, Reg. 43)

Authority: AS 19.05.020
AS 19.10.020

17 AAC 05.020. COMMISSIONER'S DEED. Whenever any real property, or interest therein, shall have been acquired by or transferred to the state through inadvertence or mistake in connection with highway purposes, the department shall prepare and submit a deed signed by the commissioner reconveying the right, title, or interest acquired. However, the reconveyance may not be executed until the state has been repaid the consideration, if any, for the acquisition or transfer. (Eff. 6/19/69, Reg. 30; am 9/3/72, Reg. 43)

Authority: AS 19.05.020
AS 19.05.040

MEMORANDUM

June 23, 1983

SUBJECT: Comments on the American Insurance Association's June 22, 1983 memorandum on constitutionality and fairness of the revised section 7 of the June 22 draft of SCSCSSSB 7

TO: Senator Richard I. Eliason
Chairman, Labor and Commerce Committee

FROM: Richard C. Folta
Legislative Counsel

You have asked for a response to the memorandum of Mr. Thomas on the above bill.

Under the Poole and Brown cases cited in the memorandum, it is my opinion that the section is not void for vagueness. The term "connected state highway system" is not uncertain and owners of motor vehicles are able to ascertain whether registration is required under the present law. The cases above define a vague statute as when "its indefinite contours confer unbridled discretion on government officials and thereby raise the possibility of uneven and discriminatory enforcement". At the present time 17 AAC 05.010 provides the procedure for the determination of what highways are in the state highway system and the adoption of an official map by the commissioner. The list and map are readily available to the public. Whether highways are connected to the state highway system are obvious from a look at the map. Very little discretion is exercised by the commissioner because the designation of state highways is usually self evident.

The equal protection argument raises more serious questions in my view. There is no doubt that the purpose of the legislation, that is the requirement for mandatory motor vehicle liability insurance, is a legitimate purpose.

It is constitutionally permissible for the legislature to create two classes of motor vehicle owners; one requiring

Senator Richard I. Eliason

Page 2

June 23, 1983

insurance and the other not, if the distinction is reasonable. With the use of the official state highway map, a motor vehicle owner can determine if he or she is in a community where registration or mandatory insurance coverage is required. The issue arises when the question is asked if the purposes of the mandatory insurance act are substantially furthered by placing isolated villages like Bethel or Nome, with a significant number of vehicles, in a non-mandatory insurance classification. Without factual data to substantiate the reasonableness of the two classifications, I would agree with Mr. Thomas. Section 7 of the bill would likely fail a judicial equal protection examination, in my opinion.

Enclosure

RCF:lmb

L2/074



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

DATE: June 21, 1983

TO: Senator Dick Eliason
Chairperson, Labor and Commerce Committee
attn: Laura Flemming

FROM: Senator Jay Kerttula
Senate President

RE: The costs of un- and under-insured motorist protection as
an alternative to compulsory auto insurance in HB 7.

The attached material was recently received in my office. I am
forwarding it to you for the perusal of you and your committee.

Attachment

JMK:jdk

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

JUN 18 1983

ATTORNEYS AT LAW

210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
TELEPHONE (907) 586-5912

JOHN C. HUGHES
OF COUNSEL

509 WEST THIRD AVENUE
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7122
CABLE ADDRESS: DEN/ 1
TELECOPIER: 274-7523
TELEX: 090-26367

590 UNIVERSITY AVE., SUITE 200
FAIRBANKS, ALASKA 99701
TELEPHONE (907) 479-3161
CABLE ADDRESS: DENALI
TELECOPIER: 479-8478

200 CHENEGA STREET
P.O. BOX 767
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2986

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP*
KENNETH P. JACOBUS
GARY W. GANTZ
JERRY E. MELCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
DENNIS M. BUMP*
MARY K. HUGHES
FRANK A. PFIFFNER
RALPH R. BEISTLINE*
GORDON J. TANS***
R. CRAIG HESSER
ROBERT L. MANLEY
JAMES M. GOPSKI
TIMOTHY R. BYRNES

JAMES M. SEEDORF
RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASSEN
KENNETH D. LOUGEE*
KENNETH F. BRITTAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHERLAND
CRAIG A. CARLSON
JAMES E. RAMSEY
JOSEPH S. SLUSSEY*
LESLIE A. MORRILL
JOHN B. THORSNESS
JAMES R. SZENDER
GAIL M. BALLOU*
GREGORY W. LESSMEIER*

June 17, 1983

* FAIRBANKS OFFICE
** JUNEAU OFFICE
*** VALDEZ OFFICE

The Honorable Jalmar Kerttula
Alaska State Senate
Pouch V
Juneau, AK 99811

RE: HB 7
Compulsory Insurance

Dear Senator Kerttula:

On behalf of Allstate Insurance Company and State Farm Insurance Company we enclose herewith a copy of the written testimony we offered to the Labor and Commerce Committee on June 8, 1983. Since we do not know if we will have an appropriate opportunity to address you on this issue, we did want to provide this written testimony to you.

One of the issues that has been discussed at the various hearings on compulsory insurance concerns the expected cost of the alternatives to compulsory insurance, those being a compulsory offer of uninsured motorist coverage and a compulsory offer of under-insured motorist coverage. State Farm estimates that uninsured motorist coverage, for the average policyholder, is presently in the area of \$8.00 semi-annually for coverage which meets the present minimum level of financial responsibility. To increase this coverage to the level set forth in the bill before you would result in an expected semi-annual premium increase for the average policyholder of approximately \$1.90. State Farm estimates the cost of under-insured motorist coverage, in the amount set forth in the bill before you, to be approximately \$12.00 annually for bodily injury and \$10.00 annually for property damage. We clearly feel the expected cost of these alternatives is most reasonable.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

The Honorable Jalmar Kerttula

-2-

June 17, 1983

One of the other issues that has come up at the various hearings concerns the administrative cost of enacting such a bill. Although we do not have precise figures as to the cost of the additional paperwork, we can give you some idea of the volume of paperwork one might expect to be generated as a result of this bill. For example, in May of 1983, Allstate in Alaska sent approximately 1,600 cancellation notices, but only terminated coverage for approximately 100 people. If this is projected over an entire year, it would mean that Allstate will be sending out approximately 19,000 cancellation notices and terminating about 1,200 people. Given the fact that in 1981, Allstate had approximately 19.3 percent of the Alaska market, you can see that the volume of paperwork that will probably be generated if this bill is passed will be staggering.

We thank you for the opportunity to provide this material to you.

Sincerely,

HUGHES THORSNESS GANTZ POWELL
& BRUNDIN

By:



Michael L. Lessmeier

Enclosure

MLL/sw

Alaska State Legislature



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

MEMORANDUM

June 16, 1983

To: Senator Dick Eliason
Chairman
Senate Labor and Commerce Committee

From: Jeff Day *Jeff Day*
Assistant to the Speaker

Re: HB 7 information

Though I realize you probably have been inundated with information on this bill, I have attached a few more items for consideration in anticipation that you will act favorably on this needed legislation.

First, a few comments are in order relating to a chart that was passed out at the last meeting purporting to show that insurance rates in compulsory insurance states have risen faster than premiums in non-compulsory states. The chart, in my opinion, is very misleading for a variety of reasons.

1. 3 of the states listed as compulsory states (Maryland, Oregon and South Carolina) are no fault states not simple liability. Mr. Thomas testified that he believed none of the states listed were no-fault. HB 7 deals with liability and not no fault.
2. At least 3 of the states listed as non compulsory have since passed compulsory laws. (Texas, Indiana, West Virginia) This would seem to indicate that such a law was desired by these states despite the information on this chart. Research has indicated that at least 8 of the states listed as non compulsory states have seriously considered enactment of compulsory legislation and are still considering it.
3. California, listed as a compulsory state, really has little more than a stricter financial responsibility law and is not considered a truly compulsory state. It is misleading to use this state as a typical example of

how rates might increase under a compulsory law.

4. This chart is the one I testified about in the previous meeting when I stated that the group that prepared it, the National Association of Independent Insurers, also included 2 caveats that Mr. Thomas neglected to mention. The NAII also stated that:

Comparing the increase of insurance premiums before and after passage of a compulsory insurance law is not a reliable indication of the affects of compulsory insurance on insurance rates.

The study that resulted in this chart also stated that the approach in determining rate differences may be subjected to criticism because of "possible flaws" in the approach the Association used.

For all of these reasons, I am very skeptical of this chart and of much of the information distributed by the insurance industry. I would urge the committee to examine these facts carefully.

I have also attached some miscellaneous research notes from my files which may answer some of the questions and testimony presented by the insurance lobbyists at the last meeting.

Thanks for your effort and consideration on this legislation. I know this is a very complicated subject. Please feel free to contact me for any further information if desired.

cc: Senator Pat Rodey
Senator Joe Josephson
Senator Bob Mulcahy
Senator John Sackett
Senator Fritz Pettyjohn

Misc. Research Notes

-2-

Philadelphia Enquirer 2/18/81

Philadelphia's law requires coverage using both liability and no fault. Article noted that University of Virginia law professor Jeffrey O'Connell was a pioneer in creating the concept of no fault.

NEVADA Interviews from 3/12/83

Charles Knaus....Division of Insurance
Dave Lawson Registration 702-885-3252
Bruce Glover Drivers Licensing

No fault law enacted in 1974 was repealed in 1980 but a mandatory law is still on the books. Requires signature on affidavit at time of registration. Companies must issue cards which are requested as proof at random stops. If person can provide proof..no charge. If not they must present proof to court. If no proof they face a fine of \$100-\$500. License and registration are revoked until proof of insurance for next three years is proven. Lawson estimates 10% uninsured of 790,000 vehicles.

Glover "Yes I do feel the law has worked because it forced more people into buying it."

Lawson "If we didn't have anything, we would probably have more outcry. I think we have what the public wants." Noted that DWI and insurance laws go together,

Knaus says that showing proof at time of registration was repealed because "that's the way powerful people wanted it to be." Lawson said he believed after this session that requirement would be reinstated for first time registrations only because that's where the problem usually is. Knaus added that any discussions to repeal mandatory law never got to the point of serious legislation.

Random sampling is used similar to Oregon law.

INTERVIEW 2 with Knaus and Lawson 5/28

KNAUS- said over a period of time compulsory insurance would stabilize rates or cause them to go down for preferred rate customers. He did add it could cause rates for some bad drivers to increase. However he said as more people become insured it will tend to lower both uninsured motorist and collision rates since the insured driver is already subsidizing the uninsured indirectly thru higher collision insurance rates. For example in many instances it's hard to tell who's at fault in an accident. If a person is hit by an uninsured motorist, the insured persons collision insurance would end up paying.

He said he believes 7-10% of the collision premium was due to the uninsured motorist who would have paid via liability insurance if it had been in effect.

He said that insured drivers will end up subsidizing uninsured one way or another by doing so in the pool or by paying higher collision rates. He also noted that the more insureds a company has that fit certain underwriting costs..the more predictable results tend to be and the assigned risk pool population will tend to work into the regular market as potential costs for insurance companies become more predictable.

He also said that Nevada's AR pool is small..about 1000 people. He said the law becomes more effective over time as it becomes a training program to get people in the habit of buying insurance and over time you convert most people. He said it is effective in cutting down the uninsured population but it also depends on how the law is enforced.

He also noted that the difference between 25/50/10 and 50/100/25 in Nevada amount to 10% or a raise from \$49 to \$54. He noted that most cars are worth more than \$10,000 and those people carrying minimum insurance are already forcing others to pay more to make a car whole after an accident thru collision. He speculated that if minimums were raised there would be few cars that could not be made whole via liability thus reducing the burden on the insured person's collision premium. So in effect some of those now carrying higher limits might see a slight reduction. Granted, this would be small.

LAWSON: believes that such a law does get the marginal people and has some positive effect. 2 years ago there was a belief that 40% were uninsured and now it's 10%.

MONTANA

Tanya Aske..I have received a letter indicating the law and that the insurance commissioner does not feel there has been any increase in rates as a result of the law.

MAY 27, 1983

Wyoming Larry Elson Insurance 307 777 7401
 Larry Pittman DMV 777 7961

Elson guess the rates had gone up about an aveage of 25%. However he said there are no more accidents than before the law was enacted but the severity of the accidents have increased. He added he felt the compulsory law had no effect at all on premiums. He added he didn't believe the insurance companies even considered it in setting rates.



Speaker of the House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

The following states have mandatory insurance laws. Some are no-fault while others are liability or a combination of the two.

ARIZONA
CALIFORNIA
COLORADO
CONNECTICUT
DELAWARE
FLORIDA
GEORGIA
HAWAII
IDAHO
INDIANA
KANSAS
KENTUCKY
LOUISIANA
MARYLAND
MASSACHUSETTS
MICHIGAN

MINNESOTA
MONTANA
NEVADA
NEW JERSEY
NEW MEXICO
NEW YORK
NORTH CAROLINA
NORTH DAKOTA
OKLAHOMA
OREGON
PENNSYLVANIA
SOUTH CAROLINA
TEXAS
UTAH
WEST VIRGINIA
WYOMING



STATE OF MONTANA

OFFICE OF
E. V. "SONNY" OMHOLT

STATE AUDITOR
COMMISSIONER OF INSURANCE
SECURITIES COMMISSIONER
CENTRAL PAYROLL SYSTEM

HELENA, MONTANA 59604

May 31, 1983

Mr. Jeff Day
c/o Speaker of the House
Pouch V
Juneau, AK 99811

Re: Mandatory Auto Liability Insurance

Dear Mr. Day:

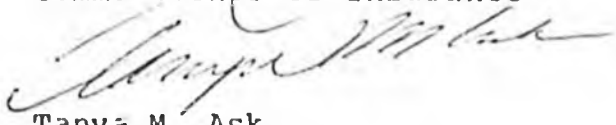
Enclosed are copies of the Mandatory Liability Law and other laws within that chapter that may be of help. I was in error. The 1979 Legislature enacted the mandatory laws.

Our Chief Deputy Insurance Commissioner felt there had been no impact on rates caused by this legislation.

Mr. Larry Majerus is the Administrator for the Motor Vehicle Division, Department of Justice. His number is (406) 449-3000.

Sincerely,

E. V. "SONNY" OMHOLT
State Auditor & Ex Officio
Commissioner of Insurance


Tanya M. Ask
Paralegal

TMA/me
Encl.

Automobile insurance

Dear Editor:

The uninsured motoring population in Alaska is estimated at 40 percent of 400,000 registered vehicles. The Insurance Division's 1982 report firmly stated that this figure was the most accurate available. This number of uninsured is unacceptable.

The House recently passed legislation which would require drivers to have insurance. While I do not assume that a compulsory law will result in 100 percent compliance, I am certain it will go a long way towards reducing the number of uninsured drivers and providing the public with a greater chance of compensation from an accident.

Thirty-two states have enacted some form of compulsory insurance. North Carolina is a perfect example of where such a law is a success. That state has one of the oldest compulsory laws on the books. A study conducted by their Division of Motor Vehicles in the past year proved that 2 to 3 percent went uninsured out of 4.5 million vehicles. Some of the provisions of their law are incorporated into HB 7. North Carolina public safety officials are very pleased with the law. They say it works and has caused no problems in enforceability.

Oregon also has an effective compulsory law. Before it went into effect in 1979, 14 percent of the motor vehicles there were uninsured. The recent estimate is 6 percent. New York, even with enforcement problems has achieved a 6 percent uninsured population. Massachusetts has obtained a 6 percent uninsured population. Arizona just enacted a law because of a 27 percent uninsured rate.

The fact is that states with

such laws are achieving a reduction of the uninsured population to near 5 percent. If Alaska could achieve that by implementation of such a law, I would consider it a success.

Some critics say such a law will cause premiums to rise. In the states surveyed in researching the legislation, not one would admit that the laws have directly caused premiums to rise. There are many factors, they said, which add to premium increases, from inflation to limitations on the assigned risk pool. In fact, with more of the population insured, some insurance specialists note that the uninsured premiums should decrease.

Ken Moore, insurance division director, has called our financial responsibility law perhaps the toughest in the nation. But it does not seem to have produced an acceptable decrease in the number of uninsured drivers. Nor has it done so in any other state and all have had similar laws.

The major problem with the current law is that it requires a person to have insurance only after being in an accident. It does nothing to try to prevent the injuries, damage and death caused by irresponsible drivers or ensure that victims of auto accidents are adequately compensated. Because of that failure, a majority of states now have compulsory laws as we are now considering.

After considering the options, I strongly believe this is the best approach to take to solve what is becoming a crisis situation. I hope the Senate will demonstrate its concern for this added protection of the public by taking quick action on this legislation.

Rep. Joe L. Hayes
Speaker of the House

MICHAEL L. LESSMEIER
JUNEAU RESIDENT

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN
ATTORNEYS AT LAW
210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
(907) 586-5912

June 8, 1983

The Honorable Richard I. Eliason
Alaska State Legislature
Labor & Commerce Committee
Fouch V
Juneau, AK 99811

RE: HB 7
Compulsory Insurance

Dear Senator Eliason:

Enclosed please find a copy of the testimony we intended to offer at the May 31, 1983 hearing for the Senate Labor and Commerce Committee. As you will recall, not everybody that wished to testify was able to do so at this hearing. Since we have been advised by your staff that the work session scheduled for tomorrow probably will not present an appropriate opportunity for presentation of oral testimony, we did want to submit a written version of testimony into consideration before acting on the question of compulsory automobile liability insurance.

One of the things that was discussed at the May 31, 1983, hearing was the expected cost of compulsory uninsured motorist coverage and compulsory under-insured motorist coverage. State Farm estimates that uninsured motorist coverage, for the average policyholder is presently somewhere in the area of \$8.00 semi-annually for coverage which meets the present minimum level of financial responsibility. To increase this coverage to the level set forth in the bill before you would result in an expected semi-annual premium increase for the average policyholder of approximately \$1.90. State Farm estimates the cost of under-insured motorist coverage, in the amount set forth in the bill before you to be approximately \$12.00 annually for bodily injury, and \$10.00 annually for property damage.

With respect to the administrative cost of enacting such a bill, we do not have the precise figures as to the cost of the additional paperwork, but we can give you some idea of the volume of paper-

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

Senator Richard I. Eliason

-2-

June 8, 1983

work we expect to be generated as a result of this bill. For example, in May of 1983, Allstate in Alaska sent 1,609 cancellation notices, but only terminated coverage for 100 people. If this is projected over an entire year, it would mean that Allstate will be sending out approximately 19,000 cancellation notices, and terminating about 1,200 people. Given the fact that in 1981 Allstate had approximately 19.3 percent of the Alaska market, you can see that the volume of paperwork that will probably be generated if this bill is passed will be staggering.

We thank you for the opportunity to provide this additional material to you.

Sincerely,

HUGHES THORSNESS GANTZ POWELL
& BRUNDIN

By:


Michael L. Lessmeier

Enclosure

cc: Members of the Labor and Commerce
Committee, w/enclosures

MLL/sw

STATEMENT IN OPPOSITION TO
THE ENACTMENT OF A COMPULSORY AUTOMOBILE LIABILITY
INSURANCE STATUTE IN ALASKA
HEARING BEFORE THE
SENATE LABOR AND COMMERCE COMMITTEE
MAY 31, 1983

Mr. Chairman, members of the Labor and Commerce Committee, my name is Michael Lessmeier. I am a lawyer from Juneau and I am here on behalf of Allstate Insurance Company and State Farm Insurance Company. Both Allstate and State Farm have had a long and generally negative experience with compulsory insurance. We believe compulsory insurance laws, such as the bill before you, aren't needed, create more problems than they solve, don't benefit the general public or our policyholders, will unnecessarily raise premium rates and in the final analysis, don't work.

The real question is whether the cost of compulsory insurance justifies the realistic benefit we can hope to achieve from it. We believe the answer to this question is no and we want to explain why.

The theoretical goal of compulsory insurance is to guarantee that innocent victims of automobile accidents are compensated for their injuries. But we know that the enactment of compulsory insurance

does not guarantee that these people will be so compensated. Compulsory insurance has never in any state reached the objectives sought by its sponsors.

One of the reasons compulsory insurance has not been effective, is that uninsured drivers are generally made up of those who can't afford insurance, have no drivers license, do not register their vehicles, are driving stolen vehicles or vehicles involved in hit-and-run accidents. Many of these people will not purchase liability insurance regardless of whether there is a compulsory law. Others in this category include out-of-state drivers and new residents with vehicles registered elsewhere. Most of these people will continue to remain uninsured even after passing a compulsory law and this is shown by experience in other states.

For example, California spent \$2.32 million to increase the percentage of its insured drivers by five (5) percent. Maryland spent \$1.5 million to increase its percentage of insured drivers by the same five (5) percent. South Carolina paid \$1.3 million for an eight (8) percent increase. Massachusetts, which has had a compulsory insurance law longer than any other state, still has an estimated 10 -15 percent level of uninsured drivers. Current estimates of uninsured drivers in compulsory states still range from five (5) percent to 15 percent, depending upon the level of enforcement.

Nor is the concept of compulsory insurance related to safety. The enactment of a compulsory insurance law won't reduce the number of accidents. By its very nature, compulsory insurance relates to what happens after an accident. Compulsory insurance laws simply require insurance, they do not provide a means to remove high-risk drivers from the road.

We do not believe that uncompensated injuries are reduced by the enactment of a compulsory law. We believe that on the average, insured car occupants will receive injuries from uninsured motorists at about the same rate after enactment of compulsory legislation as they do before passage of these laws. Although compulsory legislation may increase the insured population by a small percentage, we do not believe it will result in a measurable reduction in the number of bodily injuries caused by financially irresponsible drivers.

Even if we were to assume there would be a decrease in the number of bodily injuries caused by financially irresponsible drivers, the question still is whether the benefit we can realistically expect from compulsory insurance is worth the cost and we believe the cost will be significant. For example, we know there will be a significant administrative cost to the State of Alaska simply to implement and enforce the compulsory insurance legislation before you. In effect, in a time of declining state revenues, virtually a whole new

bureaucracy will have to be created to implement and enforce this legislation. The administrative cost to the public is an important concern, particularly when there are other pressing needs in this state.

The second cost aspect of this legislation that must be considered is the effect on premium rates of policyholders. We believe premium rates of everyone will increase significantly because administrative costs of the industry will increase, companies in effect will be forced to take almost all applicants, the bill does away with policy defenses in certain situations, the pure premium cost in a compulsory state has been shown to increase much more rapidly than the pure premium cost in a non-compulsory state, and finally, the cost of compulsory insurance will probably lead to more claims and more litigation.

Other costs which are impossible to quantify, include the social cost to people who can't afford insurance, and the inconvenience of adding another layer of intrusion by government into people's lives. Most people currently buy insurance because they feel they need it. Liability insurance has traditionally been purchased by people who have assets to protect, not to protect others. In other words, people who, in the past, had few assets, had very little incentive to purchase liability insurance. A report, Profile of Uninsured Motorists in California showed that geographic areas with high

rates of uninsureds had significantly lower median incomes, and a higher incidence of poverty level than areas with low rates of uninsured drivers. A 1981 study by the All-Industry Research Advisory Council asked households with one or more uninsured vehicles why the vehicles were uninsured. Forty percent of the people surveyed listed cost as the reason. The next major reason, "car not currently in use", was only 16 percent of the total response. In short, requiring insurance of low-income households will not compel them to purchase something they simply cannot afford. Dr. John Hall of Georgia State University testified before South Carolina's Joint-Legislative Automobile Liability Insurance Study Committee in December of 1979. Dr. Hall said:

As a practical matter, the economically disadvantaged have less real need for liability insurance to protect their own interests. As a practical matter, these persons tend to be judgment proof. In any event, they tend to be unaware of the benefits which a liability policy provides. They perceive the liability insurance policy as taking care of other people. They must pay a high premium for insurance which provides benefits for others as a condition precedent to having the right to drive. Because of their economic status, most often they are unable to purchase insurance to provide for their own injuries, and those of their families, in accidents where they are at fault. The compulsory liability insurance system forces these people to pay high premiums relative to their income for benefits for others when they cannot themselves afford adequate benefits to cover their own losses.

Dr. Hall concluded:

For these reasons, it appears morally and socially wrong to require liability insurance on a compulsory basis as a condition precedent to enjoying the privilege of automobile driving and ownership.

Not only does compulsory legislation extract a disproportionate cost from low-income groups, but it raises the price level of everyone's insurance. Compulsory insurance thus imposes the additional higher premium and administrative costs on those currently insured, which in any event is the vast majority of the driving public, to get at the remaining minority, those currently uninsured.

So the question remains, is the cost to everyone worth the realistic benefit we can hope to achieve. Bodies investigating compulsory insurance in other states have said no, primarily for the same reasons. In 1981 a Tennessee Subcommittee studying automobile compulsory insurance laws made the following recommendation:

Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should

not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

November 19, 1981 letter from the Tennessee Subcommittee Studying Automobile Compulsory Insurance Laws.

A similar conclusion was reached by the State Auditor of Wisconsin on March 10, 1981:

Experience in other states indicates that mandatory insurance programs do not substantially reduce the number of uninsured motorists and the cost of administering such a program is more than double the cost of the safety responsibility program.

March 10, 1981 letter from the State Auditor of Wisconsin.

If our goal is to guarantee compensation for victims of financially irresponsible motorists, we can achieve that goal more efficiently and effectively through compulsory uninsured and under-insured legislation. If every person who bought insurance included this coverage, careful drivers would be protected regardless of whether the at-fault other party had liability insurance. Only those who chose not to purchase this coverage would be without protection.

Uninsured motorist coverage is provided by companies to pay for bodily injury damages to the policyholder caused by an uninsured motorist. Virtually every state with a compulsory liability insurance law also requires insurers to offer uninsured motorist coverage, which in effect indicates a lack of faith in

the effectiveness of compulsory insurance legislation. By purchasing uninsured motorist coverage, a vehicle owner is assuring that all drivers and passengers in the insured automobile will have protection against losses caused by an uninsured motorist. Compulsory automobile insurance cannot make this promise.

Compared to the cost of liability insurance, uninsured motorist coverage is very inexpensive. We urge each of you to look at your own policies to gain an idea of its cost. Furthermore, a compulsory uninsured and under-insured requirement does not impose the administrative cost to either the public or private sector that compulsory liability insurance legislation would impose.

In sum, we believe compulsory liability insurance, if enacted, will prove to be both costly and burdensome to the State of Alaska, and the insurance industry. Ultimately it will prove to be both costly and burdensome to our policyholders and to members of the general public. We urge this committee to seriously consider the cost and effectiveness of compulsory insurance before recommending such a program. We believe there are other alternatives available which cost much less and achieve much more.

MICHAEL L. LESSMEIER
JUNEAU RESIDENT

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN
ATTORNEYS AT LAW
210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
(907) 586-5912

June 7, 1983

The Honorable Richard I. Eliason
Alaska State Legislature
Labor & Commerce Committee
Pouch V
Juneau, AK 99811

RE: Compulsory Insurance

Dear Senator Eliason:

In my letter of May 27, 1983, I indicated that the anticipated costs of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in House Bill 7 would result in an anticipated increase in that person's premium of approximately 29 percent. I have just discovered that this figure is incorrect. This figure is accurate for the minimum requirements set forth in the original bill (100/300). The bill passed by the House Finance Committee provided for minimum limits of 50/100, and these minimum limits would result in an average premium increase to a person who presently meets the minimum requirements of financial responsibility of approximately 12 percent.

I apologize for this error and hope that it has not caused inconvenience to you.

Sincerely,

HUGHES THORSNESS GANTZ POWELL
& BRUNDIN

By:


Michael L. Lessmeier

cc: Members of the Labor & Commerce
Committee

MLL/sw

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW
210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
(907) 586-5912

MICHAEL L. LESSMEIER
JUNEAU RESIDENT

May 27, 1983

The Honorable Richard Eliason
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

I have just learned that HB 7 relating to compulsory insurance has been scheduled for a hearing before the Senate Labor & Commerce Committee on Tuesday, May 31, 1983. I would like to take this opportunity on behalf of State Farm Insurance Company and Allstate Insurance Company to comment on this proposed legislation. Although the bill does have surface appeal, we oppose this legislation for the following reasons:

- 1) The bill compels all people who wish to operate a motor vehicle to contract for insurance;
- 2) The bill compels companies to take almost all applicants;
- 3) Experience in other states shows that bills such as this cannot be enforced;
- 4) These bills are extremely costly to administer, both to the public and private sector;
- 5) A bill such as HB 7 will increase premiums for responsible drivers and policyholders because it forces insurers to accept almost everyone, creates higher administrative costs on the part of the insurance industry, does away with policy defenses in certain situations, leads to more litigation, and
- 6) There is no reason to enact a compulsory insurance law where there are viable alternatives that do not impose the same problems of enforcement and costs such as compulsory uninsured and underinsured mandatory requirements.

The Honorable Richard Eliason -2-

May 27, 1983

At the outset, we would point out that most drivers in Alaska currently buy liability insurance voluntarily because they feel they need it. Compulsory insurance attempts to force everyone to buy liability insurance whether they need it or not, and whether they can afford it or not. Such a concept is bad for people, because it forces them to buy a product they do not wish to buy and may not be able to afford. Such a concept also will inevitably increase premium rates, and nobody wants that.

As we have stated above, experience in other states shows that bills such as this cannot be enforced and are extremely costly to administer, both to the public and private sector. In 1981 the Tennessee legislature reviewed the experience of other states with compulsory automobile insurance. On November 19, 1981, a subcommittee recommended that Tennessee not adopt any form of compulsory insurance. In its report, the subcommittee stated:

Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

November 19, 1981 letter from the Tennessee Subcommittee Studying Automobile Compulsory Insurance Laws. (Copy attached).

A similar conclusion was reached by the State Auditor of Wisconsin on March 10, 1981:

Experience in other states indicates that mandatory insurance programs do not substantially reduce the number of uninsured motorists and the cost of administering such a program is more than double the cost of the safety responsibility program.

March 10, 1981 letter from State Auditor of Wisconsin. (Copy attached).

The Honorable Richard Eliason

-3-

May 27, 1983

Experience in other states shows that compulsory insurance is difficult to enforce, costly to enforce, and that it does not significantly increase the percentage of insured drivers. For example, California spent \$2,324,000 to increase the percentage of insured drivers by five percent. Maryland spent \$1,500,000 and experienced the same five percent gain. The people of South Carolina have paid \$1,300,000 for an eight percent increase in the number of insured drivers.

In weighing the expected benefit of compulsory insurance legislation with its cost, the cost to private citizens should also be considered. The information we have shows almost uniformly that the pure premium cost of compulsory insurance increases much faster over the same period of time than does the pure premium of non-compulsory insurance. These statistics were obtained from data obtained from the National Association of Independent Insurers and the Insurance Services Office. The pure premium increase is significant because it suggests that the average claim for insured vehicle has risen as a result of the inclusion of those motorists who did not carry automobile liability insurance before adoption of the compulsory law.

A first comparison compares the compulsory state of California which enacted compulsory insurance on January 1, 1975, with the non-compulsory states of Illinois, Ohio and Texas. Between 1976 and the second quarter of 1981, California experienced a 43 percent pure premium rate increase, whereas Illinois experienced a 24.2 percent increase, Ohio a 17.7 percent increase, and Texas a 34.0 percent increase.

A second comparison compared Louisiana, a compulsory state which enacted legislation on July 1, 1978, with the non-compulsory states of Alabama, Mississippi, and Tennessee. From the period of enactment until the second quarter of 1981, pure premium rates in the compulsory state of Louisiana increased 14.2 percent, whereas in Alabama the increase was .1 percent, in Tennessee increase was 1.6 percent, and Mississippi experienced a decrease of 1.2 percent.

Maryland enacted its compulsory legislation on July 1, 1973 and between 1976 and 1981, it experienced a 43.3 percent pure premium increase. During this same period of time, the non-compulsory state of Indiana experienced a 21.3 percent increase, Virginia a 32.0 percent increase, and District of Columbia a 23.9 percent increase.

Another example in this survey compares the compulsory state of Oregon which enacted its legislation on January 1, 1976, with non-compulsory states of Maine, West Virginia and Wisconsin. Between 1976 and 1981 Oregon experienced an increase of 35.0 percent, Maine an increase of 19.6 percent, West Virginia an increase of 18.8 percent, and Wisconsin an increase of 12.8 percent.

The Honorable Richard Eliason -4-

May 27, 1983

Not only will the pure premium cost in a compulsory state increase more rapidly than in a non-compulsory state, but it is clear that the adoption of compulsory insurance itself will raise insurance prices for all consumers, a result that simply should not occur. The reason premiums go up is because compulsory laws exert an upward pressure on insurance company expenses. Insurance company paperwork increases as they are forced to engage in verification procedures and compliance with state reporting costs. Insurance premiums also increase because compulsory insurance forces insurers to accept almost everyone, and the bill in question does away with policy defenses in certain limited situations.

Although there is no way we can predict as to what the rate of the pure premium increase in Alaska to be in the event this bill is passed, we expect it to be significant. We also know that the anticipated cost of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in HB 7 will result in an anticipated increase in that persons premium of approximately 29.2 percent. This is completely independent of the other increase in costs associated with compulsory insurance. In short, every person who at the present time meets the minimum level of financial responsibility will experience an increase in their rates of approximately 29 percent to meet the minimum level required by the legislation before you.

The enactment of this legislation will result in considerable expense to the State of Alaska and experience in other states leads us to believe the effect of the legislation on the number of uninsured motorists will be minimal. We know the enactment of compulsory insurance legislation alone will result in a significant increase in premium rates to every policyholder and that the pure premium cost in a compulsory insurance state will probably increase much more rapidly than this same cost in a a non-compulsory state. We also know that the estimated increase in premium rate to a person who presently meets the minimum requirements of financial responsibility will be approximately 29 percent of their current premium to comply with the limits of the legislation before you. The legislation before you thus will have a significant financial impact on everyone, particularly on low income groups.

Most importantly, there are other alternatives available, one of which is compulsory uninsured and under-insured motorist coverage. Uninsured and under-insured motorist coverage is much cheaper to the policyholder, and such a program not only would be capable of being enforced, but it would be much less costly to administer than a compulsory program. We urge you to seriously study the cost and effectiveness of compulsory automobile insurance legislation in other states before passing this bill out of committee. If this committee engages in this activity and also considers the alternatives available, we do not believe it will recommend compulsory insurance legislation.

I thank you for this opportunity to provide this information to you.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW


The Honorable Richard Eliason

-5-

May 27, 1983

Sincerely,

HUGHES THORSNESS GANTZ POWELL
& BRUNDIN

By: 
Michael L. Lessmeier

Enclosures

cc: Members of the Senate Labor & Commerce
Committee

MLL/sw

MICHAEL L. LESSMEIER
JUNEAU RESIDENT

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN
ATTORNEYS AT LAW
210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
(907) 586-5912

June 7, 1983

The Honorable Richard I. Eliason
Alaska State Legislature
Labor & Commerce Committee
Pouch V
Juneau, AK 99811

RE: Compulsory Insurance

Dear Senator Eliason:


In my letter of May 27, 1983, I indicated that the anticipated costs of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in House Bill 7 would result in an anticipated increase in that person's premium of approximately 29 percent. I have just discovered that this figure is incorrect. This figure is accurate for the minimum requirements set forth in the original bill (100/300). The bill passed by the House Finance Committee provided for minimum limits of 50/100, and these minimum limits would result in an average premium increase to a person who presently meets the minimum requirements of financial responsibility of approximately 12 percent.

I apologize for this error and hope that it has not caused inconvenience to you.

Sincerely,

HUGHES THORSNESS GANTZ POWELL
& BRUNDIN

By:


Michael L. Lessmeier

cc: Members of the Labor & Commerce
Committee

MLL/sw

W. EUGENE GUESS 1932-1975
JOSEPH RUDD 1933-1978

ROBERT C. ELY
THEODORE E. FLEISCHER
FRANCIS E. SMITH, JR.
HERBERT BERKOWITZ
MICHAEL G. BRIGGS
DAVID H. BUNDY
HARRIS SAXON
PHILLIP J. EIDE
GARY A. ZIPKIN
DONN T. WONNELL
JOSEPH M. WILSON
GORDON E. EVANS
JOSEPH A. McLEAN, OF COUNSEL
LOUIS R. VEERMAN
CLIFFORD W. HOLST
RICHARD M. ROSSTON
JAMES D. LINXWILER*
LOUIS AGI
JOSEPH J. PERKINS, JR.
PEGGY MENTELE
SUSAN R. SHARROCK
DANIEL WEBER
GLENN E. CRAVEZ
LYNN M. ALLINGHAM
TRICIA COLLINS
JOHN A. McDONAGH
PAUL S. STAHL

LAW OFFICES OF
ELY, GUESS & RUDD
A PROFESSIONAL CORPORATION
318 4TH STREET
JUNEAU, ALASKA 99801

510 L STREET
ANCHORAGE, ALASKA 99501
TELEPHONE [907] 276-5121
TELEX [090] 25-292

*ADMITTED IN D.C. AND ALASKA
OTHERS ADMITTED IN ALASKA

June 2, 1983

The Honorable Senator Dick Eliason
Chairman
Senate Labor and Commerce Committee
Alaska Legislature
Juneau

Dear Senator Eliason:

On behalf of the Alaska Independent Insurance Agents and Brokers Association, I wanted to testify on HB 7 mandatory auto insurance at the last committee meeting, but unfortunately there was not enough time to hear from a number of us. This letter will summarize our position, assuming you cannot continue with the public hearing.

Briefly, this association, who are the insurance representatives you and the other legislators usually do business with throughout all of Alaska, takes the position that those sections of the Bill mandating compulsory auto insurance are not workable in Alaska, although other sections, strengthening our financial responsibility laws and enlarging the uninsured motorists coverages, Sections 14, 18 and 19 are good. We recommend therefore, that the Bill be amended accordingly, as has also been urged by the Alaska Division of Insurance and the Administration.

All the witnesses agree the mandatory insurance sections will increase the costs of automobile insurance but in addition there will be a tremendous increase in costs to the Division of Motor Vehicles and the Department of Public Safety in enforcing the proposed law as now written. \$1.1 million is the fiscal note for starters, without the cost of special staffing to enforce the lifting of licence plates.

The Honorable Senator Dick Eliason
Page -2-
June 2, 1983

This cost can easily be in excess of \$2 million for the enforcement envisioned by proponents, as indicated in the statement of Jeff Day who admitted that enforcement is a problem, and if the program was to be successful, the enforcement of the law must be "tight". See page 4 of his report.

In addition to the very valid objections presented in other testimony, I want to add that additional problems center around the handling of mandatory insurance in the rural areas where just getting ordinary insurance coverage in the normal way is still a major undertaking. Then too, about one-third of all the used cars sold in Alaska are handled by private individuals and the transfer of Title with the cancelling and rewriting of insurance will unnecessarily be held up if this proposal were to pass. Another serious problem is Section 7 of the law pertaining to residents who are out of State. When these Alaska licensed drivers and vehicles do come to Alaska either on the Alaska Highway, the ferry system or barged in, the Alaska Troopers will have to meet all the transportation routes and verify insurance before the vehicles can continue on in Alaska, a very exasperating situation.

Though I intended to testify in greater detail I feel that the passage of the mandatory insurance sections of the Bill would largely serve to exclude many young people and the poor from driving on Alaska Highway, keeping them away from jobs, and instead putting them on State Welfare. Moreover, I believe the Legislature is opposed to building up a large State police force and expanding the Court system which would be the result if this law goes in affect as unsnarling the mess will be a major tragedy for the general public. The logical step, as the Insurance Director has very ably stated, is strengthening the financial responsibility laws and providing for broader uninsured motorist coverage. In other words, deleting most of the present Bill except for Sections 14, 18 and 19.

Respectfully submitted,

ELY, GUESS & RUDD

Joe McLean
Joseph A. McLean

cc: Senators Mulcahy
Pattyjohn
Sackett
Rodey

JAM/pm

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW
210 FERRY WAY, SUITE 100
JUNEAU, ALASKA 99801
(907) 586-5912

MICHAEL L. LESSMEIER
JUNEAU RESIDENT

May 27, 1983

The Honorable Richard Eliason
Alaska State Senate
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

I have just learned that HB 7 relating to compulsory insurance has been scheduled for a hearing before the Senate Labor & Commerce Committee on Tuesday, May 31, 1983. I would like to take this opportunity on behalf of State Farm Insurance Company and Allstate Insurance Company to comment on this proposed legislation. Although the bill does have surface appeal, we oppose this legislation for the following reasons:

- 1) The bill compels all people who wish to operate a motor vehicle to contract for insurance;
- 2) The bill compels companies to take almost all applicants;
- 3) Experience in other states shows that bills such as this cannot be enforced;
- 4) These bills are extremely costly to administer, both to the public and private sector;
- 5) A bill such as HB 7 will increase premiums for responsible drivers and policyholders because it forces insurers to accept almost everyone, creates higher administrative costs on the part of the insurance industry, does away with policy defenses in certain situations, leads to more litigation, and
- 6) There is no reason to enact a compulsory insurance law where there are viable alternatives that do not impose the same problems of enforcement and costs such as compulsory uninsured and under-insured mandatory requirements.

The Honorable Richard Eliason -2-

May 27, 1983

At the outset, we would point out that most drivers in Alaska currently buy liability insurance voluntarily because they feel they need it. Compulsory insurance attempts to force everyone to buy liability insurance whether they need it or not, and whether they can afford it or not. Such a concept is bad for people, because it forces them to buy a product they do not wish to buy and may not be able to afford. Such a concept also will inevitably increase premium rates, and nobody wants that.

As we have stated above, experience in other states shows that bills such as this cannot be enforced and are extremely costly to administer, both to the public and private sector. In 1981 the Tennessee legislature reviewed the experience of other states with compulsory automobile insurance. On November 19, 1981, a subcommittee recommended that Tennessee not adopt any form of compulsory insurance. In its report, the subcommittee stated:

Our findings reveal that despite considerable and varied enforcement efforts in other states, including the adoption of no-fault, no state has devised a workable or cost-effective enforcement system. In addition, experience in other states indicate the adoption of compulsory insurance in Tennessee would only increase the percentage of insured drivers from the current 80 percent to 85 percent. More importantly, the cost of liability insurance plus uninsured motorist coverage in Tennessee is less than the same coverage in any compulsory state, and considerably less than the same coverage in any compulsory no-fault state. The responsible motorist should not pay more for insurance coverage nor be subjected to harrassment in a futile effort to enforce a compulsory insurance law.

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The Honorable Richard Eliason

-3-

May 27, 1983

Experience in other states shows that compulsory insurance is difficult to enforce, costly to enforce, and that it does not significantly increase the percentage of insured drivers. For example, California spent \$2,324,000 to increase the percentage of insured drivers by five percent. Maryland spent \$1,500,000 and experienced the same five percent gain. The people of South Carolina have paid \$1,300,000 for an eight percent increase in the number of insured drivers.

In weighing the expected benefit of compulsory insurance legislation with its cost, the cost to private citizens should also be considered. The information we have shows almost uniformly that the pure premium cost of compulsory insurance increases much faster over the same period of time than does the pure premium of non-compulsory insurance. These statistics were obtained from data obtained from the National Association of Independent Insurers and the Insurance Services Office. The pure premium increase is significant because it suggests that the average claim for insured vehicle has risen as a result of the inclusion of those motorists who did not carry automobile liability insurance before adoption of the compulsory law.

A first comparison compares the compulsory state of California which enacted compulsory insurance on January 1, 1975, with the non-compulsory states of Illinois, Ohio and Texas. Between 1976 and the second quarter of 1981, California experienced a 43 percent pure premium rate increase, whereas Illinois experienced a 24.2 percent increase, Ohio a 17.7 percent increase, and Texas a 34.0 percent increase.

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Another example in this survey compares the compulsory state of Oregon which enacted its legislation on January 1, 1976, with non-compulsory states of Maine, West Virginia and Wisconsin. Between 1976 and 1981 Oregon experienced an increase of 35.0 percent, Maine an increase of 19.6 percent, West Virginia an increase of 18.8 percent, and Wisconsin an increase of 12.8 percent.

The Honorable Richard Eliason -4-

May 27, 1983

Not only will the pure premium cost in a compulsory state increase more rapidly than in a non-compulsory state, but it is clear that the adoption of compulsory insurance itself will raise insurance prices for all consumers, a result that simply should not occur. The reason premiums go up is because compulsory laws exert an upward pressure on insurance company expenses. Insurance company paperwork increases as they are forced to engage in verification procedures and compliance with state reporting costs. Insurance premiums also increase because compulsory insurance forces insurers to accept almost everyone, and the bill in question does away with policy defenses in certain limited situations.

Although there is no way we can predict as to what the rate of the pure premium increase in Alaska to be in the event this bill is passed, we expect it to be significant. We also know that the anticipated cost of raising the financial responsibility requirements for a person who presently meets the minimum level to the level set forth in HB 7 will result in an anticipated increase in that persons premium of approximately 29.2 percent. This is completely independent of the other increase in costs associated with compulsory insurance. In short, every person who at the present time meets the minimum level of financial responsibility will experience an increase in their rates of approximately 29 percent to meet the minimum level required by the legislation before you.

The enactment of this legislation will result in considerable expense to the State of Alaska and experience in other states leads us to believe the effect of the legislation on the number of uninsured motorists will be minimal. We know the enactment of compulsory insurance legislation alone will result in a significant increase in premium rates to every policyholder and that the pure premium cost in a compulsory insurance state will probably increase much more rapidly than this same cost in a non-compulsory state. We also know that the estimated increase in premium rate to a person who presently meets the minimum requirements of financial responsibility will be approximately 29 percent of their current premium to comply with the limits of the legislation before you. The legislation before you thus will have a significant financial impact on everyone, particularly on low income groups.

Most importantly, there are other alternatives available, one of which is compulsory uninsured and under-insured motorist coverage. Uninsured and under-insured motorist coverage is much cheaper to the policyholder, and such a program not only would be capable of being enforced, but it would be much less costly to administer than a compulsory program. We urge you to seriously study the cost and effectiveness of compulsory automobile insurance legislation in other states before passing this bill out of committee. If this committee engages in this activity and also considers the alternatives available, we do not believe it will recommend compulsory insurance legislation.

I thank you for this opportunity to provide this information to you.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW


The Honorable Richard Eliason

-5-

May 27, 1983

Sincerely,

HUGHES THORSNESS GANTZ POWELL
& BRUNDIN

By: 
Michael L. Lessmeier

Enclosures

cc: Members of the Senate Labor & Commerce
Committee

MLL/sw

MAR 14 1983

March 9, 1983

Representative Joe L. Hayes
Pouch V
Juneau, Alaska 99811

Dear Representative Hayes:

I am writing this letter in pain, outrage and total disgust. I have painfully become aware of the completely inadequate and antiquated driving laws of this state as a result of my son Sean's death at the hands of an irresponsible, uninsured driver who was drinking, speeding, ran a red light and God only knows what else. This driver can afford alcohol and drugs (they were found in his car) but he cannot afford insurance!

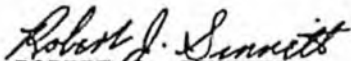
The law concerning the requirement to have auto insurance, better known as "the State gives you a free one" is at best a farce. Having lived here 44 years and watching the traffic increase to the point beyond the capacity of our road system, coupled with the irresponsible attitude of the outsiders coming in and the young people growing up, dictates that the law be tightened.

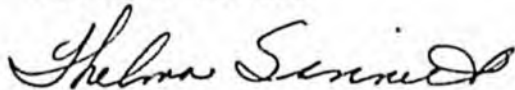
It is imperative that mandatory auto insurance be required of those wishing to drive in the State of Alaska. When auto licenses are renewed or bought, or with registration and/or titles, proof of insurance at that time should be shown. Upon cancellation of insurance, then licenses revoked. In short No Insurance - No License!

Sean was not allowed to own a car or drive without insurance which he bought and paid for himself and he took that responsibility with him into his young adulthood and was subsequently killed by a person who apparently did not care or have any regard about others.

The time is long past due for all Alaskans new or old to accept the responsibilities attached to owning and driving an automobile and the necessary steps to accomplish this rests squarely on your shoulders.

Sincerely,


ROBERT J. SINNETT



THELMA SINNETT
2001 Salem Court
Anchorage, Alaska 99504

May 26, 1983

Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

The Honorable Richard I. Eliason
Pouch "V"
Juneau, Alaska 99811

Dear Richard:

I would like to take this opportunity to direct to you my thoughts on pending legislation. House Bill No. 7 and Senate Bill No. 223 is proposed legislation which requires compulsory insurance in order to obtain a driver's license or vehicle tags. The idea of compulsory insurance does have surface appeal, but I believe that it does not stand close scrutiny. As you know, I am an attorney practicing law in Anchorage. I am significantly involved in insurance defense actions and I have researched this subject at length.

As I mentioned above, the idea of compulsory insurance does have a degree of surface appeal. However, our several sister states have experimented with this type of legislation to their prejudice. New York adopted a compulsory insurance law in 1956, and a study undertaken by the University of Michigan in 1963 reported that the law was unenforced, unenforceable, and a complete failure. A New York Daily News "study" reported that the law had failed to achieve its aims and was, in fact, counterproductive.

In the main our sister states have found that the compulsory insurance laws (1) cannot be enforced; (2) are costly to administer; and (3) increase insurance premiums for responsible drivers.

Notwithstanding the above, my three major reservations concerning this legislation are that it will (1) significantly increase the premium rates for responsible policy holders; (2) significantly increase the case loads at the Superior Court level; and (3) engender disrespect for law.

A superficial review of this subject might suggest that the respective insurance carriers would be in favor of this type of legislation. What greater boon could one envision to the insurance industry than legislation which mandates that everyone must buy their product? However, the insurance industry has

realized that compulsory insurance creates a bureaucracy in state government and in private industry and, further, significantly raises insurance premium rates.

I would suggest to you that this Bill is simply a make work project for attorneys. In the situation where an insured motorist is involved in an accident with an uninsured motorist, he has recourse to his uninsured motorist benefits. This is a very common situation and in almost all of these situations no lawsuit is filed. The insured motorist simply settles with his own insurance carrier or, in a relatively few cases, the matter is taken to arbitration. The overwhelming majority of this type of case does not involve an attorney and is settled without recourse to the court. The savings to the taxpayer are incalculable.

The requirement that every driver obtain insurance will negate the effect of the uninsured motorist benefits and result in a proliferation of lawsuits rather than the insured simply settling the case with his own insurance company or demanding arbitration. This will be an excellent benefit for attorneys but will be a disservice to the citizens of the state of Alaska in that it will increase insurance premiums, increase state and private industry bureaucracy, increase the expense at the Superior Court level and prevent the speedy resolution of claims through the uninsured motorist provisions.

As I stated above, my research has indicated that the system of compulsory insurance is not effective in that it is unenforceable. The costs of enforcement through the Department of Motor Vehicles is prohibitive. A California study revealed that persons were applying for insurance, or actually obtaining it, and then cancelling the insurance as soon as they obtained their license. A Pennsylvania study reflected that the Department of Motor Vehicles in that state was bogged down in a bureaucratic morass. On average, forty thousand notices of cancellation or lapses of payment were processed each month by that department. The most recent information from New York reflects that the costs of enforcement were in excess of seven million dollars per year. South Carolina also spent in excess of one million dollars to enforce its compulsory law in the fiscal year ending April 30, 1979. It is the experience of our system of jurisprudence that laws that are unenforced or unenforceable are a disservice to the legislature and a disservice to the people of the state.

AN ALTERNATIVE SOLUTION

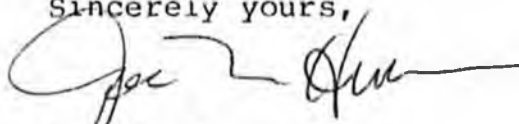
The concept that citizens of the state of Alaska should be protected from physical and financial reverses of this type is laudable and should be pursued. However, there is a much more

The Honorable Richard I. Eliason
May 26, 1983
Page 3

effective method of insuring that this type of physical and financial protection is available. Many states, for instance Oregon, require that each insurance policy contain uninsured motorist benefits. Under this type of provision, when an insured driver is involved in an accident with an uninsured motorist he simply files a claim with his own insurance company rather than dealing with the financially irresponsible individual that caused the collision in the first place. Requiring uninsured motorist coverage in every policy precludes the necessity of increasing either government or private industry bureaucracy. Requiring uninsured motorist provisions in every policy is easily enforceable as the respective carriers would not be allowed to sell insurance that did not include these benefits. Additionally, uninsured motorist coverage is very inexpensive to the policy holder. I would request that you review your own insurance policy and compare the costs of uninsured motorist coverage with the costs of general bodily injury liability coverage. The UM coverage generally costs just a few dollars.

It is my firm belief that the passage of House Bill No. 7, Senate Bill No. 223 will result in a morass of bureaucracy and paperwork and significant expense to the citizens of the state of Alaska. Additionally, compulsory insurance will significantly raise the premium rates that each of us must pay for insurance. Unfortunately, it is the experience of the citizens of the state of Alaska that we are compelled to pay an inordinate price for goods and services that are available in the Lower 48 on a less expensive basis. I do not believe that this additional cost should be passed along to the citizens of the state of Alaska. I would appreciate your thoughts or comments on this. I wish to thank you for your courtesy in this matter.

Sincerely yours,



Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

JMH/ph

Alaska State Legislature



Speaker of the House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

April 25, 1983

Mr. Joe M. Huddleston
509 W. 3rd Avenue
Anchorage, Alaska 99501

Dear Joe:

Thank you for your recent letter opposing the legislation which I and Senator Josephson have introduced regarding compulsory auto liability insurance. Your arguments are identical to those which have been used by the insurance industry in the past. These same arguments are being used now. From research my staff has conducted, I do not believe the arguments are valid.

The uninsured motoring population in Alaska is estimated at between 11 and 40% of 355,000 registered vehicles. A conservative best guess puts the figure at 25%. This is unacceptable. While I do not assume that a compulsory law will result in 100% compliance, I am certain it will go a long way towards reducing the number of uninsured drivers without the problems you have mentioned.

Thirty two states have enacted some form of compulsory insurance. Only 2 have ever repealed the law. If the law is such a failure as the insurance industry would lead one to believe, why have the vast majority of states which have enacted such a law kept it in effect...even with some enforcement problems?

You cite New York's law as a failure and you cite the 1963 report that the insurance industry likes to quote. New York has about 6 million registered vehicles. It has grown to such proportions that enforcement is a problem. But state officials told my office last week that even with it's problems and even if it increased auto premiums, which was not proven, the law was worth keeping from a social standpoint. You also cite the old New York Daily News "study" which the insurance

Joe Huddleston
April 25, 1983
Page 2

industry refers to in its effort to block compulsory laws. Both of these citations are old material.

You say that states with such a law have found it unenforceable, costly and one which causes premiums to rise.

First, North Carolina is a perfect example of where it is enforceable. That state has one of the oldest compulsory laws on the books. A study conducted by their Division of Motor Vehicles in the past year proved that 2-3% went uninsured out of 4.5 million vehicles. Some of the provisions of their law are incorporated into HB 7. North Carolina public safety officials are very pleased with the law. They say it works and has caused no problems in enforceability. While that state once had over 100 persons involved in enforcement, I am told that recent changes in the law reduced the number of troopers needed to 5 and 4 more persons are used as hearing officers. And that's for 4.5 million vehicles. Oregon also has an effective compulsory law. Before it went into effect in 1979, 14% of the motor vehicles there were uninsured. The estimate last week was 6%. New York, even with enforcement problems has achieved a 6% uninsured population. Massachusetts has obtained a 6% uninsured population. Arizona just enacted a law because of a 27% uninsured rate. I could list many other examples. The fact is the states with such laws are achieving a reduction of the uninsured population to within 10%. If Alaska could achieve that by implementation of such a law, I would consider it a success.

You say the programs are costly to administer. We have received a fiscal note saying this will cost over one million dollars to put into effect. I do not believe it will cost that much. There are several inaccuracies that the fiscal note was based on. Other states with 10 times the number of motor vehicles spend the same amount of money as the fiscal note says this will cost. I cannot believe enforcement in a state with 355,000 vehicles will cost the same as one with 4 million. There will be a cost, but I suggest such a cost is necessary to avoid the death, injury and property damage that I believe this law will negate.

You assert this law will cause premiums to rise. In the states we have surveyed in researching the legislation, not one would admit that the laws have directly caused premiums to rise. There are many factors, they said, which add to premium increases from inflation to limitations on the assigned risk pool. In fact, with more of the population insured, some insurance specialists note that the uninsured

Joe Huddleston
April 25, 1983
Page 3

premiums should decrease. If we do raise the minimum limits for liability coverage, there would be an increase for those who do not presently carry such limits. I am willing to negotiate on this point, but I am not convinced that simply initiating a compulsory law will have a great effect on premiums.

As you note, the insurance industry opposes the law for the grounds which you have stated. But I have not found evidence from the research which strongly supports their claims. I also do not believe this is a make work project for attorneys. There is no provision to eliminate uninsured motorist coverage. With more persons covered, more claims should be settled in an expeditious fashion, rather than having to go to arbitration. Senator Josephson has been researching the legislation from this standpoint. I do not believe there will be a significant impact in this area. There may indeed be added burden upon the court to adjudicate cases where a person does not have proof of insurance. The court has already notified us of this potential problem. But the court also stated it saw no need to ask for staff or monetary increase at the present time, if the law is enacted.

You cite several more "studies" often quoted and initiated by the insurance industry to disclaim the effect of a compulsory law. Again you are referring to states with ten times the number of vehicles in Alaska. I remind you again that New York has no intention of changing or repealing it's law despite the cost or the enforcement problems. Second, we have adopted enforcement procedures which have worked in other states for a minimum cost.

Your proposed alternative is a step in the right direction. In fact, I have amended the bill to mandate that insurance companies offer both uninsured and underinsured coverage for personal injury and property damage in amounts equal to at least those bought voluntarily by a customer. Other states which have compulsory laws also see the need to retain strong financial responsibility laws and offering of uninsured and underinsured provisions which can be waived. This is added protection. However, I don't believe that offering such coverage in lieu of a compulsory law will solve the problems we are experiencing today.

I appreciate your comments. I can see you have been reading the insurance trade reports, but I feel many of the arguments you have quoted are, in fact, disputed by the results of other states, and recent comments obtained in researching the legislation.

Joe Huddleston
April 25, 1983
Page 4

The bill has been heard and approved by the House Labor and Commerce Committee. It is now in the Judiciary Committee where hearings have not been scheduled. I expect at least a statewide teleconference to be scheduled on this legislation if not a hearing in Anchorage.

I am sure you will have ample opportunity to express your views on this legislation. Should you wish to discuss this further, please feel free to contact me or my staff assistant, Jeff Day. He has compiled a significant amount of research on this legislation.

Thanks again for your comments.

Very truly yours,

Joe L. Hayes
SPEAKER OF THE HOUSE

JLH:jkd

Alaska State Legislature

Classon

CO-CHAIR
HEALTH, EDUCATION & SOCIAL SERVICES
VICE-CHAIR
COMMUNITY & REGIONAL AFFAIRS
FINANCE SUBCOMMITTEES
HEALTH & SOCIAL SERVICES
RURAL EDUCATION BUDGET OVERSIGHT
CORRECTIONS
MEMBER
RULES



DISTRICT 11
3303 OREGON DRIVE
ANCHORAGE, ALASKA 99503

WHILE IN JUNEAU
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3759

Representative Mae Tischer

MEMORANDUM

TO: All Legislators

FROM: Representative Mae Tischer *MT*

DATE: April 28, 1983

RE: HB 7 and SB 223

I have attached a copy of a letter I recently received from a constituent regarding mandatory auto insurance legislation.

He apparently has done some research on the subject and draws some interesting conclusions. I believe the letter makes several very valid points which I hope you will consider in your deliberations on these bills.

attachements
MT/ssw

APR 22 1983

Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

April 15, 1983

The Honorable Mae Tischer
House of Representatives
Pouch "V"
Juneau, Alaska 99811

Dear Mae:

I would like to take this opportunity to direct to you my thoughts on pending legislation. House Bill No. 7 and Senate Bill No. 223 is proposed legislation which requires compulsory insurance in order to obtain a driver's license or vehicle tags. The idea of compulsory insurance does have surface appeal, but I believe that it does not stand close scrutiny. As you know, I am an attorney practicing law in Anchorage. I am significantly involved in insurance defense actions and I have researched this subject at length. This matter was originally scheduled--for a hearing before the House Labor and Commerce Committee on Friday, February 15th. I had planned on attending that hearing but it was cancelled on the 14th. It is my hope that I will be able to attend either the House or Senate hearing on this matter when it is rescheduled.

want to notify Joe

As I mentioned above, the idea of compulsory insurance does have a degree of surface appeal. However, our several sister states have experimented with this type of legislation to their prejudice. New York adopted a compulsory insurance law in 1956 and a study undertaken by the University of Michigan in 1963 reported that the law was unenforced, unenforceable, and a complete failure. A New York Daily News "study" reported that the law had failed to achieve its aims and was, in fact, counterproductive.

In the main our sister states have found that the compulsory insurance laws (1) cannot be enforced; (2) are costly to administer; and (3) increase insurance premiums for responsible drivers.

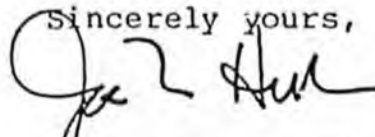
Notwithstanding the above, my three major reservations concerning this legislation are that it will (1) significantly increase the premium rates for responsible policy holders; (2) significantly increase the case loads at the Superior Court level; and (3) engender disrespect for law.

AN ALTERNATIVE SOLUTION

The concept that citizens of the state of Alaska should be protected from physical and financial reverses of this type is laudable and should be pursued. However, there is a much more effective method of insuring that this type of physical and financial protection is available. Many states, for instance Oregon, require that each insurance policy contain uninsured motorist benefits. Under this type of provision, when an insured driver is involved in an accident with an uninsured motorist he simply files a claim with his own insurance company rather than dealing with the financially irresponsible individual that caused the collision in the first place. Requiring uninsured motorist coverage in every policy precludes the necessity of increasing either government or private industry bureaucracy. Requiring uninsured motorist provisions in every policy is easily enforceable as the respective carriers would not be allowed to sell insurance that did not include these benefits. Additionally, uninsured motorists coverage is very inexpensive to the policy holder. I would request that you review your own insurance policy and compare the costs of uninsured motorist coverage with the costs of general bodily injury liability coverage. The UM coverage generally costs just a few dollars.

It is my firm belief that the passage of House Bill No. 7, Senate Bill No. 223 will result in a morass of bureaucracy and paperwork and significant expense to the citizens of the state of Alaska. Additionally, compulsory insurance will significantly raise the premium rates that each of us must pay for insurance. Unfortunately, it is the experience of the citizens of the state of Alaska that we are compelled to pay an inordinate price for goods and services that are available in the Lower 48 on a less expensive basis. I do not believe that this additional cost should be passed along to the citizens of the state of Alaska. I would appreciate your thoughts or comments on this. I wish to thank you for your courtesy in this matter.

Sincerely yours,



Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

JMH/ph

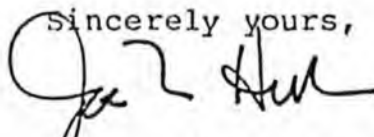
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Sincerely yours,



Joe M. Huddleston
509 West Third Avenue
Anchorage, Alaska 99501

JMH/ph

(over)

Alaska State Legislature

District 11
3305 Oregon Drive
Anchorage, Alaska 99503



While in Juneau
Pouch V
Juneau, Alaska 99811
(907) 465-3759

Representative Mae Tischer

M E M O R A N D U M

TO: Senator Dick Eliason
Chairman, Senate Labor & Commerce

FROM: Representative Mae Tischer *MT*

DATE: May 20, 1983

RE: SB 223

A constituent recently sent me several suggested changes to SB 223 which he felt would improve the bill. I have attached these recommendations and hope that you will give them due consideration.

The gentleman who submitted these suggested amendments, Bob Nestel, is very well versed in the insurance field.

Thank you for your consideration.

MT/gnt

MEMBER: Rules
CO-CHAIR: Health, Education & Social Services
VICE-CHAIR: Community & Regional Affairs
FINANCE SUBCOMMITTEES: Health & Social Services • Rural Education Budget Oversight • Corrections

TELEGRAM

ALASCOM, INC.
PHONE: 586-6442
JUNEAU, AK 99802

22069 NL TDA EAGLE RIVER AK 366 05-15 9554 ADT

PMS REP MAE TISCHER
BOUCH V
3612

JUNEAU AK

RE: ^{HFR-5/10} CSSSHE7 SENATE COUNTER PART SF223 ^{SL+C 1/3/31}

THE FOLLOWING RECOMMENDATIONS ARE SUGGESTED HOUSEKEEPING MEASURES THAT WILL IMPROVE THE BILL.

PAGE 3, LINE 22; THE TERMS "AUTHORIZED TO DO BUSINESS IN THE STATE" MAY CREATE UNCERTAINTY. THE DIVISION OF INSURANCE MAKES THE DISTINCTION OF ADMITTED OR NONADMITTED COMPANIES. SUGGEST USING WORDING ON PAGE 10, LINE 20 AFTER THE COMMA THROUGH LINE 25.

THE SAME OR SIMILAR PHRASES APPEAR ON PAGE 6 LINE 9; PAGE 7 LINE 1; PAGE 10 LINE 5, 14 AND 21.

PAGE 10, LINE 21 AND 22; USE THE PHRASE "OR IF THE COMPANY IS NOT AUTHORIZED TO DO BUSINESS IN THE STATE." IS THIS INTENDED TO MEAN NONADMITTED COMPANIES?

PAGE 5, LINE 5; "DOMINION OF CANADA." THIS WOULD APPEAR TO BE LEGISLATION WHEN WORDING IN THE AUTO INSURANCE POLICY PROVIDES COVERAGE.

PAGE 5, LINE 26; "180 DAYS" SHOULD BE CHANGED TO "6 MONTHS OR MONTHS." MOST AUTO POLICIES ARE WRITTEN FOR THESE TERMS. THE

EAGLE RIVER AK 99577

BOX 1753

FOR RENTAL

PUT THIS IS RECOMMENDED AS AN ADDITION.

PROVISION IS MADE IN THE BILL TO COMBINE SINGLE LIMIT COVERAGE

MOST AUTO INSURANCE POLICIES COVERED SINGLE LIMITS. NO

"PROPERTY DAMAGE"

PROPERTY DAMAGE SHOULD BE ADDED TO "AND INCLUDING DESTRUCTION OF

"PROPERTY"

SUSTAINED BY ANY PERSON INCLUDING DEATH AT ANY TIME RESULTING

PERSON" SHOULD BE CHANGED TO "BODILY INJURY, SICKNESS OR DISEASE

THROUGHOUT THE BILL THE TERM "BODILY INJURY TO OR DEATH OF ONE

"PERMIT"

PAGE 10 LINE 28; INSERT "THE MOTOR VEHICLE" AFTER THE "KNOWINGLY

INSURED OF ITEMS NOT COVERED BY THE POLICY.

INCLUDED IN THE BILL. IT APPEARS TO REQUIRE PAYMENT BY THE

PAGE 9 LINE 11 THROUGH 14; I AM NOT SURE WHY THIS PROVISION IS

BUSINESS.

IN THE LIFE INSURANCE BUSINESS NOT THE PROPERTY AND CASUALTY

PAGE 9, LINE 1; DELETE "AND EVERY RISK" THE TERM RISK IS USED

IS NOT BROADER THAN THE INSURANCE POLICY.

BY THE DEPARTMENT OF PUBLIC SAFETY OR DIVISION OF INSURANCE SO IT

PAGE 9, LINE 9 THROUGH 14; "THE CARD" WORDING SHOULD BE PROVIDED

TELEGRAM

ALASCOM, INC.
PHONE: 586-6442
JUNEAU, AK 99802

#

02074 NL TDA EAGLE RIVER AK 366 05-16 955A ART

PMS SEN RICHARD I ELIASON

POUCH V **3019**

JUNEAU AK

RE: CRSSHR7 SENATE COUNTER PART SP025

THE FOLLOWING RECOMMENDATIONS ARE SUGGESTED HOUSEKEEPING MEASURES THAT WILL IMPROVE THE BILL.

PAGE 3, LINE 22; THE TERMS "AUTHORIZED TO DO BUSINESS IN THE STATE" MAY CREATE UNCERTAINTY THE DIVISION OF INSURANCE WAKES THE DISTINCTION OF ADMITTED OR NONADMITTED COMPANIES. SUGGEST USING WORDING ON PAGE 10, LINE 22 AFTER THE COMMA THROUGH LINE 25.

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THE FOLLOWING IS RECOMMENDED AS AN ADDITION:

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THE BOARD SHOULD CONSIDER THE FOLLOWING:

ALASCOM, INC.
PHONE: 586-6442
JUNEAU, AK 99802
#

*Senator Dick Eliason
Labor & Commerce*

*(JME)
see a copy for
me. R.*

02065 NL TDA EAGLE RIVER AK 566 05-16 955A ADT

PMS REP - HUGH MALONE

POUCH V **3999**

JUNEAU AK

RE: C555HB7 SENATE COUNTER PART SB223

THE FOLLOWING RECOMMENDATIONS ARE SUGGESTED HOUSEKEEPING MEASURES THAT WILL IMPROVE THE BILL.

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PAGE 6, LINE 9 THROUGH 14; "THE CARD" WORDING SHOULD BE PROVIDED BY THE DEPARTMENT OF PUBLIC SAFETY OR DIVISION OF INSURANCE SO IT IS NOT BROADER THAN THE INSURANCE POLICY.

PAGE 9, LINE 1; DELETE "AND EVERY RIDER" THE TERM RIDER IS USED IN THE LIFE INSURANCE BUSINESS NOT THE PROPERTY AND CASUALTY BUSINESS.

PAGE 9 LINE 11 THROUGH 14; I AM NOT SURE WHY THIS PROVISION IS INCLUDED IN THE BILL. IT APPEARS TO REQUIRE PAYMENT BY THE INSURED OF ITEMS NOT COVERED BY THE POLICY.

PAGE 10 LINE 28; INSERT "THE MOTOR VEHICLE" AFTER THE "KNOWINGLY PERMIT."

THROUGHOUT THE BILL THE TERM "BODILY INJURY TO OR DEATH OF ONE PERSON" SHOULD BE CHANGED TO "BODILY INJURY, SICKNESS OR DISEASE SUSTAINED BY ANY PERSON INCLUDING DEATH AT ANY TIME RESULTING THEREFROM."

PROPERTY DAMAGE SHOULD BE AMENDED TO "AND INCLUDING DESTRUCTION OF RANGIBLE PROPERTY."

MOST AUTO INSURANCE POLICIES OFFER COMBINED SINGLE LIMITS. NO PROVISION IS MADE IN THE BILL TO COMBINE SINGLE LIMITS COVERAGE BUT THIS IS RECOMMENDED AS AN ADDITION.

BOB NESTEL

BOX 1753

EAGLE RIVER AK 99577

5 copies

MSG 83-00023818 PRTY 1 06/08/83 17:09:40 ORIG: LK00 IN= 0006 OUT= 0097
FROM: JUNE G/KETCHIKAN TO: JUNEAU INFO
TARGET: LJHL SUBJ: FOM6/8/83.

TO: ALL MEMBERS OF LABOR & COMMERCE COMMITTEE, ELIASON, MULCAHY,
BENNETT, ROBEY, SACKETT.
FROM: KEN LILJEKVIST
BOX 5824
KETCHIKAN, ALASKA 99901 225-5368 (MSG)
RE: HB 7, MOTOR VEHICLES

IF REQUIRED TO OBTAIN AUTO LIABILITY INSURANCE, I MAY LOSE MY CAR AND LICENSE.
DUE TO A DISABILITY, MY PREMIUMS AND THE PREMIUMS OF MOST HANDICAPPED
INDIVIDUALS WILL BE PROHIBITIVE. (IN 1 YR. OF DRIVING - NO VIOLATIONS AND
HAVE CONSUMED NO CONTROLLED SUBSTANCE) MALE, 23, SINGLE, UNEMPLOYED ATHETOID
CEREBRAL PALSY.

*****E*****

11/18/89

Alaska State Legislature



Speaker of the House of Representatives


Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

Official Business

MEMORANDUM

June 24, 1983

To: All Senators

From: Rep. Joe Hayes
Speaker of the House 

RE: Auto Liability Insurance HB 7

Attached are just a few of the letters we have received in support of the House version of HB 7 which requires motorists to have insurance. I hope you will consider these prior to your vote and pass legislation substantially similar to that passed 35-2 by the House.

Thanks.

er

May 12, 1983

Joe L. Hayes
Speaker Of The House
Fouch V
Juneau, Alaska 99811

MAY 16 1983

Dear Joe:

Thank you for answering my POM on the Mandantory Auto Insurance Bill. I am happy that a reasonable limit has been set and that proof of insurance will be required to register a vehicle while this is a commendable start I find that I cant support a Bill that has no means of enforcement other than being in an accident or stopped by an Officer for some reason who asks for proof of insurance.,

I feel that an Amendment to the Bill requiring Insurance Companies to notify the State upon cancellation of a policy will provide the means of enforcement. The State can then require the vehicle owner to show proof of insurance within 15 days or turn in their licence plates.

This would protect the people who follow the Law and carry insurance it should also reduce insurance rates in the state. I know this Amendment would work as its working now in other States.

Very Truly Yours

Richard M. Howes Jr.
St. Box 2150
Wasilla, Alaska 99687

MAY 11 1983

5/9/83

REP JOE HAYES
JUNEAU, ALASKA 99801

DEAR MR. HAYES:

I AM IN FAVOR OF AND SUPPORT THE PENDING LEGISLATION
WHICH WILL REQUIRE ALL DRIVERS TO BE INSURED. I WAS THE
VICTIM OF AN UNINSURED DRIVER RECENTLY, AND MY
INSURANCE COMPANY HAD TO PAY FOR THE DAMAGES. I THINK
THAT IS UNFAIR.

SINCERELY,

LILLIAN S. DEMOSKI

U 3 1983

Collins, Weed and Associates

DENALI TOWERS SOUTH
SUITE 501
2600 DENALI STREET
ANCHORAGE, ALASKA 99503
(907) 276-7943

April 27, 1983

Rep. Joe Hayes
Pouch B
Juneau, Alaska 99811 .

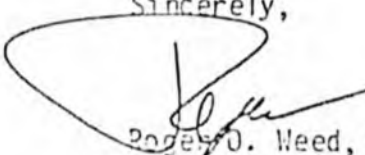
Dear Rep. Hayes:

I would like to add my name to the list of people supporting the Mandatory Liability Insurance for autos. As a victim of a \$500.00 accident in a parking lot, the lady responsible had no insurance and refused to pay the damage. By the time a small claims court action was initiated, the lady moved from the state. I then was responsible for the \$200 deductible, in order to repair my car.

I believe that this is absolutely essential, particularly due to the very large number of people who appear to drive without any kind of insurance.

Please enthusiastically continue to promote this legislation.

Sincerely,



Roger O. Weed, Partner

ROW/mab

5-3-83

MAY 07 1983

Joe Hayes,

I hope you get mandatory
auto insurance. Any car
should have ^{liability} insurance
requirements WITH the title

Mary A. Carter
3000 E. 15th Ave
Anchorage, Ak 99504

SPENARD AUTO SUPPLY, INC.

3400 SPENARD ROAD • ANCHORAGE, ALASKA 99503 • OFFICE - 276-5721

May 4, 1983

Speaker of the House Joe L. Hayes
Capitol, Room 214
Pouch V
Juneau, Alaska 99811

Dear Joe:

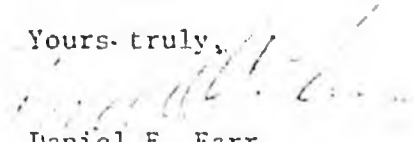
This letter is written in support of a mandatory insurance law on motor vehicles.

I have been in the automotive parts business for over twenty years and presently have ten delivery trucks on the road eight to ten hours daily, which makes us very vulnerable to accidents due to road conditions, etc.

I have reviewed my files for the past four years only, and have found that in fifteen accidents involving our delivery trucks, the other person did not carry insurance.

There is already a state law on the books that is obviously not enforced. I believe legislation should be passed so offenders will be penalized.

Yours truly,


Daniel E. Farr

Dl.f :af

MAY 09 1983.



Robert E. Gieringer, M.D.

A PROFESSIONAL CORPORATION
4001 DALE STREET, SUITE 117
ANCHORAGE, ALASKA 99504
TELEPHONE (907) 276-7616

May 5, 1983

Representative Joe Hayes
Pouch V
Juneau, AK 99811

Dear Mr. Hayes:

I was pleased to see in the Anchorage Times that you are proposing a bill in the legislature for mandatory automobile insurance with stiff penalties for noncompliance.

I want you to know that I strongly support this legislation and if I am not able to give my own time to support it as a volunteer, I would certainly give financial support.

Please let me know of the progress of this bill as it proceeds to the floor.

Sincerely yours,

Robert E. Gieringer, M.D.

REG/pd

MAY 7 1983

G Cathcart Ltd.

P.O. Box 6546 • Anchorage, Alaska 99502 • Phone: (907) 243-4573 • Telex: 26-649

May 5, 1983

Representative Joe Hayes
State of Alaska
House of Representatives
Pouch V
Juneau, AK 99811

SUBJECT: Mandatory Auto Insurance

Dear Representative Hayes:

After talking to your staff yesterday in regards to the above bill and seeing the Channel 11 newscast last night, I feel it necessary to write to you in regards to the above bill. I feel very strongly that the State of Alaska should require all motorist to carry liability insurance. I do not state this from an insurance agent's stand point as much as from a general consumer who has been effected by individuals driving without insurance.

From an insurance agent's stand point, I would like to state out a few simple points that seem to be controversial. First of all if everyone in the State of Alaska was required to carry insurance the argument cannot be made that we would have more accidents, than are now occurring in the state. The more premiums would have less impact on the loss ratio by the insurance companies. As in all other types of insurance, when loss ratios are low, premiums tend to come down and then everybody would save. The insurance companies would have more money to cover losses and thus the present losses would be spread over a much greater pool. I also wanted to note, although uninsured motorists coverage is available in the State of Alaska, it is only for bodily injury, this does not include property damage. If a vehicle is hit by an uninsured motorist and the driver does not have insurance to cover his own vehicle, it must be paid out of his pocket. Too many of these type of losses will

Cathcart Ltd.

Page 2 - Representative Joe Hayes -- May 5, 1983

cause cancellation of your policy or an increase in rate, which penalizes the innocent party who carries insurance.

There was an item brought up on the newscast last night, which I do agree with, and that is the impression that the State of Alaska is being "Big Brother" by forcing everyone to have auto insurance. But at the same time we must realize, that people must be accountable for their actions. We penalize individuals for committing a crime and for destroying property of others, yet when it comes to the automobile, very few people are penalized and very little effort is put into apprehending these individuals when they do get into an accident and substantial property damage. For the last three years, I have had both vehicles in our household hit by uninsured motorists three times! Only once in those three times has anyone paid for it, the other two would be termed as hit-and-run. The total cost to myself and my insurance company was in the excess of \$2,000.

Since our office does not write a lot of personal insurance, the impact of passing this bill would not do a lot for us economically, but I think as a citizen, it is a law that is way over due, and many of the people that we deal with are also in our agreement. Hopefully those people that we have contacted will write you letters also.

Sincerely,



Wallace Cathcart III
President

WCIII/pab

APR 19 1983

The Flying Dutchman Pastry Shop

341 E. BENSON · ANCHORAGE, ALASKA 99503 · PHONE 274-1072

Anchorage April 13

Dear Mr Hayes

Please work hard on the mandatory auto insurance bill. I am sick and tired of getting hit by uninsured drivers and it is not fair that I am paying for them. There should also be a mandatory automobile inspection state wide. Today I had to slow down because a car in front of me was smoking so bad that he obscured the vision not to mention the smell.

Also Abbott Road between Abbott Loop and Service High school is dangerously narrow considering the enormous amount of traffic.

There have been many accidents and a major accident is about to happen if nothing is done.

Thanks for your time and the good work.

Bernard Ben Hoper

22

MAR 3 1 1992

Seems but complete
simple
We need Jean Parsons

THE ARIZONA (RE)
Wednesday, December 2

3 and columns

Auto-insurance law has teeth

On Saturday, Arizona's new mandatory automobile insurance law will go into effect. For the first time, Arizona drivers will be required to carry minimal liability and property-damage insurance.

Under the new law, when you apply for initial registration or renewal of registration of your automobile, you must show proof that it is covered for damages that may be caused to others in the event of an accident. Although you can comply with the law by posting a bond or a certificate of deposit, the only practical solution for most people is to buy insurance.

In addition to proof of insurance, you will have to sign and date the following sworn statement: "I affirm that the vehicle described in this application is in compliance with state financial-responsibility requirements and will remain so during the entire registration period."

The reference to financial responsibility in this statement means insurance.

The minimum amount of insurance you must carry is \$15,000 for bodily injury to one person in any one accident and \$30,000 for bodily injury to two or more people in any



Van O'Steen

one accident. You also must carry insurance of at least \$10,000 for damage to property of others. The mandatory insurance law does not require insurance to cover injuries to yourself or your family members. But for obvious reasons that protection should be included in your insurance plan.

The new law makes it illegal, after Saturday, to operate a motor vehicle registered in Arizona on any highway in Arizona without liability insurance.

On a first violation, there is a minimum \$250 fine. A second violation requires a minimum \$500 fine and a three-month suspension of your driver's license. A third violation requires minimum penalties of a \$750 fine, a six-month suspension of your driver's license and five days in jail.

Those are minimum, mandatory penalties; no plea bargaining will be allowed under the new law.

The maximum penalty is six months in jail and a \$1,000 fine plus extra court costs.

Van O'Steen is a lawyer with Van O'Steen and Partners in Phoenix.

Jean M. Parsons
Box 3 414
Anchorage, AK
99501



NOTES ON HB7

The attached proposal is an updated version of the Senate Committee Substitute for HB7, passed by the Senate last session. It incorporates the changes made to the uninsured and underinsured motorists coverage found in both the House and Senate versions of the bill. It is my concern that a mandatory approach to automobile liability insurance at this time may be an overreaction to a perceived problem. If one examines where the complaints and concerns emanate, it is from persons who have acted responsibly by purchasing coverage and have been involved in an accident with someone who has not acted responsibly. The response should not be to require everyone to buy the coverage, it should be one that allows the responsible person to cover all contingencies arising out of his operation of an automobile and to strictly enforce the financial responsibility law as to those persons who do not act responsibly. A mandatory automobile insurance bill by its very nature, must have some administrative cost reflected. This, of course, will vary depending on how complicated a system is adopted. I contend that the Senate proposal will do as much to protect those with whom we are concerned as any mandatory insurance plan we might devise and do it with absolute minimum expense. I urge that you seriously consider the attached proposal as the most desirable alternative. The results can be monitored and if after 3 or 4 years the problem has not been alleviated, another approach could then be considered.

3/1/84, SHIPLEE AND LIO, 19721

TO: SENATORS ELIASON, MULCAHY AND V. FISCHER
REPRESENTATIVES HAYES, BUSSELL AND WENDTE

FROM: BESSIE FERRARA
(RES: 900 W. 26TH AVENUE)
P.O. BOX 4-150
ANCHORAGE, AK 99509
(H) 276-8448

RE: HOUSE BILL 7

WHY DO WE HAVE TO WAIT UNTIL THERE IS AN ACCIDENT BY SOMEONE
UNINSURED BEFORE THAT PERSON IS REQUIRED TO HAVE MANDATORY
INSURANCE? WHAT IF THERE IS A FATALITY OR DISABLEMENT FOR LIFE
AND THERE IS NO MONEY TO COVER? DO NOT PASS THE COMPROMISE BILL.
PLEASE PASS HOUSE BILL 7. THANK YOU.

HB7 - AUTOMOBILE INSURANCE

The Senate Labor & Commerce Committee substitute for HB7 would require companies who sell auto insurance to offer insurance against both personal and property damage caused by uninsured motorists. It is supported by the Administration (DMV and Insurance) and by insurance companies, agents and brokers. The Hayes bill, requiring everyone in some communities to either buy insurance or commit a crime, is opposed by those same people.

HERE'S WHY

COST TO THE STATE:

Enforcement of similar laws in other states has proven very expensive. North Carolina and New York spent millions trying to keep track of who was insured. North Carolina has backed off their enforcement effort, and attempts at a computer assisted enforcement system in New York has been abandoned. DMV and Public Safety estimate over one million dollars a year for a system that would not try to go get uninsured driver's plates.

COST TO THE DRIVER:

Aside from administrative hassles to all drivers, it is inevitable that rates will rise, by more than would otherwise be the case, for liability insurance. That is because poor risks would be forced into the system, and because people involved in small accidents would become much more claim conscious. A sheet showing what happened in 6 "compulsory" states, compared to similar states without those laws, is attached.

EFFECTIVENESS:

The Hayes approach will not solve the problem of uninsured drivers. Experience in other states shows that a large percentage of the real problem drivers, find ways to avoid buying, or keeping, insurance. People who want to protect themselves and their families end up buying uninsured motorist coverage anyway - its cheap, and it does solve the problem.

EXPERIENCE IN OTHER STATES:

Advocates of compulsory insurance say: "32 states have passed it; why have they not repealed it?" The answer is: 19 states passed, not compulsory liability insurance, but no-fault. One state with a compulsory liability

insurance law, Florida, did repeal it. Several others, including North Carolina, New York and Oregon, have either backed off from expensive enforcement programs or have enforced the law only minimally to begin with. It is hardly a successful model to follow. We should expect that independent minded Alaskans might be tougher than others to force into buying a product they do not want.

THE IDEA OF EXEMPTING SMALL COMMUNITIES:

The most recent version of the Hayes bill would exempt all but a dozen communities that are not on the main (Southcentral and Railbelt) highways. Thus, someone who lives in Minto will have to buy insurance or face criminal sanctions, but someone who lives in Whittier will apparently get none of the purported benefits of the bill (that is, having others insured) even if he or she chooses to buy liability insurance. That is unfair, illogical (there are certainly accidents and injuries wherever there are roads and cars) - and it is also in all likelihood unconstitutional.

The Senate L + C version of the bill has none of these problems. It allows those who want to, to protect themselves, by buying insurance they would probably pay for anyway if it were now available.

Michael Thomas
American Insurance Ass'n

APPENDIX

INSURANCE RATE LEVELS IN STATES WITH COMPULSORY SYSTEMS VERSUS INSURANCE
RATE LEVELS IN COMPARABLE STATES WITHOUT COMPULSORY SYSTEMS

<u>Compulsory States (a)</u>	<u>Comparable States (b)</u>	<u>Overall Pure Premium Percentage Change (c)</u>	<u>Average Annual Pure Premium Percent Change (c)</u>
<u>CALIFORNIA (1/1/75)</u>		<u>43.0%</u>	<u>8.2%</u>
	Illinois	24.2	5.5
	Ohio	17.7	3.4
	Texas	34.0	6.0
<u>LOUISIANA (7/1/78)</u>		<u>14.2%</u>	<u>11.2%</u>
	Alabama	0.1	0.9
	Mississippi	-1.2	1.4
	Tennessee	1.6	-1.3
<u>MARYLAND (7/1/73)</u>		<u>43.3%</u>	<u>7.9%</u>
	Indiana	21.3	5.0
	Virginia	32.0	6.2
	D.C.	23.9	4.4
<u>OKLAHOMA (12/11/76)</u>		<u>11.6%</u>	<u>3.7%</u>
	Arkansas	10.9	3.5
	Iowa	7.0	2.8
	Missouri	3.7	1.0
<u>OREGON (1/1/76)</u>		<u>35.0%</u>	<u>8.4%</u>
	Maine	19.6	3.9
	West Virginia	18.8	6.8
	Wisconsin	12.8	3.7
<u>SOUTH CAROLINA (10/1/74)</u>		<u>27.0%</u>	<u>5.6%</u>
	Alabama	22.5	5.5
	Arkansas	21.1	4.1
	Tennessee	14.9	2.9

- (a) - The figures in the parentheses by the compulsory states are the effective dates of their compulsory laws.
- (b) - The comparison states were chosen for their similarity to a compulsory state in demographic characteristics, geographic characteristics and the number of insured vehicles.
- (c) - The liability pure premium ratio was used as a basis for comparison because it represents the average amount of loss per insured vehicle. An increase in pure premium suggests that the average claim per insured vehicle has risen as a result of the inclusion of those motorists who did not carry auto liability insurance prior to the adoption of the compulsory law.

SOURCE OF DATA: Fast Track Monitoring System, comprising loss experience of companies reporting to the National Association of Independent Insurers and the Insurance Services Office. The Fast Track Monitoring System loss experience begins with data for the year ending fourth quarter 1976.

TIME PERIOD: The time period selected for comparison purposes is that period after which each compulsory law has become effective (and limited to when the Fast Track Monitoring System loss experience begins) through the year ending second quarter 1981.

INSURANCE TERMS

LIABILITY INSURANCE:

Insurance against damages the insured driver causes to someone else. It can be either for bodily injury, property damage, or both.

UNINSURED MOTORIST COVERAGE:

Insurance covering the insured driver (and passengers) against injury caused by another person who is not insured.

UNDERINSURED MOTORIST COVERAGE:

Insurance covering the insured driver and passengers against injury caused by another person who has some insurance, for amount between the coverage the other person has and a higher limit chosen by the purchaser of the "underinsured" coverage.

PROPERTY DAMAGE (PD):

Coverage for damage caused by the insured to property of another person.

BODILY INJURY (BI):

Coverage for personal injury caused by the insured to another person.

NO-FAULT INSURANCE:

So-called "first party" coverage, where the insured driver is covered against the injuries and damages he and his passengers suffer, regardless of who is at fault. It is available, only in states which have passed statutes requiring it of every driver.

COLLISION INSURANCE:

Property damage coverage for the insured driver's own property suffered in a collision or other defined casualty.

COMPREHENSIVE COVERAGE:

Property damage coverage for the insured driver's own property from miscellaneous causes - vandalism, hail, etc.

Anch. Daily News
March 29, 1984

Automobile insurance deal sought

By DEAN FOSDICK
The Associated Press

JUNEAU — Efforts are under way to find an acceptable compromise with the Senate on House Speaker Joe Hayes' bill that would require mandatory auto liability insurance in Alaska. But a lawmaker said Wednesday that if such a measure is to become law this session, it won't be mandatory.

Hayes, R-Anchorage, introduced the bill (HB 7) last March and it was wheeled rapidly through the House. But it was routed to a conference committee last summer after differences arose between the House and Senate over whether rural drivers should be included and how the law should be enforced.

"The Senate essentially removed all the House language and included a provision that insurance companies had to offer insurance for underinsured and uninsured people," Hayes said. "Theirs is not a mandatory insurance bill, it's just a provision for buying more insurance for those already buying insurance."

Motorists are not required to carry auto liability insurance in Alaska until after they have an accident.

Alaska's insurance industry opposes mandatory auto policies, contending they would raise rates and create more paperwork, yet fail to force bad drivers off the roads.

Hayes disputes that argument, however, and has written a compromise measure he plans to submit to the six-member conference committee. The panel was named June 26 but hasn't met thus far this session.

Among the compromise proposals:

- Motorists would not be required to prove they have auto insurance when licensing their vehicles. But they would have to show they were insured if involved in an accident causing more than \$500 in damage, or if cited for a traffic violation carrying a six-point penalty.

- Rather than charge people with a misdemeanor for violating the law, the bill would revoke their licenses for at least one year. Those cited would not have to pay a \$250 fine as required by the earlier plan, but would have to come up with \$250 to have their licenses reinstated.

- People living in rural communities would be exempt unless they have a history of traffic violations or accidents.

- Coverage offered as uninsured and underinsured insurance is expanded and defined, but basically the measure allows a \$250 deductible.

Sen. Dick Eliason, R-Sitka and chairman of the Senate side of the conference committee, said the House compromise basically follows the California plan, which makes it illegal not to carry auto insurance.

But Eliason said the Senate version requiring companies to offer uninsured and underinsured coverage is cheaper and more effective.

"You know you're being insured when you're hit by somebody else," he said. "If you're hit with the mandatory law in place and you're hit by an uninsured driver, you still wouldn't be covered."

News
recognizes
"Compromise"
bill —

Legislature '84

Anch. Times 3-29-84

Senate seeks auto insurance compromise

by Dean Fosdick
Associated Press

Juneau — Efforts are under way at finding an acceptable compromise with the Senate on House Speaker Joe Hayes' bill that would require mandatory auto liability insurance in Alaska. But a lawmaker said Wednesday that if such a measure is to become law this session, it won't be mandatory.

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MSG 84-00012166 PRY 1 02/10/84 09:01:31 ORIG: LA09 IN= 0001 OUT= 0019
FROM: SHIRLEE ANC LID TO: POMS' JUNEAU INFO
TARGET: LJHK SUBJ: P.O.M.

TO: REPRESENTATIVES HAYES, BUSSELL, WENDIE
SENATORS MULCAHY, ELIASON AND V. FISCHER

FROM: BOB NESTEL
BOX 771753
EAGLE RIVER, AK 99577 (H) 694-4372

HOUSE BILL 7 HAS AN EXCELLENT COMPROMISE OFFERED BY DIRECTOR OF
INSURANCE, KEN MOORE. I SUPPORT THE COMPROMISE AND FEEL A TELECONFERENCE
WOULD BE IN ORDER. THE INSURANCE INDUSTRY WOULD LOOK FAVORABLY ON
RECOMMENDATIONS BY DIRECTOR MOORE.

MSG 84-00002253 PRTY 1 01/10/84 15:42:09 ORIG: LA09 IN= 0002 OUT= 0085
FROM: SHIRLEE ANC LIO TO: POMS/JUNEAL INFO
TARGET: LJHK SUBJ: POM

TO: ALL LEGISLATORS

FROM: KEITH KLEMME
6630 EAST TENTH AVENUE
ANCHORAGE, AK 99504 (H) 337-2216

I AM AGAINST MANDATORY INSURANCE FOR AUTOMOBILES IN THE STATE
OF ALASKA, BUT I AM FOR A VERY MUCH NEEDED LEMON LAW FOR THE
AUTOMOBILE INDUSTRY FOR THE STATE OF ALASKA TO PROTECT THE
CONSUMER AGAINST THE CAR DEALERS.

Sen Elason

MultiVisions



March 8, 1984

Michael Lessmeier
Hughes, Thorsness, Gantz, Powell & Brundin
210 Ferry Way, Suite 100
Juneau, Alaska 99801

Dear Mr. Lessmeier:

Here are the results of our "Touch Vote" public opinion question that we have been running on Channel 52 for approximately one week.

Question: Do you favor mandatory auto insurance in Alaska?

Yes	Votes	4,478	47%
No	Votes	4,836	51%
Undecided	Votes	163	1%
Total	Votes	9,478	

These results are as of 10:00 a.m. on March 8, 1984. Due to the method of polling, results can be altered. MultiVisions in no way proports this to be a scientific poll.

Sincerely,

Stan

Stan Scott
Programmer

SS:sg

cc: Ted Berns
George Sullivan
John Smith

4792 Business Park Bl 1.
Anchorage, Alaska 99503
907.562.2400

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

June 21, 1983

SUBJECT: Mandatory motor vehicle insurance
(SCS CSSSHB 7 (L&C))

TO: Senator Richard I. Eliason
Chair, Senate Labor and Commerce Committee

FROM: Richard C. Folta
Legislative Counsel 

Here is the sectional analysis you requested for SCS
CSSSHB 7 (L&C).

Section 1 sets out the findings by the legislature on why
mandatory motor vehicle insurance is necessary in the state.

Section 2 adds a new section to AS 45.45 relating to motor
vehicle warranties.

AS 45.45.300(a) places a duty on a manufacturer or distribu-
tor of motor vehicles, or their agents or dealers, to make
repairs under the terms of express warranties that apply to
new vehicles, during the term of the warranty or one year,
whichever period ends first.

AS 45.45.300(b) provides that if a motor vehicle cannot be
repaired under the terms of the warranty after a reasonable
number of attempts, and the defect that cannot be repaired
substantially impairs the use and value of the vehicle, the
owner may return the vehicle and receive a new, comparable
replacement or a refund of the purchase price, at the option
of the owner.

AS 45.45.300(c) gives the manufacturer, distributor, agent
or dealer two affirmative defenses to the owner's claim for
replacement or refund:

(1) that the defect complained of does not substan-
tially impair the use and value of the vehicle; and

(2) that the defect is the fault of the owner or any other party not an official representative of the manufacturer, distributor, agent or dealer.

AS 45.45.300(d) establishes a presumption that a reasonable number of attempts to repair the vehicle have occurred if the defect has been repaired four or more times during a year, but continues to exist, or if the vehicle is out of service for more than 30 days during the warranty term or the one-year period. The one-year time period during which the owner may seek repair is extended by periods during which repairs are not available for reasons that are not the responsibility of the owner. The 30 day time period does not include periods of time when repairs are not made for reasons that are beyond the control of the manufacturer, distributor, agent, or dealer.

AS 456.45.300(e) makes violation of the section an unfair trade practice under AS 45.50.471.

AS 45.45.300(f) prohibits the resale of a vehicle returned under the section, without full disclosure of the reason for the return to the prospective buyer.

AS 45.45.300(g) makes the remedy provided by the section non-exclusive and allows owners to seek remedies that they may have under other provisions of law.

AS 45.45.300(h) requires manufacturers or distributors to maintain warranty service facilities near population centers of the state to service vehicles sold in the state. Manufacturers or distributors may contract with independent facilities to provide warranty service if the contract requires full payment for such service. Payment for shipping motor vehicles to and from service facilities is allowed in lieu of establishing additional facilities.

AS 45.45.300(i) requires owners to resort to informal dispute settlement procedures established under federal law, if such procedures exist in the state, before exercising the rights provided in (b) of the section.

AS 45.45.300(j) provides that no claim may be filed by the owner more than 12 months after expiration of the express warranty.

AS 45.45.300(k) defines terms used in the section, including "distributor", "motor vehicle", "owner", "population center", "substantial impairment of use and value", and "reasonable allowance".

Section 3 provides for an amendment to AS 28.20.440(b)(3) for insurance coverage for underinsured motor vehicles and for damage to or destruction of property arising from underinsured vehicles.

Section 4 amends AS 21.89.020(a) to require a motor vehicle liability policy to contain 50,000/100,000/25,000 coverage.

Section 5 amends AS 21.89.020 by adding a subsection requiring 50,000/100,000/25,000 coverage for uninsured and underinsured motorists.

Section 6 adds "mobile homes" to the list of eleven other vehicles exempt from motor vehicle registration under AS 28.10.011.

Section 7 adds a new subsection to AS 28.10.011 requiring evidence of a motor vehicle liability policy or a certificate of self-insurance or deposit of cash, securities or bonds, before a motor vehicle may be registered or a registration renewed in the state. A second new subsection allows submittal of an affidavit exempting an owner for vehicles out-of-state or in certain communities served by the Alaska ferries off the connected state highway system.

Section 8 adds a new subsection to AS 28.10.021 requiring applicants for vehicle registration to comply with AS 28.10.011(b) or (c).

Section 9 adds a new subsection to AS 28.10.111 requiring applications for renewal of vehicle registration to comply with AS 28.10.011(b) or (c).

Section 10 adds a new subsection to AS 28.10.131 allowing temporary permits for a maximum of 30 days for driving or moving unused motor vehicles for repair, maintenance, etc. purposes.

Section 11 adds a new paragraph to AS 28.10.151 allowing a temporary permit for a maximum of 30 days for moving or driving a motor vehicle for repair, maintenance, etc. purposes.

Section 12 amends AS 28.10.181 by adding a new subsection relating to issuance of unique vehicle plates to vehicles exempt from liability insurance requirements of AS 28.10.011(b).

Section 13 amends AS 28.10.201(b) by adding a number of motor vehicles exempt from registration, that may have a certificate of title issued, i.e., special mobile equipment vehicles moved by human or animal power, vehicles driven only on private property or driven or moved on certain highways, and mobile homes; only upon application by the owner.

Section 14 adds a new subsection to AS 28.15.011 to require evidence of motor vehicle liability policy, self-insurance, or deposit of cash, securities or bonds, before a drivers license may be issued, renewed or reissued.

Section 15 adds a new subsection to AS 28.15.011 requiring suspension of a drivers license if insurance coverage is terminated and if no response is made to a 30-day written notice.

Section 16 amends the driver examination subsection to provide for testing applicants on knowledge of mandatory insurance provisions, and effects of alcohol or drugs on drivers.

Sections 17, 18, 19, and 20 increase insurance coverage minimums to \$50,000/\$100,000/\$25,000.

Section 21 provides for an amendment to AS 28.20.440(b) (3) for insurance coverage for underinsured motor vehicles and for damage to or destruction of property arising from underinsured vehicles.

Section 22 adds new subsections to AS 28.20.440 relating to insurance termination and policy abuses; and suspension of licenses and registration unless there is evidence of motor vehicle liability insurance or a certificate of self-insurance or cash, securities or bonds; and for the insurance company to provide cards indicating the existence of an insurance policy for the insured.

Section 23 increases financial responsibility deposit minimums to \$100,000 in cash or securities, in AS 28.20.490.

Section 24 adds a new chapter, AS 28.22, providing criteria for the mandatory motor vehicle liability insurance for the state, covering generally the following:

- (1) defines "motor vehicle liability policy";
- (2) provides minimum \$50,000/\$100,000/\$25,000 insurance for primary and underinsured and uninsured coverages;
- (3) provides coverage for vehicles not owned by the policy holder;
- (4) provides for standard insurance provisions that will be effective but need not be contained in the policy;
- (5) allows for excess insurance coverage;
- (6) additional standard insurance provisions that will be contained in a policy -- including a ten day notice of termination by the carrier to the state and requirement for a card indicating existence of a policy.
- (7) relates to insurance carrier's requirements in doing business in the state before insurance policies are effective;
- (8) relates to provisions for sanctions, for persons driving without a motor vehicle liability policy or proof of self-insurance, i.e., the issuance of a citation, fines of not less than \$250 for a class B misdemeanor, suspension of licenses and registration for periods of time and forfeiture of a motor vehicle, depending on previous record of offenses.
- (9) sets out the procedure for forfeiture of motor vehicles, giving notice to all interested parties, allowing for a hearing, requiring court findings; and surrender of documents and sale of vehicle;
- (10) provides procedure for terminating an insurance policy and for reinstating policies regarding unused motor vehicles; and

Senator Richard I. Eliason

Page 6

June 22, 1983

(11) requires a department annual report to the legislature on the effect, problems and administration of the mandatory insurance program.

Section 25 provides for a January 1, 1985 deadline for insurance carriers to develop a motor vehicle liability policy for state drivers that complies with this Act (Secs. 3, 4, and 5).

Section 26 provides for an effective date of July 1, 1984 for this Act with the exception of the provisions in Secs. 3, 4, 5, and 14.

RCF:ljb

25/017

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF PUBLIC SAFETY OFFICE OF THE COMMISSIONER

POUCH N
JUNEAU, ALASKA 99811
PHONE:

April 13, 1983

465-4322

The Honorable Richard I. Eliason
Chairman, Senate Labor and Commerce Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

This is in reply to your request for a departmental position paper on SB-223 entitled "An Act Relating to Motor Vehicles, and Providing for an Effective Date".

The Department of Public Safety basically opposes SB-223 and SSHB-7, which relate to compulsory motor vehicle liability insurance. In Alaska the requirement to procure and maintain vehicle liability insurance has never been required or compulsory in order to register a vehicle.

The costs of insurance are continually rising, doubling in the past few years, and proves a financial burden on some Alaskans. However, citizen complaints and publicity concerning the non-insured motorist have been strongly expressed, demanding some action.

The 1977 Legislature formed a committee to study this particular problem. The findings were published in a report entitled "The Bodily Injury Reparations Advisory Committee (BIRAC)", dated March 1979. The Department supports many of the conclusions expressed in this document but strongly opposes compulsory liability vehicle insurance as a means to achieve these goals.

The basic theory behind compulsory insurance is to require every motorist to be covered at all times. In reality, it does not work. Insurance dodgers circumvent the intent, and the chances of catching and penalizing them is minimal.

The law, if effected, is extremely expensive and cumbersome to administer; it is burdensome and inconvenient to the public; it is difficult, if not impossible, to enforce; and it does not produce the results intended. It will increase the number of state employees and up the cost of the state operating budget.

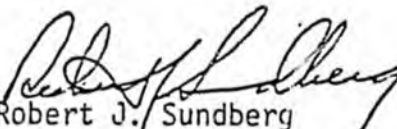
Senator Eliason
April 13, 1983
Page Two

This Bill does not repeal the Financial Responsibility Law (AS 28.20) as have other bills introduced in the past. This is in line with departmental philosophy that any insurance bill enacted must be supplemented by a strong financial responsibility law.

In all states, still demanding compulsory vehicle liability insurance, none have achieved their primary goal of 100% insured. Most have all but given up on compliance as they find the costs become prohibitive while the added percentage of insured increased only slightly.

We believe that a strong financial responsibility law, coupled with a mandatory offer by every automobile insurer writing in this state of uninsured motorist coverage and underinsured motorist coverage, bodily injury and property damage in an amount equal at least to that voluntarily purchased for bodily injury liability and property damage liability, is the best approach.

Sincerely,


Robert J. Sundberg
Commissioner



Alaska Court System
State of Alaska

KARLA L. FORSYTHE
General Counsel

OFFICE OF ADMINISTRATIVE DIRECTOR

303 K Street
Anchorage, AK 99501

April 13, 1983

Senator Richard Eliason
Chairman, Senate Labor and Commerce Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Eliason:

I am writing to bring to your attention some of the ways in which Senate Bill 223, which is presently before the committee, would impact the court system. The bill is entitled "An Act relating to motor vehicles," and requires that a vehicle owner obtain liability insurance before registering and operating a motor vehicle in Alaska.

Proposed AS 28.22.500 provides that it is a class B misdemeanor for a person to drive or permit to be driven a vehicle for which a liability policy is not in effect. The enforcement scheme set forth in proposed subsections (b) and (c) raises problems, because it inappropriately combines existing procedures for issuance of citations with procedures for submitting proof of compliance with traffic laws and with procedures for bail forfeiture. Specifically, subsection (b) cross-references AS 28.05-.151. That statute authorizes the supreme court to adopt by order a bail forfeiture schedule for those traffic offenses amenable to non-judicial disposition. The rationale behind a bail forfeiture system is that certain minor offenses are adequately punished with a mail-in fine upon a plea of guilty, a procedure which frees the court calendar for judicial disposition of serious offenses. Only minor offenses appear on the traffic bail schedule.

The sentencing provisions set forth in subsections (c) and (d) make it clear that driving without insurance is a major offense. Moreover, since license suspension is required, defendants will be entitled to a jury trial. Use of bail forfeiture procedures does not meet the legislative intent nor the legal requirements for processing a serious offense such as driving without insurance.

The legislation also provides that when proof of insurance is submitted to the court, the charge shall be dismissed. There are several types of offenses under current law for which a charge will be dismissed upon showing proof of compliance. Two examples are driving without a license (AS 28.15.131; copy attached) and equipment violations (13 AAC 04.008; copy attached). Proof of compliance (either by showing a driver's license, or by showing that the defective equipment has been repaired) shall be given either to the law enforcement agency, or in the case of a driver's license, to the court. Requiring the court alone to accept proof of compliance adds to the court system a task which duplicates procedures of other agencies in many areas of the state, and adds to the court's clerical burden.

The following language would eliminate the problems created by the existing proposal while still meeting the legislative intent:

(b) If a peace officer has probable cause to believe a motor vehicle was used in the commission of an offense under (a) of this section, a citation will be issued. The charge will be dismissed if evidence is presented within five days showing insurance policy coverage as required by AS 28.22.010 was in effect at the time the citation was issued.

This language is more workable, because it eliminates the reference to the bail forfeiture procedure, and because it allows sufficient flexibility for proof of compliance to be submitted either to a court or to the appropriate agency, as convenience warrants in different locations throughout the state.

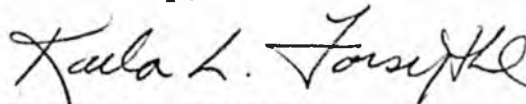
The Department of Law in its fiscal note has estimated that several hundred new prosecutions will be commenced as a result of this legislation. It is difficult to quantify the impact on the court, particularly since the Department of Law believes there will be no fiscal impact on its operations. However, any new hearings will add to the already considerable workload of the district court, particularly in Anchorage, and may require additional judicial and clerical resources, depending on the volume of cases filed.

Finally, proposed Section 28.22.530 requires that if the court orders forfeiture of a vehicle, the court shall within five days provide notice of the forfeiture to all persons with ownership or security interests. Requiring the court to give notice is inconsistent with the court's traditional role as impartial adjudicator, and is a requirement more appropriately placed with the moving party. Should this function remain with the court, additional clerical resources will be required in proportion to the number of forfeitures ordered.

I hope this information is helpful to the committee. The court system will be glad to answer any questions about these

comments, to testify before the committee at the time this legislation is scheduled for hearing, or to provide any additional information.

Sincerely,



Karla L. Forsythe
General Counsel

KLF:smh

cc: Representative Joe Hayes
Senator Joe Josephson
Arthur H. Snowden, II
Chief Justice Edmond W. Burke

operation on a highway or vehicular way or area, and is in a safe condition and in good working order. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

Editor's Note: This section is based on 13 AAC 04.305 and 310.

13 AAC 04.004. SALE OR USE OF EQUIPMENT. (a) No person may sell or offer for sale or use a vehicle, equipment or device which does not meet the requirements of this chapter or other law. The provisions of this section do not apply to equipment that complies with requirements in effect before the effective date of this section and in use when this chapter takes effect, or to replacement parts of that equipment.

(b) Any equipment described in this chapter or any package containing the equipment must, if practicable, bear the manufacturer's trade mark or brand name, unless the equipment complies with identification requirements of the United States Department of Transportation or other federal agencies.

(c) No person engaged in the business of selling bicycles at retail may sell a bicycle unless the bicycle has an identifying number permanently stamped or cast on its frame. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

13 AAC 04.005. DISCONNECTION OR ALTERATION OF EQUIPMENT. No person may disconnect or alter, except as is necessary in the repair or replacement of parts, the equipment required by this chapter, unless the equipment is by nature designed and intended for disconnection or alteration. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

13 AAC 04.006. WHEN INSPECTION REQUIRED; ROADSIDE INSPECTION. (a) A police officer or other person authorized by the department, having reasonable cause to believe that a vehicle is unsafe, not equipped as required in this chapter or in AS 28, or that its equipment is not in proper adjustment or repair, may require the driver of the vehicle to stop and submit the vehicle to an inspection and tests as may be appropriate.

(b) A driver of a vehicle shall stop and submit the vehicle to a roadside inspection when a member of the Alaska State Troopers, uniformed police officer, or a person otherwise authorized by the department is conducting tests and inspections of vehicles and when a sign is displayed requiring a stop, or when a uniformed officer is present and signals the driver to stop. The signs requiring a stop for inspection may specify the particular class or type of vehicle required to stop and, when so designated, a driver of another class or type of vehicle need not stop.

(c) The owner or driver of a vehicle may not refuse to submit a vehicle to an inspection or test authorized or required under this chapter. (Eff. 6/28/79, Reg. 70)

Authority: AS 28.05.011

Editor's Note: This section is based on 13 AAC 06.030 and 040.

13 AAC 04.007. UNSAFE OR DEFECTIVELY EQUIPPED VEHICLE. (a) A police officer may issue a citation to the driver or owner of a vehicle which is not in safe mechanical condition or properly equipped as required in this chapter or in AS 28. A citation issued under this section must specify the section of this chapter or AS 28 which has been violated, the repair or adjustment to be made, and require the driver or owner to appear in court after a period of at least five days, holidays and weekends excluded, from the date of the violation.

(b) The citation issued under (a) of this section requires the driver or owner of the vehicle specified in the citation to repair the vehicle so that it is in safe condition and its equipment is in proper repair and adjustment. The citation also requires the owner or driver to secure a certificate of inspection and approval before any further driving or movement on a highway or vehicular way or area, except as provided in (c) of this section.

(c) No person may drive or move a vehicle after being directed under this section to have it repaired or adjusted, except as may be necessary to return the vehicle to the residence or place of business of the owner or driver of the vehicle or to a garage, until the vehicle and its equipment

Sec. 28.15.121. Restricted driver's license. (a) The department, upon issuing a driver's license, may for good cause impose restrictions suitable to the licensee's driving ability with respect to special mechanical control devices required on a motor vehicle which the licensee drives. The department may impose other restrictions applicable to the licensee that it determines to be appropriate to assure the safe operation of a motor vehicle by the licensee.

(b) The department may issue a special restricted license or may set out restrictions on the usual license form.

(c) The department may, upon receiving satisfactory evidence of a violation of the restrictions on a license restricted or issued under this section, suspend the restricted license for a period not to exceed 30 days.

(d) No person may drive a motor vehicle in violation of the restrictions imposed on a restricted license. (§ 19 ch 178 SLA 1978)

Sec. 28.15.131. License to be carried and exhibited on demand. Every licensee shall have his driver's license in his immediate possession at all times when driving a motor vehicle, and shall present for inspection his license upon the demand of a peace officer or other authorized representative of the department who identifies himself as such. However, a person charged with violating this section may not be convicted if he produces in court or in the office of the arresting or citing officer, a driver's license previously issued to him which was valid at the time of his arrest or citation. (§ 19 ch 178 SLA 1978)

A licensing statute cannot be used as a means for obtaining information or evidence not related to the licensing requirement. Schraff v. State, Sup. Ct. Op. No. 1223 (File No. 2263), 544 P.2d 834 (1975), decided under former AS 28.15.090.

Sec. 28.15.141. Duplicate driver's license. If a valid driver's license issued under this chapter is lost or destroyed, the person to whom the license was issued may, upon payment of the required fee, obtain a duplicate license. A person who recovers an original license for which a duplicate has been issued shall immediately surrender the duplicate to the department. (§ 19 ch 178 SLA 1978)

Sec. 28.15.151. Records to be kept by the department. (a) The department may maintain a file of

(1) every driver's license application, license or permit and duplicate driver's license issued by it;

(2) every license which has been suspended, revoked, canceled, limited, restricted, or denied, and the reasons for those actions; and

(3) all accident reports required to be forwarded to the department under this title.

(b) The department may also maintain a file of all accident reports, abstracts of court records of convictions of vehicle, driver and traffic offenses, and other information which the department considers necessary to carry out the purposes of this chapter.

(c) The department shall, upon request, subject to the applicable provisions of AS 12.62 and (f) of this section and without charging a fee,

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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

June 21, 1983

SUBJECT: Mandatory motor vehicle insurance
(SCS CSSSHB 7 (L&C))

TO: Senator Richard I. Eliason
Chairman, Senate Labor and
Commerce Committee

FROM: Richard C. Folta 
Legislative Counsel

Here is the sectional analysis you requested for SCS
CSSSHB 7 (L&C).

Section 1 sets out the findings by the legislature on why
mandatory motor vehicle insurance is necessary in the state.

Section 2 adds "mobile homes" to the list of eleven other
vehicles exempt from motor vehicle registration under
AS 28.10.011.

Section 3 adds a new subsection requiring evidence of a
motor vehicle liability policy or a certificate of self-
insurance or deposit of cash, securities or bonds, before a
motor vehicle may be registered or a registration renewed in
the state. A second new subsection allows submittal of an
affidavit exempting an owner for vehicles out-of-state or in
certain communities served by the Alaska ferries.

Section 4 adds a new subsection requiring applicants for
vehicle registration to comply with Sec. 3, AS 28.10.011(b).

Section 5 adds a new subsection requiring applications for
renewal of vehicle registration to comply with Sec. 3 above,
AS 28.10.011(b).

Section 6 adds a new paragraph allowing special permits for
driving or moving unused motor vehicles.

2. Section 7 adds a number of motor vehicles exempt from registration, that may have a certificate of title issued, i.e., special mobile equipment vehicles moved by human or animal power, vehicles driven only on private property or driven or moved on certain highways, and mobile homes.

Section 8 adds a new subsection to require evidence of motor vehicle liability policy, self-insurance, or deposit of cash, securities or bonds, before a drivers license may be issued, renewed or reissued.

Section 9 adds a new subsection requiring suspension of a drivers license if insurance coverage is terminated and if no response is made to a 30-day written notice.

Section 10 amends the driver examination subsection to provide for testing applicants on knowledge of mandatory insurance provisions, and effects of alcohol or drugs.

Sections 11, 12, 13 and 14 increase insurance coverage minimums to \$50,000/\$100,000/\$25,000.

Section 15 provides for insurance coverage for underinsured motor vehicles and for damage to or destruction of property arising from underinsured vehicles.

Section 16 adds a new subsection providing for insurance termination and policy abuses; and suspension of licenses and registration unless there is evidence of motor vehicle liability insurance or a certificate of self-insurance; and for the insurance company to provide cards indicating the existence of an insurance policy for the insured.

Section 17 increases financial responsibility deposit minimums to \$100,000 in cash or securities.

Section 18 adds a new chapter providing criteria for the mandatory motor vehicle liability insurance for the state, covering generally the following:

- (1) defines "motor vehicle liability policy";
- (2) provides minimum \$50,000/\$100,000/\$25,000 insurance for primary and underinsured and uninsured coverages;

June 21, 1983

(3) provides coverage for vehicles not owned by the policy holder;

(4) provides for standard insurance provisions that will be effective but need not be contained in the policy;

(5) allows for excess insurance coverage;

(6) additional standard insurance provisions that will be contained in a policy -- including a ten day notice of termination by the carrier to the state and requirement for a card indicating existence of a policy.

(7) relates to insurance carrier's requirements in doing business in the state before insurance policies are effective;

(8) relates to provisions for sanctions, for persons driving without a motor vehicle liability policy or proof of self-insurance, i.e., the issuance of a citation, fines of not less the \$250 for a class B misdemeanor, suspension of licenses and registration for periods of time and forfeiture of a motor vehicle, depending on previous record of offenses.

(9) sets out the procedure for forfeiture of motor vehicles, giving notice to all interested parties, allowing for a hearing, requiring court findings; and surrender of documents and sale of vehicle;

(10) provides procedure for terminating an insurance policy and for reinstating policies regarding unused motor vehicles; and

(11) requires a department annual report to the legislature on the effect, problems and administration of the mandatory insurance program.

Section 19 amends subsections to provide minimum insurance for primary coverage at \$50,000/\$100,000/\$25,000 level.

Section 20 adds a new subsection to require insurance to cover uninsured or underinsured motorists at a \$50,000/\$100,000/\$25,000 level.

Senator Richard J. Eliason

Page 4

June 21, 1983

Section 21 provides for a January 1, 1985 effective date (Sec. 8 only) to allow the division of motor vehicles adequate time to prepare for administering the mandatory insurance program in the state.

Section 22 provides for a January 1, 1985 deadline for insurance carriers to develop a motor vehicle liability policy for state drivers that complies with this Act (Secs. 19 and 20 only).

Section 23 provides for an effective date of July 1, 1984 for this Act with the exception of the provisions in Secs. 8, 19 and 20.

RCF:ljb
25/008