

HB

7

1

CURRENT LICENSE ACTIONS AS OF 1-3-84

TYPE OF ACTION	SEX		TOTAL
	M	F	
B - Non Comply	36	4	40
E - Non Comply - Tests	292	45	337
F - Non Comply - SR22	701	121	822
G - Non Comply - SR22/Tests	658	111	769
I - Suspended SR22	606	73	679
J - Limited SR22	8	1	9
K - Cancelled SR22	2	1	3
L - Non Comply - \$50 fee	1	-	1
M - Revoked SR22/Tests	600	128	728
O - Limited SR22/Tests	159	29	188
P - SB Permit Revoked	8	-	8
Q - Cancelled	144	51	195
R - Revoked	2,061	273	2,334
S - Suspended	1,826	526	2,352
T - SB Permit Cancelled	5	1	6
U - Limited	153	20	173
V - Suspended SR22/Tests	236	31	267
W - Temporary License	170	31	201
TOTAL	7,666	1,446	9,112

SUMMARY:

9,112 individuals had current license actions in effect on January 3, 1984. 14 of those involved a school bus permit only, and the person still had a valid driver's license.

Of the total, only 4% (370) have limited driving privileges.

3,465 individuals who are required by law to file proof of insurance (SR22), have not done so.

5,147 (56%) of those with current license actions were less than 30 years of age.

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: 479-8478

200 CHENEGA STREET
P.O. BOX 767
VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2968

DAVID H. THORSNESS
RICHARD O. GANTZ
JAMES M. POWELL
BRIAN J. BRUNDIN
MARCUS R. CLAPP**
KENNETH P. JACOBUS
GARY W. GANTZ
JERRY E. MEISCHER
JOE M. HUDDLESTON
SIGURD E. MURPHY
RICHARD D. THALER
CARL J. D. BAUMAN
FRED B. ARVIDSON
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RALPH R. BEISTLINE*
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ROBERT L. MANLEY
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RONALD E. NOEL*
FREDERICK J. ODSEN
MICHAEL L. LESSMEIER**
STEVEN S. TERVOOREN
MATTHEW K. PETERSON
JOSEPH R. D. LOESCHER
JAMES F. KLASEN
KENNETH D. LOUGEE*
KENNETH F. BRITTAIN
DAVID H. MERSEREAU
CORY A. CARLSON
EARL M. SUTHEILAND
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 13, 1984

Senator Vic Fischer
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

RE: Compulsory Insurance
Our File: 00220-0044

Dear Senator Fischer:

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

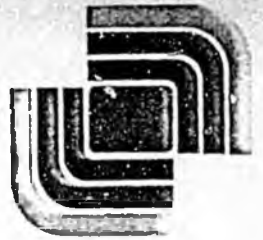
By: 
Michael L. Lessmeier

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:

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

4722 Business Park Blvd
Anchorage, Alaska 99503
607/552-2400

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF MOTOR VEHICLES

POUCH N
JUNEAU, ALASKA 99811
PHONE: 465-4335

March 30, 1983

Representative Don Clocksin
Alaska House of Representatives
State Capitol, Pouch V
Juneau, Alaska 99811

Dear Representative Clocksin:

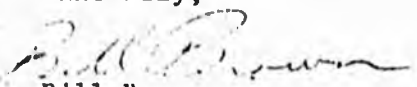
Administrative Assistant Janet Rice asked me to provide you with some statistics which would reflect why driving privileges were suspended, revoked, etc., when individual drivers were arrested for, and convicted of, violating AS 28.15.291(a).

The requested data has been extracted from our computer files, and reflects the following:

<u>REASON</u>	<u>VIOLATION YEAR</u>		
	<u>1982</u>	<u>1981</u>	<u>1980</u>
DWI	154	135	97
Implied Consent	27	31	34
Accumulation of Points	95	95	90
Uninsured Accidents	137	125	102
Reckless Driving	12	14	10
Failure to Carry Necessary Insurance	14	29	17
Other (Mostly driving while license suspended)	102	89	63
Unknown (Appears these are mostly for out-of-state license actions)	<u>21</u>	<u>23</u>	<u>11</u>
TOTAL	<u>562</u>	<u>541</u>	<u>424</u>

If you have any questions concerning the above, or I can be of any further assistance, let me know.

Sincerely,


Bill Brown
Chief of Driver Services

BB/gb

cc: Representative Abood
Representative Wendt



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	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	229.70
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	Distict 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	223.61
20	Illinois	291.62	20	262.57	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

* Denotes State with mandatory insurance
** No Fr. Lt + Compulsory

THE CASE AGAINST COMPULSORY AUTOMOBILE
LIABILITY INSURANCE

An Insurance Industry White Paper

THE CASE AGAINST COMPULSORY
AUTOMOBILE LIABILITY INSURANCE

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INTRODUCTION

It seems incongruous and illogical for the insurance industry to oppose a law forcing consumers to purchase an insurance product. One would assume that insurers would only be too willing to support legislation which could generate more sales and result in higher premiums for each policy sold.

Why, then, does a united insurance industry refuse to support state compulsory automobile insurance laws? Why do insurers oppose legislation requiring each person who owns and operates a motor vehicle to purchase liability insurance?

In truth, the economic self-interests of the insurance industry are not well-served by compulsory auto liability insurance. Nor are the economic self-interests of motor vehicle owners, taxpayers, or state legislators served by compulsory insurance laws.

Every interest group but one, the plainiff's bar, faces economic risks with compulsory auto liability insurance. It costs everyone else money.

This joint industry statement explains why most insurers oppose enactment of compulsory insurance laws, and relates how these emotionally-appealing laws fail to meet the well-meaning intentions of legislators and constituents.

Cost-efficient, proven alternatives that overcome the deficiencies of compulsory automobile liability insurance do exist. A discussion of these alternatives--stricter Financial Responsibility Laws, Uninsured Motorist Protection and No-Fault Insurance--is included at the end of this statement.

THE ISSUE

The issue is: Should a person who owns and operates a motor vehicle be required by state law to purchase liability insurance?

Voluntary auto liability insurance is already available to interested drivers. It enables those who purchase it to protect their personal assets

against loss due to their negligent use of a motor vehicle. Auto liability coverage does not pay money to the driver who purchases it. It makes payments on behalf of the purchaser to any one he or she has negligently injured while driving.

The purpose of voluntary auto liability insurance is to provide financial security by protecting the assets of the purchaser. By contrast, compulsory auto liability insurance is intended, but fails to pay the damages sustained by those who might otherwise be involved in accidents with uninsured drivers. Compulsory insurance laws aim toward reducing the numbers of uninsured motorists. They require the purchase of automobile liability insurance coverage and make it a criminal offense to drive a motor vehicle without such coverage.

HISTORICAL BACKGROUND

Compulsory automobile liability insurance is not a new issue. It's been a topic of discussion for over 50 years. In 1927, Massachusetts became the first state to adopt compulsory auto liability insurance, but the approach proved unpopular with both legislators and insurers. It wasn't until 1956 and 1957 that two other states, New York and North Carolina, established compulsory liability insurance systems.

Other states refused to enact compulsory insurance measures primarily because of cost comparisons with Massachusetts, New York and North Carolina. The compulsory states were experiencing significant increases in the number and frequency of insurance claims, primarily resulting from the higher accident rates among the small percentage of formerly uninsured drivers who were abiding by the law and buying insurance. In the ten years following Massachusetts' enactment of compulsory insurance, its claim frequency per thousand insured vehicles had increased 33 percent, while the countrywide frequency declined 21

percent. A university of Michigan study found that the number of claims jumped 23 percent in New York and 35 percent in North Carolina in the first years after their compulsory systems went into effect. These increases were well above the estimated rise in the number of insured drivers. And, the increases were forcing safe and responsible drivers to pay higher insurance premiums.

The financial responsibility law was another principal reason for the failure of the early compulsory movement. During the nearly 30 years that elapsed between the first two state compulsory insurance laws, other states had turned to this more limited form of compulsion. Financial responsibility laws require certain individuals to prove--by posting a bond for a certain amount, by depositing cash or securities in that amount, or by another method stated in the law--that they will be able to pay damages that might be awarded to other accident victims. If they fail to do so, they face the possible suspension or revocation of their driving license for a certain length of time. Insurers nurtured and supported the financial responsibility law concept because they considered it to be a favorable alternative to compulsory liability insurance, and because it focused on those drivers actually involved in accidents, not on all drivers.

No new compulsory liability insurance laws were enacted until the 1970's. Twenty-seven states have turned to compulsory systems in the past decade. These states were not attempting to imitate existing successful compulsory insurance systems. There were none. In fact, Massachusetts, New York, and North Carolina each were facing massive paper blizzards in trying to keep track of uninsured motorists. Yet, they had little, if any, progress toward reducing the number of uninsured drivers.

For example, when New York enacted its mandatory rule in 1957, an estimated six percent of car owners didn't carry insurance. By 1979, the number of uninsured motorists had risen to 12 percent of all drivers in the

state. During the first ten years New York's law was in effect, it cost law-abiding drivers more than \$100 million and authorities were unable to point out any progress in enforcing compliance with the law. Regulatory authorities in Massachusetts and North Carolina were reporting similar horror stories.

The movement toward compulsory insurance in the 1970's instead can be attributed to the growth in popularity of "no-fault" laws. Most of the states implementing a compulsory liability insurance system in the past decade made this system part of an automobile no-fault insurance package. A majority of the automobile insurance industry supported automobile no-fault laws and it was generally accepted that eliminating certain tort rights required the substitution of a guaranteed benefit package. Little thought was given to the residual liability component of that package, but, as we now know it is possible to have guaranteed first party benefits without compulsory liability insurance.

Florida was among the states which made liability insurance compulsory when enacting a no-fault insurance plan in the early 1970's. In 1979 Florida repealed its compulsory automobile liability insurance requirement and now requires only the purchase of PIP (personal injury protection) coverage. Liability insurance is now purely voluntary coverage. Florida state legislators took this action to eliminate a growing number of unnecessary lawsuits and to lessen the financial burden for low-income citizens, who were being forced to purchase both liability insurance and no-fault insurance. Fully supported by the insurance industry, the Florida no-fault law is the only one of its kind in the United States.

Whether or not the compulsory systems were part of a no-fault system, they simply did not work. In 1980 and 1981, fourteen states introduced legislation to repair the enforcement procedures of their compulsory automobile insurance laws.

The 14 states are California, Connecticut, Florida, Kansas, Louisiana, Maryland, Michigan, Montana, New York, Pennsylvania, Texas, Utah, West Virginia and Wyoming. Additional states are considering the same action this year.

REASONS FOR OPPOSITION

Today, the insurance industry is largely opposed to compulsory automobile liability insurance. Its opposition is based on five major adverse effects of compulsory insurance.

Compulsory automobile liability insurance laws:

Do not protect consumers against uninsured motorists because the laws are not enforceable.

Are very costly to state government, motor vehicle owners and insurers.

Force individuals to buy a product for which they have no need.

Lead to unnecessary harassment of responsible drivers, who comprise a vast majority of the total driver population.

Are more expensive and have more deficiencies than the cost effective, viable alternatives which are available.

Compulsory automobile liability insurance laws do not protect consumers against uninsured motorists because the laws are not enforceable.

Requiring every motorist to carry auto liability insurance sounds like a good idea. But in practice, it doesn't work. In state after state, compulsory automobile liability insurance systems have failed to meet their goals. Compulsory laws do not guarantee that innocent victims of accidents caused by uninsured motorists will be compensated for their injuries and financial losses; and they do not reduce the number of uninsured motorists on the road.

As a general rule, compulsory automobile liability insurance laws require that evidence of insurance be submitted to public authorities at least once a

year. Some compulsory insurance laws require motorists to produce evidence of insurance to register and license their automobiles. Others require a self-certification procedure under which motorists attest they have purchased and will maintain the required coverage.

Certificates of insurance or copies of policies in the state administrator's office or in the car mean nothing when there is a notice of cancellation for non-payment of premium at home. Irresponsible drivers can register their cars by purchasing insurance on an installment plan and refusing to make premium payments. Or a person can falsify evidence of insurance, register the vehicle out-of-state, or transfer ownership of the vehicle to avoid enforcement efforts.

Compulsory insurance laws require drivers to have insurance; they do not attempt to define hazardous drivers. They do not provide government with the means to remove high hazard drivers from the road. Even if a state somehow were to achieve the impossible, and every resident motor vehicle was insured, responsible motorists would still lack protection against the following types of irresponsible drivers: operators of stolen cars, uninsured out-of-state drivers, hit-and-run drivers, uninsured motorists whose licenses or registrations have been suspended, or newly arrived residents whose cars are still registered in another state.

Enforcing compulsory automobile liability insurance is a costly, largely inefficient exercise in futility in most states. Compulsory insurance laws will not have a long-term impact on the number of uninsured drivers unless a state's law enforcement, motor vehicle and insurance regulatory agencies are well-financed, well-staffed and highly efficient. A compulsory insurance system requires a state to maintain and police millions of pieces of paper a year. It must conduct random file checks and spot checks for both insured and

uninsured drivers. Such operations are wasteful and inefficient. They squander time and money on the overwhelming percentage of motorists who are already insured.

Compulsory states can expect to be inundated with a blizzard of forms the very first month of operation under a compulsory insurance system. Moreover, the paper-tracking problem grows worse each year. When New York initiated its compulsory insurance system in 1956, the Department of Motor Vehicles immediately found itself buried under six million forms sent to it as evidence of insurance. In no time, the Department was further swamped with changes from new registrations, cancellations and terminations of insurance, changes of vehicles, changes in insurance companies, and name changes. At one point, it was estimated that 80 percent of the 25,000 registration revocation notices sent out by the New York Department each month were incorrect or obsolete by the time they had been mailed.

In no compulsory state have there been any significant post-registration law enforcement efforts simply for insurance purposes. States are understandably reluctant to allocate already scarce crime-fighting resources to track down uninsured motorists. Highway patrolmen are not eager to divert their attention from monitoring the toll of highway injuries, deaths and property damage in order to pull uninsured motorists off the road. Regulatory authorities do not have the financial resources to follow-up, identify, and punish the insurance-avoider after receiving notice of termination.

Pennsylvania and New York are just two of the compulsory states facing monumental difficulties trying to enforce their compulsory systems. The Insurance Federation of Pennsylvania estimates that because of loopholes in enforcement, from 800,000 to 2,000,000 motorists are able to obtain their license plates without having insurance or are able to cancel coverage once the

registration is issued. The director of Pennsylvania's Traffic Safety Bureau has admitted that the 40,000 notices coming in from insurance companies each month on cancellation or lapses are just too much for his staff to handle.

New York faces similar enforcement problems, even though it switched to a self-certification system in 1974 to cut the \$7-million-a-year cost of enforcing its compulsory law. According to recent figures, self-certification is still costing New Yorkers about \$4 million a year and is proving to be as ineffective as the original enforcement procedures. A study by the University of Michigan, made seven years after New York passed its compulsory law, found that there were twice as many uninsured drivers on the roads as there were before the law was passed. Today, it is estimated that New York's uninsured motorist population is at least 15 to 20 percent.

The courts are also reluctant to rigidly enforce automobile liability insurance systems. Most drivers charged with driving without insurance can bargain their way out of a conviction. A majority of state laws provide for a fine and/or prison term for convicted uninsured motorists; but few, if any, uninsured motorists are ever jailed for their crime, no matter what human or property damage they have caused.

Some states have sought to avoid additional costs by omitting any provisions for enforcement from their compulsory laws. They simply declare it unlawful to drive without insurance. However, the press and public soon discover how many irresponsible drivers are still without insurance and they demand stricter enforcement. People justly believe that once a law is on the books, it should be enforced.

The unfortunate thing about a compulsory insurance law is that enforcement, no matter how strict, does little to reduce the number of uninsured drivers on the road. The irresponsible driver is not going to carry

insurance no matter how many certificates he's required to furnish. The driver with very few significant assets to protect is not going to carry insurance because he has no real need for it. Toughening enforcement of a compulsory automobile liability system simply increases insurance costs and adds another layer of expensive government bureaucracy.

Compulsory automobile liability insurance laws are very costly to state government, motor vehicle owners, and insurers.

Why are insurers opposed to a law that forces consumers to buy their product? A major reason is cost. Compulsory insurance means higher costs to state government, motor vehicle owners, taxpayers, and the insurance industry and its policyholders.

Coupled with these higher costs is the problem that very few people benefit from compulsory insurance. Compulsory systems do not guarantee that all drivers on the road are insured. They therefore cannot protect the innocent responsible driver from loss of property or injuries suffered in accidents caused by uninsured motorists. To pay higher costs for a system that does not achieve its goals makes little economic sense.

The cost to consumers of compulsory insurance can be demonstrated by comparing insurance rate levels in states with compulsory systems to rate levels in comparable states without compulsory insurance. Six states that have adopted compulsory insurance in the last ten years were selected for the comparison.

The states and the dates they adopted compulsory liability insurance are California, Jan. 1, 1975; Louisiana, July 1, 1978; Maryland, July 1, 1973; Oklahoma, Dec. 11, 1976; Oregon, Jan. 1, 1976; and South Carolina, Oct. 1, 1974.

Each of the six compulsory insurance states was compared with three similar states which had not adopted compulsory insurance during the specified time period. The analogous states were chosen for their similarity to a compulsory state in demographic characteristics, geographic characteristics and the number of insured vehicles. The results of the comparison survey are shown in the Appendix.

In every instance, the increase in the insurance rate level in the compulsory state was higher than the rate level increases in any of the three comparison states. A reason for the significant increases in the compulsory states is the fact that everyone, including the highest risk drivers, are required to purchase insurance. Although the compulsory systems do not achieve their goal of insuring every motorist, the small percentage of bad-risk, previously-uninsured motorists brought into the system does affect insurance rates.

These few high-risk drivers raise insurance rates for both good and bad drivers. The responsible, insured driver, who already comprises a vast majority of the total driver population, finds himself paying more for his insurance because a few high-risk motorists have been forced to purchase insurance.

Compulsory insurance not only raises insurance costs for responsible drivers, but it also increases government costs. The state of New York has spent over \$9 million in one year in order to enforce its compulsory insurance law. Despite the high expenditure, a significant portion of the population of New York is still uninsured. In fact, a New York Department of Motor Vehicles survey estimated that in 1979, close to a half million registered vehicles in the state were uninsured.

States with compulsory insurance systems pay a high price to obtain a very small percentage increase in the number of insured motorists. California's

state government spent over \$2.3 million to increase the percentage of insured drivers by five percent. Maryland taxpayers had to provide \$1.5 million to achieve the same, unimpressive five percent gain to insured motorists. The people of South Carolina paid \$1.3 million to increase the number of insured drivers in their state by eight percent.

If a state is serious about a compulsory insurance law, it should be prepared to pay the costs of administering and enforcing it. North Carolina is one of the few states that has made an effort to allocate enough money to enforce its compulsory law. Two years ago, North Carolina's compulsory program, supervised by the Department of Motor Vehicles, was totaling approximately \$1.3 million a year. In addition, the record-keeping was done by a computer system at a cost close to \$1.6 million a year, and the state employed 50 state policemen to pick up about 19,000 license plates a year at a cost of \$500,000. States larger than North Carolina can expect to face an even heavier tab to enforce and administer a compulsory system.

Insurance companies also suffer higher costs under compulsory insurance. If a compulsory system is to be effective, regulatory authorities must be informed when people terminate their insurance coverage or when an insurer cancels or non-renews. The notice of termination procedure can prove to be extremely burdensome and costly to insurers. Compulsory systems require increased man-hours and more computer time. Claim frequency, average claim cost and claim fraud all tend to increase under compulsory insurance systems. The industry prefers to allow drivers to insure themselves voluntarily. When irresponsible high-risk drivers are legally coerced into covering themselves, they take only minimum coverage; they pay as slowly as possible, and they add greatly to clerical procedures.

In these times of rising inflation and uncertain economic conditions, imposing the higher costs of compulsory insurance on the public only increases

the burden the responsible driver must carry. In return for this burden the responsible, already-insured motorist receives virtually nothing in the way of benefits. He could receive real benefits and genuine protection against uninsured motorists from any of the less-costly, more efficient alternatives to compulsory insurance.

Compulsory automobile liability insurance laws force individuals to buy a product for which they have no need.

Automobile liability insurance is designed to be voluntary in nature. The vast majority of drivers need liability insurance and recognize the wisdom of purchasing it to protect their personal wealth and assets. Most people buy liability insurance for the same reason they purchase auto theft and collision coverage -- to protect themselves against insurable losses.

Certain drivers, however, would rather not purchase liability insurance. The reasons people give for not insuring their automobiles vary. A 1981 study by the All-Industry Research Advisory Council asked households with one or more uninsured vehicles why the vehicles happened not to be insured. Forty percent of the people surveyed mentioned cost considerations as the reason for the vehicles not being insured. Sixteen percent said the car is not currently in use, 14 percent said the car is not operable and five percent replied that they had just bought the car. Other reasons, cited by less than one percent of the households each, included: not interested in insurance; car is not worth it; expect to sell car soon; policy cancelled by company; no need for insurance, and car is too old.

Obviously, there are drivers who cannot realistically afford liability insurance in view of their personal financial situation. As a practical matter, the economically disadvantaged have less real need for liability insurance because they have fewer assets to protect and tend to be

judgment-proof. For these persons, even low hazard drivers, low limits on liability insurance are considered expensive. In addition, such persons understandably are reluctant to pay high premiums relative to their income for a policy designed for the protection of strangers.

Requiring economically disadvantaged persons to purchase auto liability insurance will not compel them to do so. A study of the uninsured motorist problem in California, which has a compulsory liability system, found that those who are violating the law were predominately the economically disadvantaged. Entitled Profile of Uninsured Motorists in California, the report disclosed that zip code zones with high rates of uninsureds had significantly lower median incomes and more poverty level persons than zip code zones with a low rate of uninsured drivers.

The insurance industry strongly supports the competitive marketplace. An important characteristic of the competitive marketplace is the buyer's right to reject a product. Compelling an individual to purchase a product for which he has no real need weakens the competitive marketplace.

Compulsory automobile liability insurance laws lead to unnecessary harassment of responsible drivers, who comprise a vast majority of the total driver population.

Citizens have complained in recent years that government is interfering more and more in their everyday lives. The 1980 election results have commonly been interpreted as a clear message to all elected officials that their constituents want less, rather than more, government. Compulsory auto liability insurance laws violate this mandate. Compulsory insurance cannot be properly implemented and enforced without creating additional layers of government bureaucracy at an immense cost.

Compulsory insurance laws prove to be unworkable and burdensome when state agencies attempt to apply the enforcement and administrative procedures on a practical basis. Regulatory authorities often are not properly equipped or given sufficient funds to process the large volume of necessary forms and inquiries generated by the law. The majority of responsible drivers become unnecessarily harassed due to bureaucratic inefficiencies and foul-ups. This is an inevitable side-effect of the compulsory auto liability insurance system.

A November, 1982 report by the Pennsylvania Department of Transportation found that the state received 185,547 cancellation or termination notices from insurers in 1980. But only 4.8 percent of those responding to inquiries concerning their insurance status by the Bureau of Traffic Safety Operations were found to be uninsured. That means that thousands of responsible, insured motorists were unduly harassed by a state authority in its efforts to enforce the state's compulsory insurance law.

Nowhere is this harassment problem more clearly evident than in West Virginia, where a particularly burdensome compulsory liability insurance law was enacted in late 1981. From October 1, 1981 through January 1982, the Department of Motor Vehicles had mailed out 196,000 notices of driver license cancellations. It is estimated that 95 percent of those notices went to persons who had never let their insurance policies lapse.

West Virginia insurers are required under the new law to notify the Department of Motor Vehicles (DMV) when policies are about to expire. The DMV, in turn, must mail those persons notices of license cancellation. Problems are occurring because DMV cancellation notices and owners' premium payments are crossing in the mail. The insured car owner who has paid his premium often simply disregards the cancellation notice. He fails to realize that he is still required to submit a new certificate of insurance to DMV. Then the DMV doesn't receive the notice, it issues a license pick-up to the state police.

To date, more than 2,500 orders have been issued. The DMV admits that most of the pick-up orders were mistakes and imposed on responsible individuals who had insurance on their cars but simply disregarded the notice.

According to officials in the West Virginia DMV, the law has resulted in a mountain of paperwork and has created unnecessary hassles for many premium-paying citizens. The Department had to ask the legislature to revise the law to correct the administrative debacle. Remedial legislation was enacted in 1982 and the legislature will have to continue making improvements in the compulsory law in 1983. Other states also have had to amend their compulsory laws over the last couple of years, including Colorado, Kansas, Louisiana, Montana, New York and Oklahoma.

One prominent West Virginia legislator, William Carmichael, was quoted as saying, "I don't remember anything this legislature has ever passed that has upset the citizens of this state as much as the compulsory law has." The legislator further observed that "support for compulsory insurance has dropped among my constituents."

Provisions in compulsory insurance laws requiring evidence of insurance also result in public harassment. Many compulsory states require the motor vehicle owner to provide evidence of insurance upon registration of the vehicle. Proof-of-insurance forms, such as certificates of insurance or prescribed identification cards, are a constant nuisance for responsible drivers and easily circumvented by insurance dodgers.

Certificates of insurance are issued by the insurance company for the insured to submit when registering his vehicle. Such certificates inevitably generate even more certificates. Communications between the public, the insurance industry and the regulatory authorities snowball in a futile attempt to identify the uninsured registrant. With each additional transaction, the

likelihood that a form will be issued by mistake or lost intensifies. It's the responsible motorist who often falls prey to these administrative blunders.

Prescribed identification cards, which are provided upon the issuance and renewal of a policy, have also proven to be a problem. Payments or renewal premiums are frequently delayed, so the responsible insured motorist is harassed unnecessarily.

West Virginia isn't the only state in which responsible insured drivers are harassed and frustrated by an unwieldy and burdensome compulsory law. During the first 15 years of New York's compulsory liability law, insurers were required to notify the New York Bureau of Motor Vehicles whenever coverage had been cancelled. Every time a policyholder was late sending in his payment, every time the premium was delayed by the mail, or even when the policyholder decided to change companies, the insurance company was required to notify the DMV. The DMV then sent a notice to the insured threatening to pick up his plates. This naturally angered a lot of responsible insureds, who would fire off irate letters to their insurance companies asking why they had wrongly informed the DMV that they lacked coverage. In 1973, these notice requirements were dropped, but were ill-advisedly reinstated in 1981.

In summary, efforts by state regulatory authorities to achieve total compliance with the compulsory law results in the unnecessary harassment of the majority of drivers who are financially responsible.

Compulsory automobile liability insurance laws are more expensive and have more deficiencies than the cost-effective, viable alternatives which are available.

Among the cost-effective alternatives to compulsory insurance are improvement of Financial Responsibility laws, Uninsured Motorist Protection, and No-Fault Auto Insurance.

IMPROVED FINANCIAL RESPONSIBILITY LAWS

Financial Responsibility laws require certain individuals to prove they will be able to pay damages that might be awarded to other accident victims. Generally, they can show proof with a liability insurance policy providing minimum required benefit limits, by posting a bond for the same amount, or by depositing cash or securities in that amount. If they fail to do so, they face the possible suspension or revocation of their driving license for a certain length of time.

Today, Financial Responsibility laws requiring security for past accidents and proof of financial responsibility for future accidents are in effect in all of the noncompulsory insurance law states. This cost-effective, viable alternative to compulsory insurance is already in place; there's no need to consider or enact new legislation. By making improvements in their state's current Financial Responsibility Law, legislators can develop a workable plan that would protect insured motorists more effectively, cost less, and involve fewer administrative and enforcement hassles than would a compulsory liability insurance system.

Financial Responsibility (FR) Laws have other distinct advantages over compulsory liability insurance laws. A compulsory auto liability law is directed at all motorists regardless of traffic convictions or accident involvement. By comparison, FR laws only apply to a limited group of motorists: those who are serious traffic law offenders, those who cause major automobile accidents, and those who are financially irresponsible due to their inability to reimburse others for damages they have caused. FR laws do not affect motorists indiscriminately. They focus only on drivers who deserve close surveillance because of their past driving irregularities.

Because FR laws do not apply to all drivers, the cost of enforcement is greatly reduced, insurance company operating costs are cut, and the great

majority of responsible motorists are not harassed by state efforts to enforce compulsory insurance. Under FR laws, state pressure is not automatically exerted on motorists who cannot afford to buy insurance and those who have no need for liability coverage.

A compulsory insurance law may, and generally does, affect only drivers registering their motor vehicles. Even then it may apply on a limited basis to only the in-state registrants of certain types of motor vehicles, such as private passenger cars. A Financial Responsibility Law, on the other hand, can apply to any motorist regardless of whether his vehicle is registered in-state or out-of-state, and regardless of the type of vehicle involved, private passenger or commercial.

In comparison to a compulsory insurance law, a well-enforced Financial Responsibility Law is far less costly to administer and just as effective in dealing with irresponsible drivers in the state. However, an FR law cannot be effective if the state agency responsible for administering the law is not receiving the information necessary for proper enforcement. The monetary threshold for those property damage accidents which the driver are required to report to the state should be no higher than \$200 or \$250. Increasing the monetary accident reporting threshold will reduce the number of accident reports processed and allow many irresponsible drivers to escape early detection, surveillance and state penalties.

In addition to preserving the value of accident reporting data, the state should make certain it is receiving data on all traffic violations, police reports, and court judgments required by law. Measures must be adopted to compel law enforcement and court officials to submit any required accident/violation and judgment/conviction data to the appropriate state driver control agency.

Greater attention should be focused on processing the Financial Responsibility filings and traffic record/court record data in a more timely fashion. A state should be certain the equipment and manpower available to its Motor Vehicle Department is being used effectively and efficiently. The enforcement of the Financial Responsibility law should not be second priority to the compilation of traffic and accident statistics or other record-keeping responsibilities.

UNINSURED MOTORIST PROTECTION

Individuals should be concerned about their liability for damages to others, but many motorists either have no assets to protect or are unwilling to purchase liability insurance and therefore go uninsured. To protect the innocent, responsible person against a loss covered by an uninsured motorist, insurance companies provide Uninsured Motorist Coverage (UM). This coverage is designed to pay for bodily injury damages to the policyholder caused by an uninsured motorist. If the policyholder's car is struck by an uninsured vehicle, the insured's loss is covered under the Uninsured Motorist portion of the policy. Reasonable premiums are charged for this coverage.

Every state with a compulsory liability insurance law also requires insurers to offer coverage. The fact that legislators feel compelled to make this protection available to drivers demonstrates that they do not trust the effectiveness of a compulsory liability insurance system. They are acknowledging that a compulsory system does not protect responsible, insured drivers from losses suffered in accidents with uninsured motorists.

Most drivers in compulsory states do indeed buy the UM coverage for added low-cost protection against loss. These responsible drivers therefore carry a double economic burden by paying premiums for UM coverage, and by bearing the cost of enforcing a compulsory insurance law.

By purchasing Uninsured Motorist coverage, a motorist is guaranteeing that all future drivers and passengers in the insured auto will be protected from losses caused by an irresponsible, uninsured motorist or a hit-and-run driver. Compulsory liability insurance cannot make such guarantees.

NO-FAULT INSURANCE

No-Fault insurance is a system which enables auto accident victims to recover benefits regardless of fault. This is not possible through compulsory automobile liability plans which fail to adequately address the problem inherent in the tort system and fail to guarantee recovery of losses. The U.S. Department of Transportation reports that almost 55 percent of those seriously injured in auto accidents get absolutely nothing from automobile liability insurance. No-Fault insurance relieves the financial suffering of those drivers involved in accidents with uninsured motorists.

No-Fault also eliminates lawsuits arising from smaller, relatively trivial claims and provides prompt payment for injuries to those needing the money most. By contrast, the compulsory auto liability system would continue indefinitely one of the common complaints of the present tort system, providing extra-ordinarily large claim awards for relatively minor injuries. Under no-fault, the recovery benefits are spread more evenly, making certain that all claimants receive adequate compensation.

It is little wonder that the no-fault method of compensating victims of uninsured motorists has enjoyed a lot of popular appeal over the past ten years. Virtually every segment of the insurance industry and representatives of major consumer groups support state no-fault plans, praising no-fault's advantages. These advantages include:

- A reduction in the volume of lawsuits.
- An end to the incentive toward exaggerating injuries.
- A quick and efficient method of payment directly to the accident victim.
- An end to the need for determining the negligence in any given accident.
- A better distribution of the insurance premium dollar.
- Coordination of benefits, with provision for prompt rehabilitation.
- Stabilization of auto insurance costs.

Although this particular battle may be over for now, the trial lawyers who so often support compulsory liability insurance ought to be aware that the promotion of compulsory liability insurance is also an invitation to consumers and the public to re-open the no-fault insurance issue.

CONCLUSION

In summary, the insurance industry's opposition to compulsory automobile insurance systems is based on sound logic. Compulsory insurance laws are expensive, ineffective, and do not fulfill the well-intentioned goals set by the lawmakers who create them. State legislators concerned with protecting innocent drivers from financial blows suffered in accidents caused by uninsured motorists should consider exploring and implementing alternatives to compulsory systems, such as, stricter Financial Responsibility Laws, Uninsured Motorist Protection and No-Fault Insurance. The alternatives can and do provide more certain compensation to a greater number of responsible drivers, without trying to force everyone to buy a product which they may or may not want.

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>OKALHOMA (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.

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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

**HB7 - Proposed Substitute
Dated 2-17-84.

Revision Date: _____

REQUEST

Bill/Resolution No.: **
Title: An Act relating to motor
vehicles; and providing for....
Sponsor: Hayes
Requestor:
Date of Request:

FISCAL DETAIL

Agency Affected: Public Safety
Program Category Affected: Life and
Property Protection
BRU, Program or Subprogram(s) Affected:
Motor Vehicles/Driver Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		108.9	256.7	300.7	318.7	337.8
200 TRAVEL		8.3	7.6	8.1	8.6	9.1
300 CONTRACTUAL		165.1	238.6	276.1	323.2	342.6
400 SUPPLIES		6.1	6.5	6.9	7.3	7.7
500 EQUIPMENT		34.2	4.8	-0-	2.4	3.6
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		322.6	514.2	591.8	660.2	700.8
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		322.6	514.2	591.8	660.2	700.8
FEDERAL FUNDS						
OTHER						
TOTAL		322.6	514.2	591.8	660.2	700.8

POSITIONS:

FULL-TIME		7	9	9	9	9
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by the sponsor.

ANALYSIS: Attach a separate page for analysis

Prepared By: Bill Brown
Division: Motor Vehicles
Phone: 465-4335
Date: 3-2-84

Approved by Commissioner: [Signature]
Agency: Public Safety
Date: 3/6/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

100 PERSONAL SERVICES

2 Driver Imp. Specialist	6 months	41,031		
1 Document Proc. Clk III	6 months	14,784		
1 Document Proc. Clk II	7 months	15,470		
1 Document Proc. Clk II	6 months	13,260		
1 Clerk Typist III	6 months	13,260		
1 Clerk Typist III	5 months	11,050		
(Includes Salary & Benefits		<u>108,855</u>	108.9	108.9

200 TRAVEL

To conduct hearings on proposed regulations:
 Jno to Anc, Fbx, Palmer, Ken/Sol,
 Kodiak, Nome, Ktn & Sitka.

Travel	2.5		
Per Diem for 18 days	1.5		

Hearing Officers to conduct administrative
 hearings, and training.

Travel	2.5		
Per Diem for 28 days	<u>2.2</u>		
	8.3		

8.3 8.3

300 CONTRACTUAL

310

Postage			
11,558 certified letters @1.75	20.2		
10,728 regular letters @.22	2.4		
General Correspondence	.7		
Telephones & tolls	<u>2.8</u>		
	26.1 x 1/2	13.1	

320

Forms			
Sec. 2 450,000 x .0186	8.4		
Sec. 3 180,000 x .0186	3.3		
Other	2.4	14.1	
Advertising			
Public Notice - Regulations	2.2		
Public Education (Sec. 16)	23.0	25.2	

330

Driver Services Space Lease			
3,500 sq. ft. at \$2.65	111.3 x 1/2	55.7	

340	Microfilm equipment	1.7		
	Office equipment	<u>2.2</u>		
		3.9 x 1/2	2.0	
360	1 copy machine @ 270 per mo	3.2		
	1 postage meter @ 53 per mo	.6		
	3 CRT terminals @ 206 per mo ea	7.4		
	1 controller @ 258 per mo	<u>3.1</u>		
		14.3 x 1/2	7.1	
380	Contractual services - DP program	35.0		
	Installation of CRTs & Controller	.4		
	Moving costs of Driver Services	2.1		
	Professional Services (New slides for written tests)	3.8	41.3	
382a	DP line charges - 3 terminals @ 2,000 per year each	6.0		
	DP Data Circuit - 3 terminals @ 1,500 per year each	4.5		
	CRT Maintenance - 3 terminals @ 900 per year each	<u>2.7</u>		
		13.2 x 1/2	6.6	165.1
400	COMMODITIES			
460	Microfilm equipment parts	.3		
480	Normal office supplies	4.2		
	Microfilm supplies	1.6	6.1	6.1
500	EQUIPMENT			
	3 desks w/typing extensions @576.09	1.7		
	4 desks @468.71	1.9		
	5 typewriters @1,369.36	6.8		
	7 chairs @272.21	1.9		
	3 CRT tables @225	.7		
	4 file cabinets @308.66	1.2		
	1 storage cabinet	.2		
	1 bookcase	.1		
	1 IMT 150 microfilm reader/printer	15.9		

.2 side chairs @147	.3		
2 typing tables @103.53	.2		
7 acoustical panels @340	2.4		
Recording equipment	.9		
	<u>34.2</u>	34.2	<u>34.2</u>
		GRAND TOTAL	322.6

ASSUMPTIONS:

The basic assumption of this fiscal note is that for this bill to be effective there must be an adequate system of enforcement and compliance. Other stated with mandatory insurance laws estimate that 5-15% of their vehicles are operating without insurance as citizens find ways to circumvent the law. We find that our present Financial Responsibility Law, AS 28.20, is practically as effective, and far less costly, both to the state bureaucracy, and to the citizens directly.

For this bill to be effective the Division of Motor Vehicles would need nine new employees. Seven are requested for FY85, and two additional midway through FY86. Six of these would be located at Driver Services Headquarters in Juneau, and three at Driver Improvement Headquarters in Anchorage. The present Driver Services Headquarters location will not accommodate this much expansion, therefore, the fiscal note provides for relocation and lease of new space for this section.

Effective date of January 1, 1985.

Time period set for Section 28.22.060(a) will be 1 year.

DOT/PF can supply DMV with statistics concerning traffic volume as required in Sec. 28.22.030(f), thus avoiding need to purchase equipment, and provide personnel to handle this function.

If an uninsured person is in an accident, and cited for major violation as a result of the accident, only one suspension will be initiated.

6% inflation factor used for FY86, and subsequent years. Experience reflects that once original suspension time periods end, and "Proof For The Future" is required, the number of certified letters required will increase substantially. Each time insurance is cancelled the insurance company notified DMV. DMV must in turn originate another license action, and notify licensee via certified mail. Therefore, a larger than 6% increase is reflected in line item 300 for FY86, FY87 and FY88, since "Proof For The Future" is a three year requirement.

1.	POSITION TITLE Driver Improvement Specialist				RANGE/STEP 16A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 7-15	LEG.		
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>This position will be responsible to hold hearings under the driver license administrative suspension program. Each time a license is suspended for not providing proof of insurance after an accident or moving violation, the individual has the right to ask for a hearing, per AS 28.05.131-141. In addition to holding hearings, would have to prepare for each hearing; and maintain appropriate records of each hearing.</p> <p>With a one year license action, we foresee a large percentage of individuals requesting a hearing.</p> <p>Travel for FY85 is based on two trips to the Kenai Peninsula, one trip to Seward, and one trip to Kodiak, all from Anchorage.</p> <p>Prepared showing full year costs. Only six month's cost reflected on fiscal note for FY85.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	30.876								
6.	Benefits									
7.	Supplemental Benefits									
8.	Fixed Benefits	10.155								
9.	TOTAL PERSONAL SERVICES	01	41.0							
10.	Travel	02	1.5							
11.	Contractual	03	-							
12.	Commodities	04	.3							
13.	Equipment	05	.7							
14.	Other									
15.	TOTAL COST									
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts	1002							
17.		G.F. Match	1003							
18.		General Funds	1004							
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER										

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety

PROGRAM Life and Property Protection

BRU Motor Vehicles

COMPONENT Driver Services

Page _____ of _____

Revised Date _____

FY 85

1.	POSITION TITLE Driver Improvement Specialist				RANGE/STEP 16A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>This position will be responsible to hold hearings under the driver license administrative suspension program. Each time a license is suspended for not providing proof of insurance after an accident or moving violation, the individual has the right to ask for a hearing per AS 28.05.131-141. In addition to holding hearings, would have to prepare for each hearing and maintain appropriate records of each hearing. With a one year license action we foresee a large percentage of individuals requesting a hearing.</p> <p>Travel for FY85 is based on two trips from Juneau to Ketchikan, Sitka, Petersburg, and Wrangell for hearings, and one trip from Juneau to Anchorage for two weeks of training.</p> <p>Prepared showing full year costs. Only six month's cost reflected on fiscal note for FY85.</p>					
				2						
	PERSONAL SERVICES			3						
5.	Salary	30,876								
6.	Benefits									
7.	Supplemental Benefits									
8.	Fixed Benefits	10,155								
9.	TOTAL PERSONAL SERVICES	01		41.0						
10.	Travel	02		2.8						
11.	Contractual	03		-						
12.	Commodities	04		.3						
13.	Equipment	05		1.6						
14.	Other									
15.	TOTAL COST									
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004								
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR B&M USE ONLY										
4A KEY NUMBER _____										

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety

PROGRAM Life and Property Protection

BRU Motor Vehicles

COMPONENT Driver Services

Page of

Revised Date _____

FY 85

1.	POSITION TITLE Documents Processing Clerk III				RANGE/STEP 10A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.	
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.			
3.	CONTINUATION LEVEL				JUSTIFICATION						
4.	TYPE OF EXPENDITURE			AMOUNT							
	1		2		3						
	PERSONAL SERVICES										
5.	Salary		21,636								
6.	Benefits										
7.	Supplemental Benefits										
8.	Fixed Benefits		7,932								
9.	TOTAL PERSONAL SERVICES		01		29.6						
10.	Travel		02		-						
11.	Contractual		03		-						
12.	Commodities		04		.2						
13.	Equipment		05		.7						
14.	Other										
15.	TOTAL COST										
	RECEIPT CODE		FUNDING SOURCE								
16.			Federal Receipts 1002								
17.			G.F. Match 1003								
18.			General Funds 1004								
19.			I-A Receipts 1005								
20.			Program Receipts 1028								
21.			Other								
FOR B&M USE ONLY											
4A KEY NUMBER _____											

This position will process all notifications from the court which reflect an individual who is required to show proof of insurance following a charge of a moving traffic violation did not do so. Will research files to determine appropriate time frame, and send a suspension notice to each individual.

This position will also handle all correspondence concerning oral and written answers or statements from the licensee.

Will enter license actions onto computer system. This requires extreme accuracy to prevent incorrect status or incorrect record. Otherwise an innocent citizen may go to jail.

Prepared showing full year costs. Only six month's cost reflected on fiscal note for FY85.

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety

PROGRAM Life and Property Protection

BRU Motor Vehicles

COMPONENT Driver Services

FY 85

Page _____ of _____

Revised Date _____

1.	POSITION TITLE Documents Processing Clerk II			RANGE/STEP 8A	BARG. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.	
3.	CONTINUATION LEVEL	ADDITION	JUSTIFICATION						
4.	TYPE OF EXPENDITURE			AMOUNT					
	1	2	3						
	PERSONAL SERVICES								
5.	Salary	19,176							
6.	Benefits								
7.	Supplemental Benefits								
8.	Fixed Benefits	7,341							
9.	TOTAL PERSONAL SERVICES	01	26.5						
10.	Travel	02							
11.	Contractual	03							
12.	Commodities	04	.2						
13.	Equipment	05	2.6						
14.	Other								
15.	TOTAL COST								
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts	1002						
17.		G.F. Match	1003						
18.		General Funds	1004						
19.		I-A Receipts	1005						
20.		Program Receipts	1028						
21.		Other							
FOR B&M USE ONLY 4A KEY NUMBER _____									

This position will handle and file proof of insurance forms received from persons involved in accidents. Will set up and handle a tickler file to keep track of individuals who are involved in accidents and do not submit proof of insurance within the required time frame.

If proof of insurance is not received, will research files to determine time frame; then prepare and mail a suspension notice to individual. Must coordinate with Financial Responsibility section when it appears individual may be liable for damages, and thus be consecutive to any FR license action.

Will submit requests to insurance companies to verify veracity of documents filed for proof after an accident. If proof is not substantiated, will research files, then prepare and send suspension notice to individual who submitted false information.

This form prepared showing full year costs. Only seven month's cost reflected on fiscal note for FY85.

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety
PROGRAM Life and Property Protection
BRU Motor Vehicles
COMPONENT Driver Services

Page _____ of _____
Revised Date _____

FY 85

1.	POSITION TITLE Clerk Typist III				RANGE/STEP 8A	BARC. UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BPI PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 7-15	LEG.		

3.	CONTINUATION LEVEL	ADDITION	
4.	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
	PERSONAL SERVICES		
5.	Salary	19,176	
6.	Benefits		
7.	Supplemental Benefits		
8.	Fixed Benefits	7,341	
9.	TOTAL PERSONAL SERVICES	01	26.5
10.	Travel	02	- -
11.	Contractual	03	-
12.	Commodities	04	.2
13.	Equipment	05	2.6
14.	Other		
15.	TOTAL COST		

JUSTIFICATION

This position would transcribe hearing records as requested and prepare certified copies of those records for courts, prosecutors, private attorneys, etc., when necessary.

Would prepare documents required by the court whenever an appeal is filed. This includes "Notice of Parties", "Affidavits", "Notice of Filing of Record", etc.

Prepared showing full year costs. Only five month's cost reflected on fiscal note for FY85.

	RECEIPT CODE	FUNDING SOURCE
16.		Federal Receipts 1002
17.		G.F. Match 1003
18.		General Funds 1004
19.		I-A Receipts 1005
20.		Program Receipts 1028
21.		Other

FOR B&M USE ONLY
4A KEY NUMBER _____

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety

PROGRAM Life and Property Protection

BRU Motor Vehicles

COMPONENT Driver Services

Page _____ of _____

Revised Date _____

FY 85

1.	POSITION TITLE Documents Processing Clerk II				RANGE/STEP 8A	BARG. UNIT GGU	FORM 12 PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEC.		
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION This position will mainly handle computer entry of microfilmed items so it is possible to retrieve documents. New law will generate thousands of additional pieces of paper. Driver Services microfilms all documents as a cost saving factor to prevent cost of storage space, files, etc. Will also assist in preparation of documents for micro-filming. Will prepare certified copies of suspension notices, and supporting documents for use by prosecutors, courts, law enforcement officers, private attorneys, etc. Prepared showing full year costs. Only six month's cost reflected on fiscal note for FY85.					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	19,176								
6.	Benefits									
7.	Supplemental Benefits									
8.	Fixed Benefits	7,341								
9.	TOTAL PERSONAL SERVICES	01		26.5						
10.	Travel	02		-						
11.	Contractual	03		-						
12.	Commodities	04		.2						
13.	Equipment	05		2.2						
14.	Other									
15.	TOTAL COST									
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Match 1003								
18.		General Funds 1004								
19.		I-A Receipts 1005								
20.		Program Receipts 1020								
21.		Other								
FOR B&M USE ONLY 4A KEY NUMBER _____										

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety
PROGRAM Life and Property Protection
BRU Motor Vehicles
COMPONENT Driver Services

Page _____ of _____
Revised Date _____

FY 85

1.	POSITION TITLE Clerk Typist III				RANGE/STEP 8A	BARG. UNIT GGU	FORM 12 PAGE/LINE	COV.	APPROV.	DISAPR.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 7-15	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1			2			3			
	PERSONAL SERVICES									
5.	Salary	19,176								
6.	Benefits									
7.	Supplemental Benefits									
8.	-Fixed Benefits	7,341								
9.	TOTAL PERSONAL SERVICES	01		26.5						
10.	Travel	02		-						
11.	Contractual	03		-						
12.	Commodities	04		.2						
13.	Equipment	05		2.6						
14.	Other									
15.	TOTAL COST									
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Match 1003								
19.		General Funds 1004								
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Other								
FOR B&M USE ONLY 4A KEY NUMBER _____										

This position would handle necessary paperwork for scheduling hearings, notifying individuals of hearing date, time and location, and keep appropriate records. They would handle most inquiries concerning hearings, and refer technical items to the hearing officer.

Would update computer files reflecting when license action is stayed upon receipt of request for a hearing. Also update computer files after decision is rendered by the hearing officer.

This form prepared showing full year costs. Only six month's cost reflected on fiscal note for FY85.

13 REQUEST FOR
NEW POSITION

AGENCY Public Safety
PROGRAM Life and Property Protection
BRU Motor Vehicles
COMPONENT Driver Services

Page _____ of _____
Revised Date _____

FY 85

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

ATTACHED ARE COPIES OF LETTER FROM ALASKAN POLICE CHIEFS IN SUPPORT OF HB 7 FROM THE FOLLOWING CITIES.

SITKA

KODIAK

ANCHORAGE

KENAI

JUNEAU

HOMER

BETHEL

SOLDOTNA

CORDOVA



747-3245/46 BUSINESS
747-8323 CRIME INFO. LINE
911 EMERGENCY

CITY AND BOROUGH
OF SITKA
DEPARTMENT OF POLICE
P.O. BOX 79 • SITKA, ALASKA 99835



ART R. LE TOURNEAU
CHIEF OF POLICE

November 2, 1983

Speakers Office
1024 W. 6th 201-D
Anchorage, Alaska 99501

Dear Sir:


I have very definite opinion regarding the uninsured motorists in this community and the state. I was pleased to read of the house bill which would require proof of insurance to register a vehicle. I firmly believe that this type of procedure coupled with a penalty, is one step toward protecting the public from the uninsured motorist. I am only sorry it did not pass both houses and become law.

I have seen a great many problems brought about by the uninsured motorist. I am familiar with a similar law in Oregon. In that state a motorist must also show proof of insurance to a police officer along with his state operators license and registration. Failure to do so is a violation. I believe I was told that failure to have insurance in Oregon was a minimum \$1,000.00 fine.

Any penalty attached to this law should be of a sufficient nature to compel the less than responsible motorist to acquire insurance.

I sincerely hope a mandatory insurance bill will pass into law during the next session. If I can assist in any way, please feel free to call on me.

Sincerely,


Art R. LeTourneau
Chief of Police



November 28, 1983

Honorable Joe L. Hayes
Speaker of the House of Representatives
Speaker's Office
1024 West 6th 201-D
Anchorage, Alaska 99501

Dear Speaker Hayes

I would be in support of efforts to enact a mandatory liability insurance law in the State of Alaska. A high percentage of our motor vehicle accidents involve persons without liability insurance. Frequently it seems these parties are at fault in the accident and are financially unable to make restitution to the other motorists. Since receipt of your letter of October 24th I have discussed this matter with several other people both within law enforcement and within the broader context of the justice system and find that they are nearly unanimous in their support of mandatory liability insurance. I would hope that such a provision is enacted in the next session and am supportive of efforts to that end.

Thank you for bringing this matter to my attention.

Sincerely,


Edgar E Martin
Chief of Police

EEM/dk

cc: Mr. S.C. Gesko, City Manager
City of Kodiak



TONY KNOWLES
MAYOR

ANCHORAGE POLICE DEPARTMENT

625 C STREET • ANCHORAGE, ALASKA 99501-3599
TELEPHONE (907) 279-1441



BRIAN S. PORTER
CHIEF

November 7, 1983

Joe L. Hayes
Speaker of the House
Speaker's Office
1024 W. 6th 201-D
Anchorage, Alaska 99501

Dear Representative Hayes,

House Bill 7 (Auto Liability Insurance) is long overdue. It would provide relief to those motorists responsible enough to always procure insurance. It has been my experience that those motorists who do not show that responsibility are also those who are not the most considerate of drivers. The uninsured motorist creates a totally unnecessary burden for the other users of the roadways.

Current law requires only that an uninsured driver establish financial responsibility after the accident. By then, in real terms, the damage is done and often results in the insured driver, who doesn't carry comprehensive insurance bearing the repair and medical costs of an accident that he did not create.

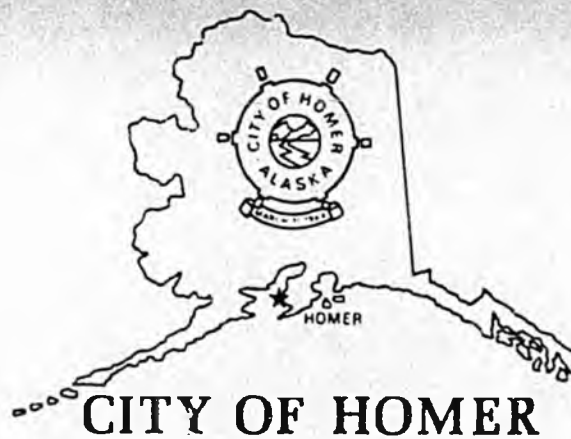
While State Highway Safety should have better data, a random check of 800 accident reports this year in Anchorage indicates that approximately 25% of these drivers were uninsured.

I believe that Jeff Day's review of "Mandatory Auto Insurance" has adequately addressed the problems and solutions. I certainly feel that passage of HB7 would be in the best interests of the State.

Sincerely,

Brian S. Porter
Chief of Police

BSP:vka



BOX 391

HOMER, ALASKA 99603

December 16, 1983

Representative Joe L. Hayes
Speaker of the House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

In response to your inquiry concerning mandatory automobile liability insurance I offer the following comments.

Homer is a fast growing community blessed with many automobiles and few adequate streets. Due, in part, to the congestion of traffic and street conditions we certainly have our share of automobile accidents, particularly in the summer months with the influx of visitors.

I would venture to say the estimate of the Division of Insurance, that 40% of the motorists are uninsured, is conservative at best. I think it may be as high as 50%.

Literally hundreds of thousands of dollars are lost in the community annually by way of automobile accidents. Much of the loss is not recoverable due to uninsured motorist.

Typically the uninsured motorist is your worst type of driver on the road, just by their action of driving without insurance they are demonstrably irresponsible.

They often have suspended drivers license or lengthy driving records. They cannot buy a sound, safe automobile because they cannot secure financing unless they show proof of insurance and because of their driving records the insurance is too expensive for them to afford both. They often end up driving a "jalopy" that is a hazard to everyone on the road and to them not worth insuring.

It has been my observation and opinion over the past eleven years as Police Chief of Homer, that innocent people are getting killed and injured, and losing thousands of dollars by automobile accidents with uninsured motorists. Most often it would only be an exercise in futility to sue in Civil Court to recover your losses if you're hit by one of these irresponsible drivers. The old phrase, "you can't squeeze blood out of a turnip", certainly applies to most uninsured motorists.

-2-

Representative Joe L. Hayes - Con't.

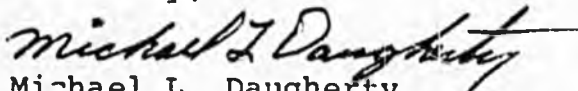
I would support legislation for mandatory liability insurance for all motorists.

If the legislation becomes law it should also contain stiff criminal penalties for operating a motor vehicle without insurance.

The current system of requiring insurance or proof of financial responsibility after an accident is not working very well, it's analogous to closing the barn door after the horse has already escaped.

Thank you for providing an opportunity for my input.

Sincerely,


Michael L. Daugherty
Director of Public Safety

MLD:sj



Bethel Police Department

P. O. BOX 388 : BETHEL, ALASKA 99559

NOVEMBER 3, 1983

JOE L. HAYES
SPEAKER OF THE HOUSE
POUCH V
JUNEAU, ALASKA 99811

DEAR REPRESENTATIVE HAYES,

AFTER READING YOUR LETTER IN REFERENCE TO LIABILITY INSURANCE WHEN REGISTERING AUTOMOBILES, I FIND I AM IN FAVOR OF THIS TYPE OF LEGISLATION.

IT IS QUITE COMMON IN BUSH ALASKA THAT PEOPLE OWN AND OPERATE VEHICLES WITHOUT INSURANCE. IT IS ALSO VERY COMMON TO INVESTIGATE ACCIDENTS WHERE PEOPLE FIND THERE IS NO INSURANCE COVERING THE DRIVER OF VEHICLES INVOLVED. THIS LEAVES MANY PEOPLE WITH NO OPTION EXCEPT CIVIL COURT TO ATTEMPT TO GAIN RESTITUTION FOR DAMAGES AND MANY TIMES MEDICAL COSTS.

EVERYONE WHO FINANCES A VEHICLE THROUGH A BANK OR LOAN AGENCY IS REQUIRED TO CARRY INSURANCE ON THEIR NOTE. HOWEVER, YOU WILL FIND THAT MANY PEOPLE ALLOW THIS INSURANCE TO EXPIRE ONCE THE AUTO IS OWNED. ONLY THE REAL RESPONSIBLE PEOPLE CONTINUE TO CARRY INSURANCE IF THEIR AUTO IS OWNED, CLEARLY. THE IRRESPONSIBLE PEOPLE CONTINUE TO DRIVE AND CONTINUE TO HAVE ACCIDENTS LEAVING THE OTHER DRIVERS ON THE HIGHWAYS SOMEWHAT UNPROTECTED.

I AM IN FAVOR OF MANDATORY INSURANCE ON A DRIVERS LICENSE BEFORE IT IS ISSUED TO MORE FAIRLY COVER ALL CITIZENS. MANY PEOPLE ALSO DRIVE VEHICLES NOT BELONGING TO THEM AND HAVE NO INSURANCE DURING THEIR OPERATION.

IN CLOSING, I SUPPORT LEGISLATION DESIGNED TO ASSIST WITH THIS PROBLEM. PLEASE FEEL FREE TO CALL ON ME SHOULD I BE ABLE TO ASSIST IN ANY WAY.

SINCERELY,

THOMAS D. VARNELL
CHIEF OF POLICE

TDV:sc

Soldotna Police Department

P. O. Box 2499
Soldotna - Alaska 99669



Duane Udland
Chief of Police

November 16, 1983

Joe L. Hayes
Speaker of the House
Pouch V, State Capitol
Juneau, AK 99811

Dear Mr. Hayes:

I support the general concept of requiring motor vehicle insurance for all drivers in the State of Alaska. I believe uninsured motorists cost the citizens of Soldotna and the State of Alaska an inflated insurance premium as well as inconvenience and hardship.

I at this time am unable to say which piece of legislation from the House or the Senate is best since I have not seen either bill. I do feel this is an important issue and hope to see legislation pass which solves the problem. I would also like to see the legislature fully fund any costs connected with administering any such legislation.

Thank you for your letter and please contact me if I can be of any further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Duane S. Udland".

Duane Udland
Chief of Police

mb



THE CITY AND BOROUGH OF JUNEAU

CAPITAL OF ALASKA

155 SOUTH SEWARD ST. JUNEAU, ALASKA 99801

November 8, 1983

The Honorable Joe L. Hayes
Speaker of the House of Representatives
Alaska State Legislature
1024 West 6th Street, 201-D
Anchorage, Alaska 99501

Subject: Uninsured Motorists in Juneau, Alaska:

Dear Speaker Hayes:

Reference is made to your letter of October 24, 1983, concerning the above-entitled matter.

To briefly answer your question, I do not believe that uninsured motorists present any more of a danger to the public than ones that are insured.

But I firmly believe that motorists seeking to register their vehicles in the state of Alaska should show proof of liability.

It is very discouraging for insured motorists of this state (in any state for that matter) to be a victim of a motor vehicle accident only to find that the other motorist causing the accident does not have insurance, nor do they have the means to pay for the damages or costly medical expenses for which they are responsible.

As we know, the victim drivers must, more likely than not, apply their insurance to meet costly expenditures. This is an inconvenience for the insured motorist and very unfair to the agency who insures drivers.

Thank you very much for allowing me the opportunity to comment on this issue.

Sincerely,

Joseph R. Ciraulo
Chief of Police
Juneau Police Department
210 Admiral Way

JRC/plh



Cordova Department of Public Safety
William T. Bagron, Chief

P. O. BOX 1210 : CORDOVA, ALASKA 99574

November 2, 1983

The Honorable Joe L. Hayes
Speaker of the House
1024 W. 6th 201-D
Anchorage, Alaska 99501

Dear Mr. Hayes:

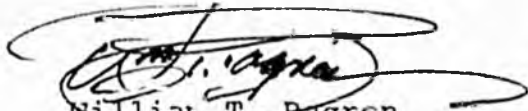
RE: Mandatory Liability Law

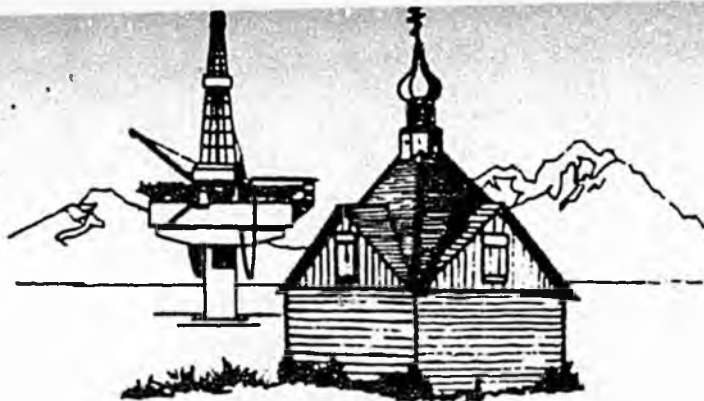
I am in favor of this mandatory law.

It appears to me that about 40% of our citizens are left "holding the bag" when their auto is damaged by an uninsured motorist. Cordova is a very "transit community". Usually, the uninsured motorist leaves town and rarely returns; or returns after a considerable length of time.

We record about two hundred and fifty accidents a year.

Sincerely,


William T. Bagron
Chief



KENAI POLICE DEPT.

P.O. BOX 3173, KENAI, ALASKA 99611

TELEPHONE 283-7879

December 1, 1983

Honorable Joe L. Hayes
Speaker of the House
1024 W. 6th St., 201D
Anchorage, Alaska 99501

Dear Representative Hayes:

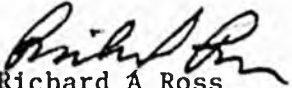
I appreciate the time your staff took to respond to my request for additional information on the proposed legislation dealing with mandatory liability insurance as a condition of vehicle registration.

Based on the data provided and copies of both the House and Senate efforts to address the problem, it is evident that the House version would be the more effective of the two. Effective in that it would reduce the number of uninsured motorists in our State.

As stated in my letter of 11-2-83 the number of uninsured motorists involved in accidents in our area is a matter of serious concern. The enactment of HB7 would be a very positive effort to address this problem.

It is my intention to submit this issue to the Alaska Association of Chiefs of Police at its next meeting (tentatively scheduled for March 84). Please keep me informed of any developments in the interim.

Respectfully,


Richard A. Ross
Chief of Police
Kenai Police Department

RAR/ga

Alaska State Legislature



Speaker of the House of Representatives

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

Official Business

ANALYSIS FOR HB 7 COMPROMISE...April 6 Draft

The April 5 draft is similar to the March 1 draft in substance but has been laid out slightly different by the legislative drafters.

The proposed a compromise on the mandatory auto insurance bill is basically modeled after legislation which passed in California last year. This compromise has been prepared with the assistance of the Division of Insurance, Departments of Law and Public Safety and State Farm.

The general concept would enact a law making it illegal to drive without liability insurance. Currently, it is legal to drive without insurance. Once you are caught as a result of an accident, however, you must obtain proof of insurance for three years. The compromise makes it illegal up front.

The major difference with the compromise is: In the House bill we require proof of insurance to be shown as a prerequisite for registration. In the compromise, that would not be required. The point of proof would come following an accident (which results in at least \$500 damage) for both the person at fault and not at fault. BUT, in addition, any person cited for a traffic violation carrying a 6 point demerit on the point system would have to show that insurance was in effect at the time of the violation within 15 days.

The burden of proof is on the person cited and requires the person to provide proof from the insurance company that the policy was in effect at the time of the accident. This information would be required to be verified by the Department of Public safety. The bill makes it a class A misdemeanor if the person cited knowingly provides false information during the verification process. It's estimated that between 20-30,000 citations for violations carrying a 6 point penalty are issued annually, and all these would be checked for insurance in addition to all persons involved in accidents whether at fault or not under the compromise.

The following traffic violations are all at least 6 points or greater and require a court appearance and would require proof of insurance to be shown.

Driving while license is cancelled, suspended, revoked or in violation of license limitation
Driving while intoxicated
Reckless Driving
speed contest racing
fleeing or attempting to elude a police officer
leaving scene of an accident
negligent driving
failure to yield right of way
failure to stop for school bus while bus is loading or unloading
failure to obey traffic control device in a school zone, playground, crosswalk or park
speeding 20 miles or more over limit

Some, but not most, 6 point result in accidents so this is aimed at getting to the driver with the greatest potential for an accident..before the accident occurs. It's estimated there will be about 40,000 vehicles involved in accidents in the next year and between 20-30,000 6 point traffic violations..all of which would be checked for insurance under this bill. In an accident, all motorists would be checked regardless of fault. Currently, only the at fault person is checked.

All procedures for requiring proof at the time of licensing have been eliminated. All procedures which called for insurance companies to notify DMV upon cancellation of a policy have been eliminated as have the requirements that DMV follow up on such cancellation notices.

There is a further provision that providing false information to verify existence of insurance is a Class A misdemeanor. That's up to \$5000 fine and 1 year in jail.

The compromise calls for administrative revocation of the license rather than being charged with a class B misdemeanor. However, the revocation will be a mandatory one year. The removal of commission of a crime eliminates the proposed fine of \$250. However, the compromise requires payment of a \$100 fee as a license reinstatement fee as a prerequisite to reinstatement of driving privileges following revocation of a license for driving uninsured. Thus the compromise would generally retain the punishment provisions originally intended.

Limited license priveleges could be granted but the reinstatement fee would have to be paid and there is a p: requiring the person to provide proof of financial responsibility for 3 years under our normal financial responsibility law prior to the granting of any limited priveleges.

The forfeiture provisions have been removed from the bill. There was a concern about administrative burdens this would place on the courts and Dept. of Law. Forfeiture was envisioned to be used in extreme cases. The legislature could consider this at a later date once the law has been enacted, and it may then be determined how severe a threat the repeat offender is.

The compromise retains the concept of raising the limits from 25/50/10 to 50/100/25.

The compromise also adds further language to the uninsured and undersinsured coverage provisions which basically allow a deductible of \$250. It allows companies to offer a smaller deductible and for the insured to opt for a higher deductible. It also requires direct physical contact between the insured and un/underinsured vehicles to activate the property damage coverage. Hit and run drivers are presumed to be uninsured motorists if the victim reports the incident within 24 hours. This is to prevent people from running into a tree and trying to claim they were hit by an uninsured person.

State Farm has provided assistance to include several pages of language which define when the uninsured/underinsured coverage is triggered and in what priority other insurance policies would pay. Generally speaking, these appear to be fair compromises and have been incorporated after some discussion and refining. The goal has been consumer protection the provisions were reviewed. The bill requires insurers to offer the insured coverage for un/underinsured drivers in the amount the insured voluntarily purchases. The insured may waive this coverage or choose to increase the offer.

There is an exemption for isolated rural communities so that vehicles operated in these areas don't have to have insurance unless they have a history of traffic violations or accidents.

A separability clause has been added to the bill.

The compromise repeals two current sections in the financial responsibility law allowing deposit of securities or cash as proof of financial responsibility. In the opinion of the Division of Insurance, this option is probably not needed any longer since it is less expensive to buy a policy rather than putting up securities worth \$100,000 as would be required if other provisions of this bill pass.

This would leave the means of proving financial responsibility as either having a liability policy or a certificate of self insurance as allowed by statute. These two methods should cover all motorists adequately.

The compromise retains the provision which required knowledge of financial responsibility laws as part of the drivers test for a license.

There are two substantial changes in the definition of a motor vehicle liability policy which is required.

Under the House bill we line d word for word the definition of a policy which was required of those people who had been involved in an accident with no insurance. Such a policy required at that time is different than normal policies which the average person routinely buys. Policies required under the FR law are basically exclusionless with insurer defenses inoperable. The compromise proposes a change in defining who is covered under an insurance policy and removes the provision that liability becomes absolute without defense following an accident...only for persons who purchase insurance voluntarily and do not fall under the financial responsibility law. The absolute liability provision and stricter provisions would remain in policies required under the FR law which would take effect for a person who is convicted of not having insurance. After extensive discussion on this point, this appears to be a fair stance to take. The compromise does not change the type of coverage that is offered currently to people buying insurance.

The compromise deletes the provision requiring companies to issue a card with all policies and that the card remain in the vehicle. This is okay in that the proof of insurance that is now required following a citation is an written verification from the insurance company. The necessity for such a card is eliminated.

The compromise eliminates a section for unused motor vehicles because it is no longer necessary if proof is not required at the time of registration.

The compromise eliminates an annual report on the effectiveness of the law and the ability to enforce it. The report concept was designed to provide legislators with some accounting of how well the system is working but, admittedly, it would be difficult to compile a meaningful report about the effect on premiums, administration and uninsured population. However, it has been suggested that a report could be initiated by a letter of intent to keep track of the statistics compiled as a result of the law.

The compromise incorporates two steps to involve the public about the law. Three months prior to the effective date of the law, the Department must conduct a public education campaign about the new law and failure to comply. Additionally, the bill mandates that, at the time of registration and licensing, the department give the applicant written information about the mandatory insurance law of the state.

It's hoped this will make people aware and encourage them to seek insurance rather than take the chance of being stopped and losing their license for a year.

It should also be noted that if a person drives on a revoked or suspended license...current law already mandates a 10 day jail visit which hopefully will act as an incentive to keep people from driving on suspended licenses.

The effective date of the compromise is 1/1/85.

Fiscal note DMV

SECTION ANALYSIS COMPROMISE FOR HB 7 4/6 Draft

The substance of this draft is similar to the March 1 draft but the bill has been laid out differently to meet the style of Legislative Affairs drafting.

SECTION 1 PURPOSE

Legislature declares concern over rising toll of motor vehicle accidents and determines it is in the public's best interest that motorists be financially responsible for negligent acts so that innocent victims be recompensed for for injury or financial loss. Declares that this can best be served by requiring motorists to be insured when operating a vehicle "where the potential for motor vehicle accidents is substantial". Further declares that the most practical and economical time of proof of compliance is following a moving violation or accident.

SECTION 2

Amends insurance code to conform by requiring insurers in the state to write policies at the newly established minimums of 50/100/25.

SECTION 3

Requires insurers to offer customers un/underinsured coverage for both bodily injury and property damage in at least the amount voluntarily purchased for personal injury liability insurance. Requires an offer for property damage not less than the minimum of \$25,000. This coverage may be waived by the insured.

SECTION 4

Requires the Department of Public Safety to provide an applicant for registration of a motor vehicle with information regarding the state's mandatory insurance law at the time of registration.

SECTION 5

Requires the Department of Public Safety to provide an applicant for motor vehicle licensure with information regarding the state's mandatory insurance law at the time of license application.

SECTION 6

Adds knowledge of the states mandatory insurance law to examination provisions for obtaining a drivers license.

SECTION 7

requires person who has had license suspended to pay \$100 reinstatement fee prior to the granting of limited driving privileges or restoration of driving privilege in addition to financial responsibility requirements.

SECTIONS 8 and 9

Raises minimum liability policy limits a person must be insured for under the financial responsibility law from 25/50/10 to 50,000 for bodily injury to any one person in an accident, \$100,000 maximum for bodily injury of all involved in an accident and \$25,000 for property damage.

SECTION 10

Increases from 25/20/10 to 50/100/25 the threshold at which a judgement against a person falling under the financial responsibility law is satisfied.

SECTION 11

same as section 8 to make statute conform regarding limits. Describes limits for un/underinsured coverage to be offered as part of an insurance policy.

SECTION 12

Defines un/underinsured motorist coverage.

(a) Limits insurers responsibility under the un/underinsured provisions to the difference between what might be paid on behalf of the the uninsured person and the maximum limits of the insured's policy.

(b) Establishes priority for payment of un/underinsured claims and lists items that would be deducted from liability for payment of such coverage.

(c) Prohibits the stacking of several policies in the event that the insured is covered by more than one uninsured coverage which might apply. The liability is limited to the highest amount of one policy. Establishes priority of policies which would apply.

(d) Clarifies that UM/UIM coverage does not apply in situations where the alleged un/underinsured vehicle is owned by a name insured or resident relative but not insured. This is designed to prevent a person from owning several vehicles but only insuring one.

Specifies a single combined coverage. Allows insured to waive coverage in writing. Limits coverage for property damage to only the damage to the vehicle involved. Hit and run motorists are presumed to be uninsured if the accident is reported within 24 hours. Allows deductible of \$250 but allows insurer to offer a deductible other than \$250.

SECTION 13

28.22.010-28.22.050 Defines specific provisions of motor vehicle liability policy that must be in effect to comply with the mandatory law.

Generally follows current requirements under the financial responsibility law. A major difference from the FR law is the removal of an absolute liability clause which is retained in the FR law. The removal is intended to allow companies to issue policies just as they are now. There is also a modification from the FR law in describing who the policy must cover.

Raises current liability minimums from 25/50/10 to 50/100/25.

28.22.100-28.22.130 Defines un/underinsured coverage for the purposed of this chapter identical to the provisions in Section 12.

28.22.200 requires operator or owner of a motor vehicle to have adequate insurance when operating vehicle on roadway. Provides an exemption of the requirement to have insurance if the vehicle is operated in isolated areas not connected to the highway system and with minimal traffic. Exemption does not apply if the owner/operator has a history of traffic violations or accidents within 5 years.

28.22.210 Requires persons involved in an accident resulting in at least \$500 damage or involved in a 6 demerit traffic violation to show proof of insurance.

28.22.220 Requires person cited for an accident to present proof of insurance to the department within 15 days. Requires the Department to establish a method to check all documents filed as proof.

28.22.230 Requires person cited for traffic violation to present proof of insurance at the time of the initial court appearance or within 15 days of the charged violation. Requires court to notify the department if such proof is not presented.

28.22.240 Provides for administrative suspension of license for one year if person fails to prove insurance was in effect at time of violation or accident. Establishes notification procedure and allows the person who stands to lose license a chance for a hearing to plead that person's case. Suspension will not take place until final court action is taken.

28.22.250 Establishes a Class A misdemeanor for knowingly filing false information with the department.

28.22.260 Requires person to file SR 22 under the financial responsibility law (proof of insurance for 3 years) as a prerequisite to reinstatement of license or granting of limited license privileges.

28.22.500 Allows policy to contain provisions which do not violate the provisions of this chapter.

28.22.510 separability clause

28.22.600 definition of general motor vehicle liability policy for purposes of mandatory insurance requirements.

SECTION 14
Definition of underinsured motor vehicle

SECTION 15

Repeals provisions in law allowing deposit of cash or securities as a means of proving financial responsibility for the future. Repeals the reinstatement fee which only pertained to driving in violation of financial responsibility law. This has been encompassed in section 7 of this bill.

SECTION 16

Requires Department to begin to conduct public education campaign about the mandatory law three months prior to its effect.

SECTIONS 17-18

effective dates
Law takes effect 1/1/85.



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: Conference Committee Members
FROM: Senator Dick Eliason *Dick Eliason*
DATE: April 6, 1984
RE: Senate Committee Substitute for HB 7.

The attached proposal is an updated version of the Senate Committee Substitute for HB 7, 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 the 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 three or four years the problem has not been alleviated, another approach could then be considered.

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 6, 1984

SUBJECT: Sectional Analysis
CCS HB 7

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

FROM: Richard C. Folta
Legislative Counsel



Section 1. Amends AS 21.89.020(a) requiring automobile liability policy coverage limits to be at least the amounts prescribed in AS 28.20.440(b)(2).

Section 2. Amends AS 21.89.020 by adding three new subsections. The first requires an insurance company to offer for uninsured and underinsured bodily injury coverage at limits equal to those voluntarily purchased for bodily injury liability. The second subsection requires a basic limit offer of uninsured and underinsured property damage. The third subsection allows the insured to waive in writing the coverage under the first two subsections, or to make a written request for additional or more extensive coverage. The insurers notice requirements to an insured are conditioned.

Section 3. AS 28.20.440(b) is amended adding "underinsured" and "damage to or destruction of property in excess of \$250.00" coverage requirements that shall comply with AS 28.20.440(b)(2) and AS 28.20.445.

Section 4. AS 28.20 is amended by adding a new section on coverage requirements for uninsured and underinsured motorists. Subsection (a) describes the maximum liability of an insurance carrier. Three situations when payments may be reduced are listed in subsection (b). Priority of payments under multiple policies or coverages are described in subsection (c). Two situations where the coverage would not apply are given in (d) and three cases in (e) where coverage

Senator Eliason
page 2
April 6, 1984

may not apply. Subsection (f) provides for a procedure when the owner and operator of vehicle involved in an accident with an insured are unknown. A deductible of \$250.00 in any one accident including the destruction or damage to an insured vehicle is provided under (g). Subsection (h) describes "underinsured motor vehicle."

Section 5. Provides for a September 1, 1984 effective date.

RCF:csh
C2/141

FISCAL NOTE

Revision Date: _____

REQUEST 2/17/84 draft alternate
 Bill/Resolution No.: HB 7
 Title: "An Act relating to
 motor vehicles."
 Sponsor: Repr. Hayes
 Requestor: OMB - Gov.'s Off.
 Date of Request: 2-29-84

FISCAL DETAIL
 Agency Affected: Department of Law
 Program Category Affected: _____
Administration of Justice
 BRU, Program or Subprogram(s) Affected:
Prosecution

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		110.0	232.1	246.0	260.8	276.4
200 TRAVEL		3.5	7.4	7.8	8.3	8.8
300 CONTRACTUAL		17.5	37.1	39.3	41.7	44.2
400 SUPPLIES		14.7	7.6	8.1	8.6	9.1
500 EQUIPMENT		31.5				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	177.2	284.2	301.2	319.4	338.5
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	177.2	284.2	301.2	319.4	338.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	4	4	4	4	4
PART-TIME		1	1	1	1	1
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Richard I. Pegues, Director Phone: 465-3672
 Division: Administrative Services Division Date: 3-1-84
 Approved by Commissioner: Richard I. Pegues / for
Norman C. Gorsuch Date: 3-1-84
 Agency: Department of Law

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

This bill will require mandatory insurance for all drivers of motor vehicles in the state. Failure to comply with this requirement will result in suspension of a driver's license. As a result of the bill increasing the amount of driver's licenses suspended overall, increased incidents of driving with a suspended license will further result in increased criminal misdemeanor sanctions, thus increased involvement of the Department of Law, Criminal Division.

Of the 300,000 drivers currently licensed in the state, it is estimated that somewhere between 10% and 40% of the total number of drivers are uninsured. It is believed that enactment of the bill will result in more drivers acquiring insurance. Eventually, the number of uninsured drivers will probably be closer to the 10% estimate after the bill is enacted.

There are approximately 65,000 traffic accidents and violations investigated each year that will now include an examination for proof of insurance if the bill is approved. Of this number about 6,500 drivers will be found to be uninsured resulting in the suspension of their driver's licenses. Current experience has shown that just over 20% of those individuals who have had their licenses suspended have subsequently been cited for driving with a suspended license (DWLS). Drivers' license suspensions under existing statutes, governing the drivers point system, financial responsibility, driving while intoxicated (DWI), and refusal to take a breathalyzer test, range between 30 days and 10 years. Drivers with longer periods of license suspension are most apt to drive with a suspended license. The chance of a first time insurance offender driving with one-year suspended license is far greater than it is for a first time DWI offender, who receives a 30 day driving suspension. Consequently, the current 20% DWLS violation rate can be expected to increase because of the minimum one year period of suspension provided by the bill. This department has recommended that suspension periods be structured similar to those for the offense of DWI - i.e. 90 days revocation for the first offense (except no allowance for limited license privileges for the final 60 days as provided for in AS 28.15.181(e)) and not less than one year if previously convicted for the same offense one or more times. This recommendation has been rejected and it can be anticipated, as a result, that increases in DWLS offenses will be excessive. Nonetheless, the department has used the existing 20% DWLS violation rate as the basis for its fiscal impact calculations due to the absence of any other historic data.

Based upon the 20% violation rate and the number of expected suspensions (6,500), 1,300 to 1,400 new DWLS violations

will be referred to the Department of Law for prosecution. The majority of the violations will occur in Anchorage and Fairbanks where there will be a measurable impact on the department's operations. Because of the large number of new misdemeanor prosecutions, the department will need one full-time and one part-time prosecutor at Anchorage, and the department will need one full-time prosecutor at Fairbanks.

Although these cases are relatively minor misdemeanor offenses, the penalties include mandatory jail time and their sheer number requires the addition of prosecutor resources. An additional legal secretary will also be required at both Anchorage and Fairbanks because of the substantial documentation that must be prepared for each case to establish proof of notice and to determine the length and dates of suspension.

In specific, among the secretarial duties required for all of these cases - whether or not they are eventually brought to trial are: (1) Files must be opened for each case, (2) data must be entered on the computer records system, (3) letters must be written to DMV, in many cases, requesting more documentation, (4) data must be entered on Case Intake Disposition (CID) sheets, (5) information sheets must be typed and filed in court, and (6) the CID sheets must be distributed to the proper recipients.

Detail Cost Schedule

Fiscal Analysis
HB 7 (2-17-84 Draft Alternate)

FY 85 (6 mos., 1/1/85 - 6/30/85)

	<u>Anchorage</u>			<u>Fairbanks</u>		<u>Total</u>
	<u>Atty III</u>	<u>Atty III PPT</u>	<u>Leg. Sec I</u>	<u>Atty III</u>	<u>Leg. Sec I</u>	
Personal Services	30.0	15.0	14.6	34.1	16.3	110.0
Travel	1.5	.5		1.5		3.5
Contractual						
Copy/Commod/Postage	2.4	1.2	1.2	2.4	1.2	8.4
WP Maintenance			.9		.9	1.8
Space Lease	2.6	2.6	2.1			7.3
						<u>17.5</u>
Commodities - Ongoing						
Office Supplies	1.2	.6	1.2	1.2	1.2	5.4
Law Library	.6	.6		.6		1.8
Commodities - One time						
New Position	1.5	1.5	1.5	1.5	1.5	7.5
						<u>14.7</u>
Equipment - One time						
New Position	1.5	1.5	1.5	1.5	1.5	7.5
Word Processors			12.0		12.0	24.0
						<u>31.5</u>
TOTALS	<u>41.3</u>	<u>23.5</u>	<u>35.0</u>	<u>42.8</u>	<u>34.6</u>	<u>177.2</u>

Costs after FY 85 have been calculated on a full 12-month basis and include a 6% inflation factor, less one-time items.

1.	POSITION TITLE Attorney III			RANGE/STEP 22A	DARG. UNIT PX	FORM 12 PAGE/LINE	GOV.	APPROV.	DISA
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	DRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEG.	

3.	CONTINUATION LEVEL	ADDITION	
4.	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
	PERSONAL SERVICES		
5.	Salary 3,900 X 6	23,400	
6.	Benefits	3,838	
7.	Supplemental Benefits	1,434	
8.	Fixed Benefits	1,315	
9.	TOTAL PERSONAL SERVICES	01	29,987
10.	Travel	02	1,500
11.	Contractual	03	5,000
12.	Commodities	04	3,300
13.	Equipment	05	1,500
14.	Other		
15.	TOTAL COST		41,287

JUSTIFICATION

This position is requested to handle the large number of DWLS violations that will result from the drivers license suspension provisions of HB 7. One and one-half attorney positions will be needed at Anchorage to handle the resultant increased caseload. Allocation to the Attorney III level is recommended because of the routine nature of the prosecutions to be handled.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		G.F. Match 1003	
18.		General Funds 1004	41,287
19.		I-A Receipts 1005	
20.		Program Receipts 1020	
21.		Other	

FOR D&M USE ONLY
4A KEY NUMBER _____

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
DRU PROSECUTION
THIRD JUDICIAL DISTRICT

13 REQUEST FOR
NEW POSITION

Page 1 of 1
Revised Date

FY 8

1.	POSITION TITLE Attorney III			RANGE/STEP 22A	BARG. UNIT PX	FORM 12 PAGE/LINE	GOV.	APPROV.	DIS/
2.	TYPE OF POSITION PPT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	URU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEG.	
3.	CONTINUATION LEVEL			ADDITION	JUSTIFICATION				
4.	TYPE OF EXPENDITURE			AMOUNT					
	1	2		3					
	PERSONAL SERVICES								
5.	Salary	1.950 X 6	11.700						
6.	Benefits		1.919						
7.	Supplemental Benefits		717						
8.	Fixed Benefits		660						
9.	TOTAL PERSONAL SERVICES		01	14,996					
10.	Travel		02	500					
11.	Contractual		03	3,800					
12.	Commodities		04	2,700					
13.	Equipment		05	1,500					
14.	Other								
15.	TOTAL COST			23,496					
	RECEIPT CODE	FUNDING SOURCE							
16.		Federal Receipts 1002							
17.		G.F. Match 1003							
18.		General Funds 1004			23,496				
19.		I-A Receipts 1005							
20.		Program Receipts 1020							
21.		Other							
FOR B&H USE ONLY									
4A KEY NUMBER - - - - -									

This position is requested to handle the large number of DWLS violations that will result from the drivers license suspension provisions of HB 7. One and one-half attorney positions will be needed at Anchorage to handle the resultant caseload increase. Allocation to the Attorney III level is recommended because of the routine nature of the prosecutions to be handled.

13 REQUEST FOR NEW POSITION

AGENCY DEPARTMENT OF LAW

PROGRAM DUE PROCESS

DRU PROSECUTION

THIRD JUDICIAL DISTRICT

FY 85

Page 1 of 1

Revised Date

1.	POSITION TITLE Legal Secretary I			RANGE/STEP 10B	ORG. UNIT GGU	FORM 12 PAGE/LINE	COY	APPROV.	15/1
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	DRG PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 8	LEG.	

3.	CONTINUATION LEVEL	ADDITION		
4.	TYPE OF EXPENDITURE		AMOUNT	
	1	2	3	
	PERSONAL SERVICES			
5.	Salary	1.803 X 6	10,818	
6.	Benefits		1,774	
7.	Supplemental Benefits		663	
8.	Fixed Benefits		1,368	
9.	TOTAL PERSONAL SERVICES		01	14,623
10.	Travel		02	
11.	Contractual		03	4,200
12.	Commodities		04	2,700
13.	Equipment		05	13,500
14.	Other			
15.	TOTAL COST			35,023

JUSTIFICATION

This position is requested to provide the clerical support for the DWLS caseload increase that will result from the drivers license suspension provisions of HB 7. The position will handle office scheduling, communications, filing and prepare the substantial amount of documentation for each case that is needed to show proof of notice and the length and dates of suspensions. Allocation to the Legal Secretary I classification is recommended.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		G.F. Match 1003	
18.		General Funds 1004	35,023
19.		I-A Receipts 1005	
20.		Program Receipts 1020	
21.		Other	

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4A KEY NUMBER _____

13 REQUEST FOR NEW POSITION

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
DRG PROSECUTION
JUDICIAL DISTRICT

Page 1 of 1
Revised Date _____

FY 88

1.	POSITION TITLE Attorney III			RANGE/STEP 22A	DARG. UNIT PX	FORM 12 PAGE/LINE	GOV	APPROV	DISM
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT 16A	LEG.	

3.	CONTINUATION LEVEL	ADDITION	
4.	TYPE OF EXPENDITURE	AMOUNT	
	1	2	3
	PERSONAL SERVICES		
5.	Salary 4,464 X 6	26,784	
6.	Benefits	4,393	
7.	Supplemental Benefits	1,642	
8.	Fixed Benefits	1,315	
9.	TOTAL PERSONAL SERVICES	01	34,134
10.	Travel	02	1,500
11.	Contractual	03	2,400
12.	Commodities	04	3,300
13.	Equipment	05	1,500
14.	Other		
15.	TOTAL COST		42,834

JUSTIFICATION

This position is requested to handle the large number of DWLS violations that will result from the drivers license suspension provisions of HB 7. One attorney position will be needed at Fairbanks to handle the resultant caseload increase. Allocation to the Attorney III level is recommended because of the routine nature of the prosecutions to be handled.

	RECEIPT CODE	FUNDING SOURCE	
16.		Federal Receipts 1002	
17.		G.F. Match 1003	
18.		General Funds 1004	42,834
19.		I-A Receipts 1005	
20.		Program Receipts 1020	
21.		Other	

FOR D&H USE ONLY
4A KEY NUMBER: _____

13 REQUEST FOR
NEW POSITION

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
BRU PROSECUTION
FOURTH JUDICIAL DISTRICT

Page 1 of 1
Revised Date

FY 85

1.	POSITION TITLE Legal Secretary I				RANGE/STEP 10B	DARG. UNIT GGU	FORM 12 PAGE/LINE	COY	APPROV	DISA
2.	TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PCN NUMBER	DRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT 16A	LEG		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE									
	1		2		3					
	PERSONAL SERVICES									
5.	Salary	2,033 X 6	12,198							
6.	Benefits		2,000							
7.	Supplemental Benefits		747							
8.	Fixed Benefits		1,368							
9.	TOTAL PERSONAL SERVICES		01		16,313					
10.	Travel		02							
11.	Contractual		03		2,100					
12.	Commodities		04		700					
13.	Equipment		05		13,500					
14.	Other									
15.	TOTAL COST				34,613					
	RECEIPT CODE				FUNDING SOURCE					
16.					Federal Receipts 1002					
17.					G.F. Hatch 1003					
18.					General Funds 1004					
19.					I-A Receipts 1005					
20.					Program Receipts 1020					
21.					Other					
FOR O&H USE ONLY										
4A KEY NUMBER										

This position is requested to provide the clerical support for the DWLS caseload increase that will result from the drivers license suspension provisions of HB 7. The position will handle office scheduling, communications, filing, and prepare the substantial amount of documentation that is needed for each case to show proof of notice and length and dates of suspension. Allocation to the Legal Secretary I classification is recommended.

13 REQUEST FOR NEW POSITION

AGENCY DEPARTMENT OF LAW
PROGRAM DUE PROCESS
DRU PROSECUTION

Page 1 of 1
Revised Date

FY 8

Jan. 27, 1984

1105 Cushman St., Fairbanks, Alaska 99701
Phone: Off: 907-458-7787

Rep. Joe Hayes
Pouch V
Juneau, AK 99811

Dear Joe,

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 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. I've enclosed a brochure and a print out describing the coverages and showing the cost of each of these

Sectional Analysis

SCS CSSS HB7 (L+C)

Section 1. Page 1

This section of the financial responsibility law is amended to add uninsured motorist property damage, underinsured motorist bodily injury and underinsured motorist property damage to the presently offered uninsured motorist bodily injury coverage. The section goes on to define the coverage. The property damage feature is subject to a \$250 deductible. The section describes the priority of coverage when faced with other coverages which provide a benefit in the same circumstances. The offer would be a single combined coverage which is subject to written rejection by the insured.

Section 2. Pages/-2

These new subsections relate to the uninsured/underinsured motorist coverage. In (l), the maximum liability is clarified. In (m), reductions of coverage are noted. In (n), the stacking of limits is prevented. In (o), exclusions of coverage are listed.

Section 3. Page 2

This provision in the insurance code ties the mandatory offer of uninsured/underinsured motorist coverage to the description of limits in the financial responsibility law and the mandatory insurance law.

Section 4. Page 2-3

This section in the insurance code ties the mandatory offer of uninsured/underinsured motorist coverage to the description of that coverage in the financial responsibility law and the mandatory insurance law. The conditions set forth in the financial responsibility law and the mandatory automobile liability insurance law are the same in this section. This placement is necessary since all of the functional powers or authority of the director of insurance are in Title 21. The offer for the bodily injury feature must be equal to the amount voluntarily purchased for bodily injury liability. The limit for the property damage feature is the same as the minimum limit required under the financial responsibility law for property damage liability. The uninsured/underinsured coverage can be waived in whole or in part.



Speaker of the House of Representatives

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

Official Business

ANALYSIS FOR HB 7 COMPROMISE...March 1 Draft

The proposed a compromise on the mandatory auto insurance bill is basically modeled after legislation which passed in California last year. This compromise has been prepared with the assistance of the Division of Insurance, Departments of Law and Public Safety and State Farm.

The general concept would enact a law making it illegal to drive without liability insurance. Currently, it is legal to drive without insurance. On you are caught as a result of an accident, however, you must obtain proof of insurance for three years. The compromise makes it illegal up front.

The major difference with the compromise is: In the House bill we require proof of insurance to be shown as a prerequisite for registration. In the compromise, that would not be required. The point of proof would come following an accident (which results in at least \$500 damage) for both the person at fault and not at fault. BUT, in addition, any person cited for a traffic violation carrying a 6 point demerit on the point system would have to show that insurance was in effect at the time of the violation within 15 days.

The burden of proof is on the person cited and requires the person to provide proof from the insurance company that the policy was in effect at the time of the accident. This information would be required to be verified by the Department of Public safety. The bill makes it a class A misdemeanor if the person cited knowingly provides false information during the verification process. It's estimated that between 20-30,000 citations for violations carrying a 6 point penalty are issued annually, and all these would be checked for insurance in addition to all persons involved in accidents whether at fault or not under the compromise.

The following traffic violations are all at least 6 points or greater and require a court appearance and would require proof of insurance to be shown.

Driving while license is cancelled, suspended, revoked
or in violation of license limitation

6 point violations cont.

Driving while intoxicated
Reckless Driving
speed contest racing
fleeing or attempting to elude a
police officer
leaving scene of an accident
negligent driving
failure to yield right of way
failure to stop for school bus while
bus is loading or unloading
failure to obey traffic control device
in a school zone, playground,
crosswalk or park
speeding 20 miles or more over limit

It's also my understanding that some, but not most, 6 point result in accidents so this is aimed at getting to the driver with the greatest potential for an accident..before the accident occurs. It's estimated there will be about 40,000 vehicles involved in accidents in the next year and between 20-30,000 6 point traffic violations..all of which would be checked for insurance under this bill. In an accident, all motorists would be checked regardless of fault. Currently, only the at fault person is checked.

All procedures for requiring proof at the time of licensing have been eliminated. All procedures which called for insurance companies to notify DMV upon cancellation of a policy have been eliminated as have the requirements that DMV follow up on such cancellation notices.

There is a further provision that providing false information to verify existence of insurance is a Class A misdemeanor. That's up to \$5000 fine and 1 year in jail.

The compromise calls for administrative revocation of the license rather than being charged with a class B misdemeanor. However, the revocation will be a mandatory one year. The removal of commission of a crime eliminates the proposed fine of \$250. However, the compromise requires payment of this fee as a license reinstatement fee as a prerequisite to reinstatement of driving priveleges following revocation of a license for driving uninsured. Thus the compromise would generally retain the punishment provisions originally intended.

Limited license priveleges could be granted but the reinstatement fee would have to be paid and there is a provision requiring the person to provide proof of financial responsibility for 3 years under our normal financial responsibility law prior to the granting of any limited priveleges.

The forfeiture provisions have been removed from the bill. There was a concern about administrative burdens this would place on the courts and Dept. of Law. Forfeiture was envisioned to be used in extreme cases. The legislature could consider this at a later date once the law has been enacted, and it may then be determined how severe a threat the repeat offender is.

The compromise retains the concept of raising the limits from 25/50/10 to 50/100/25.

The compromise also adds further language to the uninsured and undersinsured coverage provisions which basically allow a deductible of \$250. It allows companies to offer a smaller deductible and for the insured to opt for a higher deductible. It also requires direct physical contact between the insured and un/underinsured vehicles to activate the property damage coverage. Hit and run drivers are presumed to be uninsured motorists if the victim reports the incident within 24 hours. This is to prevent people from running into a tree and trying to claim they were hit by an uninsured person.

We have worked with State Farm to include several pages of language which define when the uninsured/underinsured coverage is triggered and in what priority other insurance policies would pay. Generally speaking, these appear to be fair compromises and we have incorporated most of them after some discussion and refining. The goal has been consumer protection as we reviewed the provisions. The bill requires insurers to offer the insured coverage for un/underinsured drivers in the amount the insured voluntarily purchases. The insured may waive this coverage or choose to increase the offer.

There is an exemption for isolated rural communities so that vehicles operated in these areas don't have to have insurance unless they have a history of traffic violations or accidents. A separability clause has been added to the bill in case there could be a legal problem with this exemption although it is felt by many that the constitutional test for such an exemption has been met.

The compromise repeals two current sections in the financial responsibility law allowing deposit of securities or cash as proof of financial responsibility. In the opinion of the Division of insurance, this option is probably not needed any longer since it is less expensive to buy a policy rather than putting up securities worth \$100,000 as would be required if other provisions of this bill pass. This would leave the means of proving financial responsibility as either having a liability policy or a certificate of self insurance as allowed by statute. These two methods should cover all motorists adequately.

The compromise retains the provision which required knowledge of financial responsibility laws as part of the drivers test for a license.

There are two substantial changes in the definition of a motor vehicle liability policy which is required.

Under the House bill we lifted word for word the definition of a policy which was required of those people who had been involved in an accident with no insurance. Such a policy required at that time is different than normal policies which the average person routinely buys. Policies required under the FR law are basically exclusionless with insurer defenses inoperable. The compromise proposes a change in defining who is covered under an insurance policy and removes the provision that liability becomes absolute without defense following an accident...only for persons who purchase insurance voluntarily and do not fall under the financial responsibility law. The absolute liability provision and stricter provisions would remain in policies required under the FR law which would take effect for a person who is convicted of not having insurance. After extensive discussion on this point, this appears to be a fair stance to take. The compromise does not change the type of coverage that is offered currently to people buying insurance.

The compromise deletes the provision requiring companies to issue a card with all policies and that the card remain in the vehicle. This is okay in that the proof of insurance that is now required following a citation is an written verification from the insurance company. The necessity for such a card is eliminated.

The compromise eliminates a section for unused motor vehicles because it is no longer necessary if proof is not required at the time of registration.

The compromise eliminates an annual report on the effectiveness of the law and the ability to enforce it. The report concept was designed to provide legislators with some accounting of how well the system is working but, admittedly, it would be difficult to compile a meaningful report about the effect on premiums, administration and uninsured population. However, it has been suggested that a report could be initiated by a letter of intent to keep track of the statistics compiled as a result of the law.

The compromise incorporates two steps to involve the public about the law. Three months prior to the effective date of the law, the Department must conduct a public education campaign about the new law and failure to comply. Additionally, the bill mandates that, at the time of registration and licensing, the department give the applicant written information about the mandatory insurance law of the state.

-5-

It's hoped this will make people aware and encourage them to seek insurance rather than take the chance of being stopped and losing their license for a year.

It should also be noted that if a person drives on a revoked or suspended license...current law already mandates a 10 year jail visit which hopefully will act as an incentive to keep people from driving on suspended licenses.

The effective date of the compromise is 1/1/85.

ARBA Anchorage Restaurant & Beverage Association

429 D Street, Suite 200 Anchorage, Alaska P.O. Box 4-1260 Anchorage, Alaska 99509 (907) 344-4001 272-8130

February 29, 1984

Honorable Vic Fischer
Senate District: Anchorage
State Capitol
Pouch V
Juneau, Ak. 99811

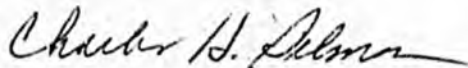
Dear Senator Fischer:

The Board of Directors of the Anchorage Restaurant & Beverage Association, meeting in Executive Session, February 23, 1984, passed the following resolution:

Resolved: That this Board go on record as favoring a Mandatory Liability Insurance Law for motor vehicles in the State of Alaska. Be it further resolved that this Mandatory Insurance be tied, in some way, to the granting of the motor vehicle license, only upon proof that said liability insurance has been obtained.

Accordingly; the Board, collectively, would like to request our Representatives to consider introducing such legislation. If this legislation has already been introduced, then we would ask for your support for such a measure.

Yours very truly,



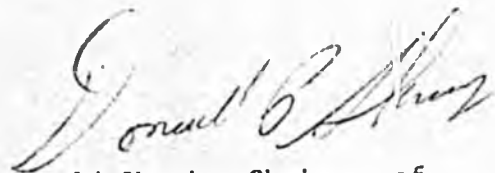
Charles H. Selman
President, ARBA

CHS/ds

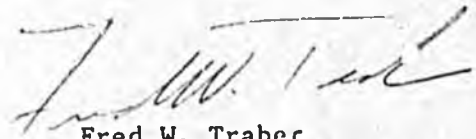
ANCHORAGE RESTAURANT & BEVERAGE ASSOCIATION

BOARD OF DIRECTORS

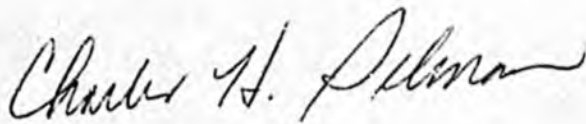
Signed February 23, 1984



Donald Skewis, Chairman of
the Board



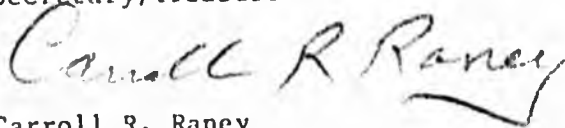
Fred W. Traber
Board Member



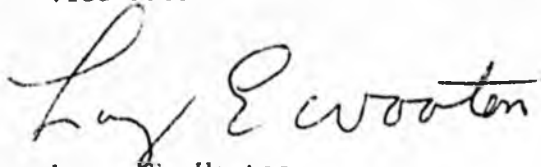
Charles H. Selman
President



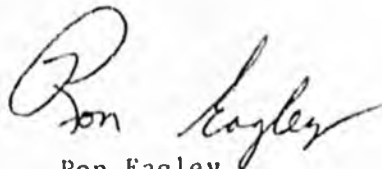
Norman B. Grant
Secretary/Treasurer



Carroll R. Raney
Vice-President



Larry E. Wooten
Board Member



Ron Eagley
Board Member



Kathleen J. Lovette
Board Member

Not Present:

Paula Gallagher
Jack Griffin
Eldon Jenkins

DEPARTMENT OF LAW

CRIMINAL DIVISION

REPLY TO

- OFFICE OF THE CHIEF PROSECUTOR
POUCH KC
JUNEAU, ALASKA 99811
PHONE: (907) 465-3428
- OFFICE OF SPECIAL PROSECUTIONS
AND APPEALS
1031 WEST 4TH AVENUE, SUITE 318
ANCHORAGE, ALASKA 99501-5993
PHONE: (907) 279-7424

April 3, 1984

The Honorable Joseph Hayes
Alaska State House
Pouch V
Juneau, Alaska 99811

Re: Proposed amendments to 3/1/84 draft of HB 7--
Mandatory Car Insurance

Dear Representative Hayes:

At the last meeting with your staff member, Jeff Day, on HB 7, I was requested to look over the latest draft and attempt to arrange the language of the bill to ensure that the \$250 reinstatement fee was only imposed once--at reinstatement--and would not be multiplied by the number of violations of the law resulting in suspension of a driver's license. I was also asked to research the legal question of whether or not an administrative fee must bear a reasonable relationship to the administrative costs of a particular action.

In response to the request, attached are some proposed amendments to Section 5 and Section 12 of the March 1, 1984 draft of HB 7.

As you know, there are several ways under current law for a person to lose a driver's license. A single driving violation can result in multiple license actions, each running concurrently to the others, and thus overlapping. These overlapping license actions create a number of administrative and legal problems which these proposed amendments attempt to resolve.

The proposed amendments to Section 5 would clarify that a single reinstatement fee would be imposed each time a license is reinstated and would not be cumulative, i.e., based on overlapping suspensions or revocations as a result of violations of various laws.

This proposed draft also sets the reinstatement fee at \$100, instead of the \$250 fee originally suggested by your staff. This change is necessary because of the generally-accepted rule of law which requires that administrative fees

bear a reasonable relationship to administrative costs (73 C.J.S. Public Administrative Law and Procedure § 8, Petra Cablevision Corp. v. Suffolk County, 348 N.Y.S.2d 679 [1973]). According to Bill Brown, Chief, Driver Services, Department of Public Safety, a \$100 reinstatement fee would be reasonably related to the cost of administrative services resulting from a license suspension or revocation and its reinstatement, whereas \$250 would probably be an excessive charge.

This proposed amendment also has the effect of applying the \$100 fee uniformly to reinstatements following all types of suspensions and revocations, and not just for failure to carry insurance. We believe that this change is required in terms of clarity, uniformity, and ease of enforcement, particularly when overlapping suspensions and revocations are in effect.

Finally, the proposed amendment places all reinstatement fees in a single section--in current AS 28.15.211--which already contains other provisions for license reinstatement. Since this change obviates the need to maintain a separate section setting out the reinstatement fee for licenses suspended under the Financial Responsibility Laws, Section 12 of the bill can be deleted and the succeeding sections renumbered.

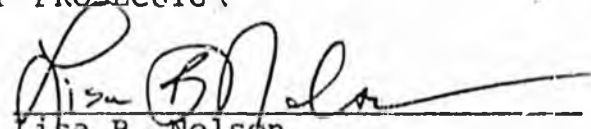
If I may be of further assistance, please feel free to call.

Very truly yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

DANIEL W. HICKEY
CHIEF PROSECUTOR

By:


Lisa B. Nelson
Assistant Attorney General

LBN/dlm

Enclosure

copy to: Bill Brown, Chief
Drivers Services
Department of Public Safety

PROPOSED CS FOR SECTION 5
AND SECTION 12
3-1-84 DRAFT OF HB 7

* Sec. 5. AS 28.15.211 is amended to read:

Sec. 28.15.211. PERIODS OF LIMITATION, SUSPENSION OR REVOCATION; OPPORTUNITY FOR HEARING AND SURRENDER OF LICENSE. (a) Except for a point system suspension or revocation under AS 28.15.221 -- 28.15.241 and unless provided otherwise by law, and unless the suspension or revocation was for a cause which has been removed, a person whose driver's license or privilege to drive a motor vehicle in this state has been suspended or revoked may not apply for a new license nor may his driving privilege be restored until the expiration of

(1) one month from the date on which the license was suspended or revoked for a first conviction of the particular offense from which the suspension or revocation resulted;

(2) three months from the date on which the license was suspended or revoked for a second conviction within 12 consecutive months of the same offense from which the suspension or revocation resulted;

(3) one year from the date on which the license was suspended or revoked for a third or subsequent conviction within 12 consecutive months of the same offense from which the suspension or revocation resulted; or

(4) [Repealed; § 25 ch 77 SLA 1983.]

(b) A limitation, suspension, or revocation of a driver's license imposed by a court takes effect on the date of final judgment, except that if another limitation, suspension, or revocation of license is in effect on the date of final judgment, the effective date of the last imposed limitation, suspension, or revocation is at the end of the last day of the previous limitation, suspension, or revocation unless the court specifies otherwise.

(c) At the end of a period of suspension or limitation, when that limitation follows a suspension, the person whose license has been suspended or limited may apply to the department and, upon payment of the proper fees, including a reinstatement fee of \$100, be issued a duplicate driver's license if he is otherwise entitled to the license under this title.

(d) At the end of a period of revocation or limitation following a revocation, a person whose driver's license has been revoked may apply to the department for the issuance of a new license, but shall submit to re-examination and pay all required fees, including a reinstatement fee of \$100.

(e) At the end of a period of limitation, suspension or revocation under this chapter, the department may not issue a driver's license or a duplicate driver's license to the licensee until he has complied with AS 28.20 relating to proof of financial responsibility.

(f) Unless otherwise provided by law, periods of limitation shall be made at the discretion of the court.

* Sec. 12. AS 28.20.585 is repealed.

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

JANUARY 1984

MANDATORY INSURANCE LAW SURVEY

In October 1983, letters were sent to insurance commissioners of all states and to Motor Vehicle Departments requesting an update on their insurance laws and an analysis of how they were working.

The attached is a general summary of comments from states with mandatory laws. This report is not a complete listing of all comments as many responses are very lengthy. This report is designed to be representative of the comments received. Copies of complete letters are available from the Speaker's Office.

At the time of the writing of this report, responses had not been received from all states, but a majority had responded.

The format of this report will be to list the question at the top of the page. Comments from various officials will follow and be noted as to source.

ARE ANY STATISTICS AVAILABLE WHICH ILLUSTRATE THE BELIEVED NUMBER OF UNINSURED MOTORISTS BEFORE YOUR STATE'S LAW TOOK EFFECT COMPARED TO AFTER IT TOOK EFFECT?

At the time HB 2223 took effect in January 1983, it was estimated that 33% of the 2,183,354 vehicles registered in Arizona did not have insurance.

-Deloris Williamson Chief Dep. Dir. Ariz. Dept. of Ins.

The percentage has been reduced to less than 15% of registrants from the 30% estimated before the law took effect.

-Juan Martin Division Director/ Arizona Motor Vehicle Div.

Prior to January 1, 1974 it was estimated there were approximately 18 to 20% uninsured motorists in the state of Kansas. Recent surveys have indicated that the percentage of uninsured motorists is now about 8%.

-Fletcher Bell Kansas Insurance Commissioner

We feel the law is working and is enforceable since our uninsured rate is approximately 6% compared to 18% prior to 1974 when compulsory no fault insurance was introduced.

-Robert Buger Director Kansas Division of Vehicles

About 10% of the motorists involved in accidents prior to January 1, 1975 were uninsured which compares to about 5% in 1982.

-William Kyle/ Minnesota Supervisor of Insurance Analysts

We estimate that the mandatory insurance law reduced the percent of uninsured drivers from around 14% to 6%. At times it has been as low as 4½%.

-David Moomaw Administrator Oregon Motor Vehicle Division

Since the current law's passage, the number of insured motor vehicles on our states highways is now estimated to be anywhere from 90-96%.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

The number of persons reporting automobile insurance after an accident is over 90% compared to 70% prior to January 1, 1982 when the compulsory liability law went into effect.

-Tom Bond Texas Insurance Commissioner

A recent report from the West Virginia Dept. of Motor Vehicles indicated that 5% of West Virginia motorists are currently uninsured. This report was based on accident report data. Prior to the advent of compulsory insurance, the estimated uninsured motorist ratio was in excess of 20%

-Richard Shaw West Virginia Insurance Commissioner

IN YOUR OPINION, IS YOUR LAW AND ENFORCEMENT EFFORT
ACCOMPLISHING THE JOB OF DECREASING THE NUMBER OF UNINSURED
MOTORISTS?

It is my opinion that the number of uninsured motorists is significantly lower than it would be if mandatory automobile insurance laws did not exist in Connecticut.

-Peter Gillies Connecticut Insurance Commissioner

The present law and it's enforcement are helping to decrease the number of uninsured motorists.

-Hugh Hardison Commissioner Georgia Dept. of Pub.Safety

It is my opinion that this law has decreased the number of uninsured motorists on Idaho roads and that most victims of accidents are now in a position to be compensated by the person at fault in an accident.

-Trent Woods Director Idaho Department of Insurance

We believe the law has served its purpose.

-Fletcher Bell Kansas Insurance Commissioner

In my best opinion, the law is accomplishing the job.

-William Coleman Director Property and Casualty Division
Kentucky Dept. of Insurance

We do not recommend any changes in our statute since it is working quite satisfactorily.

-Alan Mackey Registrar Massachusetts Registry of Motor
Vehicles

Uninsured motorists have apparently declined but no fault isn't necessarily designed to compensate victims.

-William Kyle Minnesota Supervisor of Insurance Analysts

We feel the administrative procedures being used are effective in that we have an approximate 95% compliance with compulsory insurance. Our experience with public reaction has been mixed. Those persons who are affected by the law who are in violation feel that our administrative actions are too strong. The opposite reaction comes from people who find themselves the victim of accidents where they are involved with an uninsured vehicle.

-Marlene Swanson Director Minnesota Driver and Vehicle
Services

We believe that enforcement efforts are decreasing the number of uninsured motorists operating on our state highways. Yes we believe the law is enforceable.

-Robert Griffith Field Force Bureau Chief
Montana Highway Patrol

WHAT EFFECT HAS A MANDATORY LAW HAD ON THE NUMBER OF MOTORISTS WHICH ARE PLACED IN THE ASSIGNED RISK POOL AND ON THE RATES CHARGED THOSE IN THE POOL?

There has been a decline in the assigned risk insurance volume.
-Richard Shaw West Virginia Insurance Commissioner

None.
-J.T. Langdon Wyoming Insurance Commissioner

We have very few policy holders in the Assigned Risk Pool. There appears to be an excellent marketplace for substandard risks.
-Josephine Driscoll Oregon Insurance Commissioner

WHAT EFFECT HAS A MANDATORY LAW HAD ON THE NUMBER OF MOTORISTS WHICH ARE PLACED IN THE ASSIGNED RISK POOL AND ON THE RATES CHARGED THOSE IN THE POOL?

The number of motorists placed in the assigned risk pool has not substantially increased and cannot be attributable to the impact of the previously uninsured motorist.

-Deloris Williamson Chief Dep. Dir. Ariz. Dept. of Ins.

We did experience increases in the number of applications... in 1973 when mandatory insurance and no fault was enacted... Since 1980, the number of applications in the assigned risk plan has leveled off and we are now experiencing a significant decrease in the number of such applications. The recent substantial decrease in the number of applications for insurance through the assigned risk plan could be explained by the recent entry into the voluntary market of three insurers willing to underwrite sub standard risks.

-Peter Gillier Connecticut Insurance Commissioner

We have no information that the assigned risks pool premium have been affected by this law.

-Trent Woods Director Idaho Dept. of Insurance

Immediately after the effective date of the law on January 1, 1974, a population increase was experienced in the assigned risk pool. The increase in the assigned risk pool cannot be correlated with the enactment of mandatory liability insurance. In fact, recent data has indicated as much as a 41% decrease in the pool's population.

-Fletcher Bell Kansas Insurance Commissioner

The rates have changed very little since the no fault law went into effect. I think the number of risks are down as reported prior to 1975.

-William Coleman Director Property and Casualty Division
Kentucky Insurance Dept.

While the mandatory aspect of the law undoubtedly causes our residual market to be more populated than non-mandatory states, that population generally constitutes less than 3% of the total auto insurance market in the state.

-Nancy Baerwaldt Michigan Insurance Commissioner

Doesn't appear to have had an adverse affect. The pool is down considerably since no fault went into effect.

-William Kyle Minnesota Supervisor of Insurance Analysts

At first, the number of risks increased dramatically but over the last several years, the number of risks in the pool has decreased from 400,000 to about 125,000 which is about 2.2% of the 5.6 million registered vehicles.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

DO YOU BELIEVE THE MANDATORY ASPECT OF YOUR LAW IS A DIRECT
INFLUENCE ON INCREASING PREMIUM COSTS FOR INSURANCE POLICIES?

The Department of Insurance has not yet seen any company rate increases directly related to the loss experience or underwriting expenses associated with the previously uninsured motorist.

-Deloris Williamson Chief Dep.Dir. Ariz. Dept. of Ins.

I don't believe that this mandatory liability has had any influence on increasing premium rates for the average driver.

-Trent Woods Director Idaho Dept. of Insurance

The State of Kansas is experiencing increased premium costs. It should be pointed out, however, that we feel the increase is comprised of the increased cost of bodily injury and property damage due to the inflation rate.

-Fletcher Bell Kansas Insurance Commissioner

The cost of auto insurance in Michigan is not prohibitive. I do not believe the mandatory aspect of the law has caused costs to rise.

-Nancy Baerwaldt Michigan Insurance Commissioner

It's difficult to determine if the rising cost of auto insurance is attributable only to inflation or if the extra first party no fault benefits also contribute.

-William Kyle Minnesota Supervisor of Insurance Analysts

No, generally the cost of the product remains the same.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

We estimate the cost or "subsidy" incurred by each owner of an insured motor vehicle is approximately the cost of one tankfull of gasoline per year. We do not think this is an exorbitant subsidy. Unfortunately, other factors besides the law have driven up the cost of automobile insurance.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

No, there has been no indication that compulsory insurance has had any effect on premium costs.

-Richard Shaw West Virginia Insurance Commissioner

We have no reason to believe this law has had an influence on increasing premium costs.

-Josephine Driscoll Oregon Insurance Commissioner

I do not believe mandatory insurance has had an appreciable effect on auto insurance rates.

-David Elliott Delaware Insurance Commissioner

IN YOUR OPINION, IS YOUR LAW AND ENFORCEMENT EFFORT
ACCOMPLISHING THE JOB OF DECREASING THE NUMBER OF UNINSURED
MOTORISTS?

Yes, We feel that our compulsory law and enforcement procedures are accomplishing the job of decreasing the number of uninsured motorists in our state.

-Clifford Snedecker Director- New Jersey Division of Motor Vehicles

We think the impact has been substantial based upon comments from independent insurance agents. The decrease in the number of uninsured motorists is evident.

-Bill Bruce General Counsel Oklahoma Dept. of Public Safety

There is no question that the current compulsory statutes have accomplished the goal of decreasing the number of uninsured motorists on our highways on any given date.

-John Richards Deputy Chief Insurance Commissioner South Carolina

The evidence we have indicates that the compulsory law is having a desired effect toward reducing the number of uninsured drivers. Through the years the percent of drivers involved in accidents reporting liability insurance ranged between 70 and 75%. Shortly after enactment of the compulsory insurance law, this percentage increased to over 92%.

-James Adams Director Texas Dept. of Public Safety

In my opinion, the statutes and the limited enforcement do result in a greater number of motorists with adequate insurance.

-Dennis Nordfelt Superintendent Utah Highway Patrol

I believe that our uninsured population is not greater than most states who have compulsory insurance.

-R.W. Skeen Colorado Motor Vehicle Administrator

I believe mandatory insurance does increase the number of motor vehicle accident victims that receive insurance benefits in compensation for their loss.

-David Elliott Delaware Insurance Commissioner

WHAT EFFECT HAS A MANDATORY LAW HAD ON THE NUMBER OF MOTORISTS WHICH ARE PLACED IN THE ASSIGNED RISK POOL AND ON THE RATES CHARGED THOSE IN THE POOL?

There has been a decline in the assigned risk insurance volume.
-Richard Shaw West Virginia Insurance Commissioner

None.

-J.T. Langdon Wyoming Insurance Commissioner

We have very few policy holders in the Assigned Risk Pool. There appears to be an excellent marketplace for substandard risks.

-Josephine Driscoll Oregon Insurance Commissioner

DO YOU FAVOR REPEALING THE MANDATORY LAW IN YOUR STATE?

We would not be in favor of repealing the mandatory insurance law. We feel that, however small, the new law is a step in the right direction and we do see the continual upgrading of our goal for voluntary compliance by our citizens.

-Robert Griffith Field Force Bureau Chief
Montana Highway Patrol

The division opposes repealing mandatory auto insurance. We believe that amending our existing statutes is the proper response to high rates, not a return to an entirely voluntary system.

-Clifford Snedecker Director New Jersey Division of Motor Vehicles

No, the reason is the program has been effective and causes irresponsible people to have insurance in the event of an accident thereby giving the victims some type of protection.

-Robert Pruett Director
North Carolina Vehicle Registration Section

We do not favor repealing the mandatory auto insurance law as it now exists. Our law is inexpensive to administer and reasonably effective.

-David Moomaw Administrator Oregon Motor Vehicle Division

I would not be in favor of repealing our law....I firmly believe that most Utahns comply with the statute simply because it is the law and they are required to certify their adherence annually.

-Dennis Nordfelt Superintendent
Utah Highway Patrol

I see no reason to repeal the mandatory auto insurance in this state in that it does seem to have a positive effect and the administrative costs are not believed to be burdensome.

-R.W. Skeen Colorado Motor Vehicle Administrator

DO YOU BELIEVE YOUR STATE'S LAW HAS PLACED AN UNFAIR BURDEN ON INSURANCE COMPANIES TO COMPLY WITH THE LAW...SUCH AS INCREASED PAPERWORK?

Insurance companies have not indicated to the Department of Insurance that an unfair burden has been placed on them to comply with the law.

-Deloris Williamson Chief Dep. Dir. Arizona Dept. of Ins.

I do not believe that Connecticut's compulsory insurance law has placed an unfair burden on insurance companies in complying with its requirements.

-Roger Gillies Connecticut Insurance Commissioner

It is my opinion that this law has had no adverse affect on the insurance industry in Idaho nor has it been a burden for those companies involved to comply with any aspect of the law.

-Trent Woods Director Idaho Dept. of Insurance

No.

-Fletcher Bell Kansas Insurance Commissicner

-William Kyle Minnesota Supervisor of Insurance Analysts

-J.O. Wigen North Dakota Insurance Commissioner

-J.T. Langdon Wyoming Insurance Commissioner

-Josephine Driscoll Oregon Insurance Commissioner

Not at this time.

-William Coleman Director Property and Casualty Division
Kentucky Insurance Dept.

To the best of my knowledge, our law has not caused increased paperwork for insurance companies or for the state.

-Nancy Baerwaldt Michigan Insurance Commissioner

No, we believe the insurance companies have a moral obligation to do the necessary paperwork or any other work dictated by a mandatory insurance law.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

We do not believe the current law has placed an unfair or unreasonable burden on insurance companies licensed to transact automobile insurance in our state.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

We have no evidence of an unfair paperwork burden being placed on insurers due to compulsory liability insurance.

-Tom Bond Texas Insurance Commissioner

No, the increased paperwork is offset by the increased automobile insurance business generated by the law.

-Richard Shaw West Virginia Insurance Commissioner

DO YOU BELIEVE THE MANDATORY LAW IN YOUR STATE HAS LESSENER THE COMPETITIVENESS OF THE INSURANCE INDUSTRY IN YOUR STATE OR DRIVEN POTENTIAL INSURANCE BUSINESS OUT OF THE STATE?

If anything, the competition has increased in Arizona.....
Our marketplace is extremely competitive in all lines.

-Deloris Williamson Chief Dep. Dir. Arizona Dept. of Ins.

I do not believe that Connecticut's compulsory insurance law has lowered the competitiveness in the Connecticut insurance industry nor has it driven potential insurance business out of this state.

-Peter Gillies Connecticut Insurance Commissioner

It has been a positive influence on increased competition.

-Trent Woods Director Idaho Dept. of Insurance

No.

-Fletcher Bell Kansas Insurance Commissioner

-William Coleman Director Property and Casualty Division
Kentucky Insurance Dept.

-William Kyle Minnesota Supervisor of Insurance Analysts

-J.O. Wigen North Dakota Insurance Commissioner

-Josephine Driscoll Oregon Insurance Commissioner

No. The level of competition among insurers seems to be keener than in years past.

-Thomas Buzby Legislative Liaison
Pennsylvania Insurance Dept.

We do not believe the mandatory law has lowered the competitiveness of the insurance industry in South Carolina.

-John Richards Chief Deputy Insurance Commissioner
South Carolina

There is neither an indication of a lack of competitiveness nor insurers leaving the state due to the compulsory liability insurance law.

-Tom Bond Texas Insurance Commissioner

No, there has been an increase in the number of automobile insurance filings submitted to the West Virginia Insurance Dept.

-Richard Shaw West Virginia Insurance Commissioner

Delaware enjoys a very competitive auto insurance market. The mandatory law had had no detrimental effects on the availability of insurance.

-David Elliott Delaware Insurance Commissioner

DO YOU BELIEVE THAT REQUIRING COMPANIES TO OFFER UNINSURED AND UNDERINSURED COVERAGE IN LIEU OF A MANDATORY LAW IS THE WAY TO ADDRESS THE PROBLEM OF THE UNINSURED MOTORIST?

We do not view either coverage as definitively addressing the problem of uninsured motorists.

-Fletcher Bell Kansas Insurance Commissioner

Uninsured or underinsured coverage for property damage is found in some states, but has not met with much favor in Minnesota. Premium costs may tend to get prohibitive when property damage coverage for uninsured motorists is mandated.

-William Kyle Minnesota Supervisor of Insurance Analysts

The Texas Legislature evidently felt that Uninsured/Underinsured Motorist Coverage approach was not sufficient.

-Tom Bond Texas Insurance Commissioner

GENERAL COMMENTS

Regardless of the ability to enforce this law, having the law on the books and the potential for strong enforcement is better than not having anything to promote financial responsibility.

-Trent Woods Director Idaho Dept. of Insurance

I believe our system is an excellent one and has served our citizens well.

-Nancy Baerwaldt Michigan Insurance Commissioner

We believe there will be a significant increase in the number of insured drivers because of this legislation. The message is clear..anyone attempting to drive without insurance should know when they get caught..they will pay a heavy price.

-Rep. Michael Stinziano on new Ohio law to take effect
1/1/84

The South Carolina Insurance Commission is on record as supporting the retention of our mandatory compulsory automobile insurance law. It is felt that each driver should be financially responsible for his own actions and that innocent victims of the negligent acts of others should be rightly compensated.

-John Richards Deputy Chief Insurance Commissioner
South Carolina

COMMENTS FROM ALASKA POLICE CHIEFS

ALASKA POLICE CHIEFS were asked to comment on the need for a mandatory insurance law. The following are edited responses.

HB 7 is long overdue. The uninsured motorist creates a totally unnecessary burden for the other users of the roadways. I certainly feel that passage of HB 7 would be in the best interests of the state.

-Brian Porter Anchorage Police Chief

I am in favor of this type of legislation. It is quite common in bush Alaska that people own and operate vehicles without insurance. It is also very common to investigate accidents where people find there is no insurance covering the drivers of the vehicles involved. This leaves many people with no option except civil court to attempt to gain restitution.

-Thomas Varnell Bethel Police Chief

I support the general concept of requiring motor vehicle insurance for all drivers in the State of Alaska. I believe uninsured motorists cost the citizens of Soldotna and the State of Alaska an inflated insurance premium as well as inconvenience and hardship.

-Duane Udland Soldotna Police Chief

I was pleased to read of the house bill which would require proof of insurance to register a vehicle. I firmly believe that this type of procedure coupled with a penalty is one step toward protecting the public from the uninsured motorist. I'm only sorry it didn't pass both houses and become law.

-Art LeTourneau Sicksa Police Chief

I firmly believe that motorists seeking to register their vehicles in the state of Alaska should show proof of liability. It is very discouraging for insured motorists to be a victim of a motor vehicle accident only to find that the other motorist causing the accident does not have insurance nor do they have the means to pay for the damages or costly medical expenses for which they are responsible.

-Joseph Ciraulo Juneau Police Chief

I would be in support of efforts to enact a mandatory liability insurance law. A high percentage of our motor vehicle accidents involve persons without liability insurance.

-Edgar Martin Kodiak Police Chief

I am in favor of this mandatory law. It appears to me that about 40% of our citizens are left holding the bag when their auto is damaged by an uninsured motorist.

-William Bagron Cordova Police Chief

ALASKA POLICE CHIEF COMMENTS cont.

I would venture to say that the estimate of the Division of Insurance that 40% of the motorists are uninsured is conservative at best. I think it may be as high as 50%. It has been my observation and opinion over the past 11 years as Police Chief of Homer that innocent people are getting killed and injured and losing thousands of dollars by automobile accidents with uninsured drivers.

-Michael Daugherty Homer Police Chief

MEMORANDUM

TO: VF

FROM: ST

RE: HB7

DATE: 4/19/84

*If in exempt area &
have an accident or
traffic violation
→ 5 yrs insurance
In other areas*

HB 7

Here are the three areas of concern you had for the House version of HB7

- (3) the affect of the house version on low-income residents;

Only one state addresses this problem, Hawaii. Their program provides insurance for people on public assistance.

I asked Sheila about the cost-assistance approach. Senator Eliason told her not to look into it.

- (1) the one year license suspension; → *90 day*

Attached is the amendment as written by Dept. of Law, and provided by Jeff Day.

- (2) the reinstatement fee

You wanted to lower the reinstatement fee from \$100 to \$50.

(4) no-fault
~~if~~ - if a mand. insur.

PROPOSED CS FOR SECTION 13,
SEC. 28.22.240, AND SEC. 28.22.260
OF 4/6/84 DRAFT OF CONFERENCE CS FOR HB 7

Sec. 28.22.240. ADMINISTRATIVE SUSPENSION OF DRIVERS' LICENSES.

(a) If a person fails to provide proof that motor vehicle liability insurance or a certificate of self-insurance was in effect at the time of an accident or when the person was charged with a violation of a traffic law described in AS 28.22.210, the department shall suspend the driver's license of that person for the following periods:

(1) not less than 90 days if, within the preceding 10 years, the person has not previously had their license suspended for violation of AS 28.22.200;

(2) not less than one year if, within the preceding 10 years, the person has previously had their license suspended one or more times for violation of AS 28.22.200.

(b) The suspension shall be consecutive to any other suspension required by law or imposed by a court.

(c) The department may grant limited license privileges for work purposes only to a person whose license has been suspended under AS 28.22.240, if

(1) that person has filed proof of financial responsibility for the future as required by AS 28.22.260;

(2) that person has not had their license suspended two or more times under AS 28.22.240 in the preceding 10 years;

(3) the department determines that the person's ability to earn a livelihood would be severely impaired if a limited license privilege is not granted; and

(4) the department determines that a limitation can be placed on the license that will enable the person to earn a livelihood without excessive danger to the public.

(d) The department imposing a limitation under this section shall

(1) require the surrender of the driver's license; and

(2) issue to the licensee a certificate valid for the duration of the limitation.

(e) After the termination of a limitation as shown on the certificate issued under (d) of this section, the license of a person on whom a limitation was imposed is suspended until the person receives a new license in accordance with AS 28.15.211(c).

(f) The department shall notify the licensee that the suspension becomes effective 30 days from the date of the notice and that the licensee has the right, within the 30-day period, to make an oral or written answer controverting any point or issue, or to present evidence and arguments for the consideration of the department.

(g) Upon receipt of an oral or written answer from the licensee, the department shall make findings on the matter under consideration within 15 days and shall notify the person involved of its decision in writing by certified or registered mail. If the department's decision is to sustain an action against the licensee's driver's license, the department shall notify the licensee of the opportunity for a hearing under AS 28.05.121--28.05.141. Suspension of a person's license is stayed until final disposition of the hearing under this section.

Sec. 28.22.260. PROOF FOR THE FUTURE. (a) A person whose license is suspended under AS 28.22.240 must file proof of financial responsibility for the future under AS 28.20 before full driving privileges may be restored or limited license privileges are granted under AS 28.22.240(c).

(b) A filing of proof of financial responsibility under AS 28.20 shall be required for a period of three years following expiration of the suspension of license under AS 28.22.240.

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

April 17, 1984

To: Senator Dick Eliason
Senator Bob Mulcahy
Senator Vic Fischer

Rep. Charlie Bussell
Rep. Ron Wendte
Rep. Joe Hayes

From: Jeff Day

Re: Proposed amendment on license suspension

Attached is a proposed substitute regarding the section on license suspension which has been drafted by the Department of Law.

Under the current House proposal, licenses would be suspended for one year for not being able to demonstrate proof of insurance. Limited driving privileges could be granted at any time.

The proposed amendment would change that in the following way:

First offense would have license suspension of 90 days.

Second offense would have a minimum of one year if the second offense occurs within ten years of the first offense.

Limited license privileges may be granted at any time if the person first files proof of financial responsibility and has not had the license suspended more than twice for failure to have insurance. Limited privileges would not be available to a person who has had a license suspended three times in ten years for failure to carry insurance.

The length of suspension generally follows the concepts used in the drunk driving law passed last session.

Alaska State Legislature



Speaker of the House of Representatives

Official Business

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

April 17, 1984

To: Rep. Joe Hayes
Rep. Charlie Bussell
Rep. Ron Wendte

Sen. Dick Eliason
Sen. Bob Mulcahy
Sen. Vic Fischer

From: Jeff Day
Assistant to the Speaker

Re: Low Income Motorists

On April 11 I was instructed to investigate whether other states have implemented programs or provisions which specifically relate to making the cost of auto insurance affordable to the low income motorist. Since that time I have contacted a number of state insurance departments and insurance and consumer organizations. The results and contacts are listed below.

SUMMARY

10 state insurance departments were contacted as well as several industry research organizations and an insurance consumer organization. Only 1 state reported that a specific program had been instituted aimed at the low income driver. This was Hawaii, and it was further stated that the program is not working as intended and is opposed by the insurance industry.

A common reaction was that it was difficult to assess the impact of mandatory auto insurance on low income drivers or whether the cost was prohibitive. Some responded that it was a problem. Others said the competitive market affords a wide variety of coverages and prices. Some responded that the cost of insurance comes with the cost of operating a motor vehicle.

Hawaii's program gives free insurance to persons on public assistance. (See Hawaii section for details) The effect is to have the regular paying consumer bear the cost of providing insurance to low income drivers. So while low income drivers get insurance, the cost under this program, will rise for the average consumer who already buys insurance.

There was one reaction which said that it would seem more appropriate to increase welfare payments in general rather than create a specific program to address insurance for low income residents. Several said that factors in determining rates play the largest factor in the cost of insurance and we should examine our laws related to rate making for possible changes. North Carolina, for example, has eliminated age, gender and marital status as rate factors. Instead that state uses a merit rating system which bases premium cost on driving records. This has tended to lower rates for young males..at least those with good driving records.

One reaction that was voiced several times is that the marketplace generally allows a wide variety of coverages and there are a number of actions a person might take to lower insurance costs. These include increasing deductibles and not buying collision or comprehensive coverage if it's an older car. The number and types of cars insured plays a role. For example, if a family has fewer cars, the cost of insurance will be less. I have attached some information from the Ohio Insurance Institute which expands on this subject.

In conclusion, I have not discovered a workable solution to address the low income driver. I believe the industry reaction will be in opposition to a subsidy. First, there is not a consensus on whether a large segment of the population will truly be financially affected by a requirement to buy insurance. Additionally, there are some philosophical questions to be considered as to whether persons who operate cars should be expected to pay for insurance as part of the cost of operation or whether they should seek other alternatives as transit or car pooling if they do not desire to pay the cost of insurance. In general, the cost of insurance may be prohibitive for some individuals...however, determining who they are may be difficult. The question of providing a subsidy for auto insurance raises a number of philosophical questions both on a legislative and industry level. It may be more appropriate in the near future to explore options to make changes in rating mechanisms to ensure the lowest possible rates are consistently available.

Paraphrased comments from agencies which were interviewed follow.

The following is a summary of the interviews conducted.

All Industry Research Advisory Council
Oak Brook, Illinois
312-920-1177
Don Seagraves

Most states have addressed the high risk driver as opposed to the low income motorist. He knows of no specific plan addressing low income drivers. Most protests come from the middle income driver and legislative efforts have been directed at solving problems in this area. The general position of the industry and rating bureaus is that the cost of the product should be reasonably related to the experience of the group insured. (i.e. high risk drivers should pay higher premiums.)

When you depart from that concept you lose general competition by telling companies what to charge. The companies resent that. Any subsidy causes a distortion in that competitive market.

Rather than provide a specific program for payment of auto insurance, he suggested that it be treated as welfare. If the person requires more money to have the necessities, then welfare payments should be increased...not creation of a specific insurance subsidy.

The number of people for whom auto insurance is truly unaffordable is very small.

Competition keeps the marketplace healthy and produces a wide variance in rates. There are many factors people can do to lessen the cost of insurance such as the number and type of vehicles insured. * * * * *

National Association of Independent Insurers
Illinois 312-297-7800
Terry Tyrpin

Not aware of any program which specifically addresses low income drivers. Competition is the most normal procedure for providing rate flexibility and it provides the best rating environment. Every state has different laws and nuances which affect rate setting. There are many programs for high risk but he was not aware of programs for low income drivers. There is no model legislation he is aware of designed specifically to make car insurance more affordable for low income motorists.

National Insurance Consumer Organization
344 Commerce Street
Alexandria, VA 22314 703-549-8050
Bob Hunter, Director

The problem of low income drivers presents a Catch 22. On one hand, the cost of insurance may present a hardship. On the other hand, the low income driver needs some means of financial protection in case of an accident, especially if the person has no assets. Some states mandate un/underinsured coverage. Hawaii gives low income persons free insurance.

He noted the uninsured motorist provision in Virginia which allows uninsured motorists to pay \$200 at the time of registration if they don't have insurance. He also noted that \$200 is more than the cost of insurance in most cases so this does not really address the problem.

The rating process in each state will have the greatest effect on the price of insurance and laws relating to rates should be addressed to assure good rates... (i.e. whether investment income is used in calculating rate base.) NICO also did a study of all compulsory law states and determined that there was no correlation between the increase in premium cost and passage of compulsory laws.

Arizona Dept. of Insurance
Delcris Williamson
602-255-5422

There is no specific low income program in Arizona. The market is competitive in all lines... particularly auto. Since enactment of the law, there have been no problems related to low income drivers.

Prior to enactment a survey was done to see if a state subsidized low income drivers... none was found. There was some initial concern of the effect of the law on low income drivers, and the Governor received a few inquiries on the subject. However, there have been no problems with the effect of the law.

Idaho Dept. of Insurance
Trent Woods Commissioner
208-334-2250

He conducted a survey of premium costs and found coverage available at about \$40 for a six month period. There is no indigent rating system and he doesn't understand why anyone would ever have such a plan. Idaho is open competition and availability of low cost insurance is not a problem.

Illinois Insurance Dept.
217 782 7446
Janet Frye

Never heard of any program designed for low income drivers....public or private. Open competition states tend to have affordable rates. Not aware if the cost of auto insurance presents a hardship in Illinois. It may be expensive for those who have poor driving records. If they are unable to afford insurance, why do they afford a car in the first place? If the industry subsidized low income motorists, there would likely be a reverse effect on the consumer who pays full premium as that person might have increased premiums to make up for the low income subsidy.

Minnesota Insurance Dept.
612-296-6941
William Kyle/ Supervisor of Insurance Analysts

No program in Minnesota designed as a subsidy is in place. Not aware of any state with such a program. There may be a problem for the low income or youthful driver. But there is little documentation in Minnesota to show that mandatory insurance has created any problems for low income drivers.

North Carolina Insurance Dept.
Richard Price
919-733-7343

No specific subsidy program in place. However, there are other rating factors in North Carolina which affect the price of insurance for some groups. North Carolina does not allow factors as age, gender or marital status in determining rates. Instead a merit rating system is used where everyone is charged a flat rate which is then increased depending on the number of accidents and violations a person may have. This tends to lower rates for persons under 25, particularly males. The mandatory law has created no problems for low income drivers and may have the effect of lowering the rates by expanding the base of the number of people insured. North Carolina takes a strict stance on rate making. A mandatory law would be good for the people of Alaska.

Oregon Insurance Dept.
Bill Haskell
503-378-4271

No such law or plan for low income drivers in place. Insurance is a problem for youthful drivers with poor driving records. He sees no solution outside of subsidization.

Texas Insurance Dept.
Don O'Brien, Director of Auto Insurance
512-475-3486

Insurance cost may be a problem for low income drivers. He has heard Hawaii may address that problem in some way. Texas recently changed minimum limits for financial responsibility and also made changes to the assigned risk pool which accounts for some rate increase.

West Virginia Insurance Dept.
Cheryl Davis/Wanda Smith Consumer Services
304-348-3386

No program designed to make it more affordable for low income drivers. WV is a prior approval state. No idea whether the cost presents a problem for low income drivers. The cost of insurance will cause a hardship on some people, but if you can afford to own a car, you should be able to afford insurance. Many low income drivers often have poor driving records and need insurance the most. There was chaos when the mandatory law first went into effect, but it is working well now and is achieving desired results.

Ohio Insurance Institute
Bill Fletcher
614-228-1593

Noted that Hawaii may have a subsidy program. Ohio is an open competitive state which creates a wide variety of coverages and rates. He noted that Nationwide just dropped it's premiums by 10%. The cost of insurance for low income drivers is not a severe problem. People are starting to shop around. Ohio makes a strong effort to educate the public to shop around and not take the first policy offered.

Hawaii
Allen Gushiken
808-548-5450

Hawaii is a mandatory no fault state. Since the mandatory law was enacted in 1974, there has also been a program to pay for the insurance of persons of public assistance. Hawaii has a joint underwriting plan. All companies who do business in Hawaii must be part of the plan. 8 of the largest carriers are the service agents for the plan. When a person is determined to be qualified for public assistance, it includes auto insurance.

Hawaii (continued)

The person is given a certificate to take to one of the 8 service agents who agree to cover the person at minimum limits. No premiums are payed by anyone for the indigent person.

If the premiums taken in by the 8 service carriers from insuring non-indigents are not sufficient to cover claims filed by indigents, all other insurance companies are assessed on a pro rata basis to make up the difference. When the plan was enacted it was expected that the premiums taken in from covering other people would more than make up for the cost of claims filed by indigents who were given free insurance. This has not been the case.

In 10 years this has amounted to about 8 million dollars which has been assessed to all insurance companies in the state.

The net effect of assessing other companies for claims by indigents is an increase for normal customer policies since the cost of the product is related to the cost of delivering service on claims. The intent of the plan was to be self supporting when it was enacted. It has never worked that way. The insurance industry does not like the underwriting plan. There have been attempts to eliminate it but none have succeeded yet.

Virginia
804-786-3667

Has a concept called the uninsured motorist fund which allows an uninsured person to pay \$200 at time of registration as opposed to having auto insurance. See notes under National Insurance Consumer Organization for more details.

May 10, 1982

Updated October 26, 1982

*This is
somewhat outdated
but should be of
general use
for background*

COMPULSORY MOTOR VEHICLE LIABILITY INSURANCESummary

Compulsory insurance laws require all owners of motor vehicles to buy and maintain insurance as a condition for registering their vehicles. Such insurance has been urged as a solution to the problem of financially improvident motorists. More than 20 percent of Illinois motorists and 50 percent of Chicago motorists may be without insurance.

Twenty-nine states have enacted compulsory motor vehicle insurance laws. Two additional states have compulsory motor vehicle insurance laws that have not yet gone into effect. "No-fault" motor vehicle insurance also has been established in 20 of those states.

Over 30 bills providing for compulsory liability insurance coverage have been introduced in the Illinois General Assembly since 1971, but none have been adopted. Compulsory insurance was also provided for in several "no-fault" insurance proposals.

One of the major problems with compulsory insurance is that of enforcing the law requiring motorists to maintain insurance coverage throughout the registration period. Some states have adopted procedures to confiscate driver's licenses, license plates, and registration certificates of those failing to maintain insurance in addition to other penalties.

Proponents believe that only through compulsory insurance will there be any compensation available for wrongful injuries or property damage in motor vehicle accidents. Opponents argue that compulsory insurance laws would be ineffective or too costly and could increase pressure on government to further regulate or even supplant private insurance.

Robert J. Welz
Robert J. Welz
Staff Attorney

RJW:lam

Compulsory motor vehicle insurance laws require every application for the registration of a motor vehicle to be accompanied by proof that the vehicle is covered by a liability policy or other form of protection against the legal liability that may arise in connection with its operation. The registration will not be granted without such proof. Notice that the coverage has been cancelled results in a revocation of the registration, and operation of a noncovered automobile leads to driver's license suspension or revocation, and usually to criminal penalties.

According to Illinois Department of Insurance figures, 21 percent of registered private passenger vehicles in Illinois in 1978 were uninsured, and over half of such vehicles in Chicago were uninsured.¹

	<u>Registered*</u>	<u>Insured</u>	<u>Uninsured</u>	<u>Percent uninsured</u>
Chicago	1,269,916	612,800	657,116	52%
Cook County excluding Chicago	1,359,584	915,736	443,848	33
Illinois excluding Cook County	3,276,861	3,147,205	129,656	4
Illinois Total	5,906,361	4,675,741	1,230,620	21%

Illinois Proposals for Compulsory Insurance

Illinois has had a financial responsibility law since 1938. It requires persons who have failed to satisfy a judgment for any liability from a previous accident to furnish "proof of financial responsibility for the future" in amounts of \$15,000 for injury or death to one person; \$30,000 for injury or death to two or more persons; and \$10,000 for property damage.² This has been criticized because it does nothing to protect against harm from the first accident.

Since 1971 the Illinois General Assembly has considered over 30 bills which would require compulsory automobile insurance on a broad or limited basis. None of these measures became law. Main provisions of the proposals are shown in Table 1.

*The Department reduced the actual figures by about 5 percent because of automobile sales, and the figures may be distorted by the switchover to multi-year license plates.

Table 1

Proposed Legislation for Compulsory Automobile Insurance
for Illinois, 1971-1982

Year and bill no.	Required minimum liability coverage*	Penalty**
1972 H.B. 4344	\$10,000/\$100,000/\$5,000	maximum \$1,000 fine or 1 year imprisonment
1973 H.B. 243 and H.B. 817	20,000/ 40,000/ 5,000	not specified
1973 H.B. 950	10,000/ 20,000/ 5,000	petty offense; license and registration may be revoked
1974 H.B. 2414	not specified	not specified
1975 H.B. 3062 ^a / and S.B. 1500	10,000/ 20,000/ 5,000	Class C misdemeanor; license and registration may be revoked
1977 H.B. 545	10,000/ 20,000/ 5,000	Class A misdemeanor; license may be revoked up to 90 days; forfeit vehicle registration
1977 H.B. 634	10,000/ 20,000/ 5,000	Class A misdemeanor; forfeiture of vehicle registration
1977 H.B. 928	20,000/ 50,000/ ---	license may be suspended
1977 H.B. 1234	10,000/ 20,000/ 5,000	Class A misdemeanor
1977 S.B. 409	not specified	not specified
1977 S.B. 840	10,000/ 20,000/ 5,000	not specified
1977 S.B. 1113	10,000/ 20,000/ 5,000	Class C misdemeanor; license and registration may be revoked
1978 H.B. 2614	10,000/ 20,000/ 5,000	Class A misdemeanor
1979 H.B. 206	10,000/ 20,000/ 5,000	Class A misdemeanor
1979 H.B. 2443 and S.B. 117	not specified	not specified
1979 S.B. 51	10,000/ 20,000/ 5,000	not specified
1979 S.B. 127	10,000/ 20,000/ 5,000	Class A misdemeanor

Table 1 (cont'd)

<u>Year and bill no.</u>	<u>Required minimum liability coverage*</u>	<u>Penalty**</u>
1981 H.B. 9 and S.B. 90	\$10,000/\$20,000/\$5,000	Class A misdemeanor
1981 H.B. 11, H.B. 315 and S.B. 222	15,000/ 30,000/10,000	Class A misdemeanor
1981 H.B. 332	requires no-fault benefits and maintains current safety responsibility law	revocation or suspension of driver's license and vehicle registration
1981 S.B. 151	not specified	not specified
1981 S.B. 152	not specified	suspension of driver's license up to 90 days; Class A misdemeanor
1981 S.B. 969	10,000/ 20,000/ 5,000	suspension of driver's license and vehicle registration
1982 H.B. 2324 and H.B. 2573	15,000/ 30,000/10,000	Class A misdemeanor
1982 H.B. 2478	requires no-fault benefits and repeals safety responsibility law	revocation or suspension of driver's license and vehicle registration
1982 S.B. 1280	10,000/ 20,000/ 5,000	suspension or revocation of driver's license and motor vehicle registration; and for first offense, \$75 fine; second offense, \$200 fine

*The first figure is the minimum coverage for bodily injury or death to one person, the second figure is the minimum coverage for bodily injury or death to two or more persons in the same accident, and the third figure is the minimum coverage for property damage.

**The penalty is for driving without the required liability insurance.

^a/H.B. 3062 was substituted for H.B.'s 1764, 1835, 1864, and 2719.

Source: Examination of bills by Legislative Council staff.

1984 bill now pending in Illinois Log

Laws in Other States

(32)
Twenty-nine states have compulsory motor vehicle insurance laws. Indiana and New Mexico have also passed compulsory motor vehicle insurance laws. However, Indiana's law does not go into effect until January 1, 1983, and New Mexico's does not go into effect until January 1, 1984. Generally, motor vehicles will not be registered in the state unless the application for registration is accompanied by proof of ability to respond in damages up to limits of, for example, \$20,000, bodily injury or death to one person; \$40,000, bodily injury or death per accident; and \$5,000, coverage for property damage.

No-fault insurance laws have been established in 20 states with compulsory liability insurance laws. No-fault insurance is protection policyholders receive from their own insurance companies to compensate them for economic loss suffered as a result of motor vehicle accidents, regardless of fault. All states that have no-fault insurance laws still have liability insurance provisions because no-fault beneficiaries have the right to sue negligent parties when no-fault benefits are inadequate or serious injury results. Thus, drivers in states with no-fault laws need liability coverage.

Examples of Procedures Followed in Enforcing
Compulsory Insurance Laws

All of the states having compulsory insurance laws provide for penalties against those who fail to maintain the required insurance. The problem of enforcing the requirements of maintaining insurance coverage is one that plagues administrative agencies. Some states have enacted procedures to be followed by insurance companies and administrative agencies in order to insure that motorists maintain insurance coverage through the vehicle registration period. Some examples of these procedures are described below.

States with compulsory motor vehicle insurance laws generally require the insurer to notify the commissioner of motor vehicles that the insured has cancelled or failed to renew the insurance policy. Upon receipt of such notification, the state acts to revoke or suspend the operating license or the registration plates unless the owner or driver licensee provides satisfactory evidence that another insurance policy has been obtained.

Table 2

Compulsory Liability Insurance Coverage Requirements and Penalties, 1982

State	Required minimum coverage*	Penalties**
California	\$15,000/\$30,000/\$ 5,000	up to \$100 fine for each offense
Colorado	15,000/ 30,000/ 5,000	class one traffic offense
Connecticut	20,000/ 40,000/ 5,000	misdeameanor
Delaware	10,000/ 20,000/ 5,000	\$150 to \$1,000 fine
Florida	10,000/ 20,000/ 5,000	license and registration suspended
Georgia	10,000/ 20,000/ 5,000	misdeameanor
Hawaii	25,000/ --- / 10,000	\$100 to \$1,000 fine
Idaho	10,000/ 20,000/ 5,000	misdeameanor
Indiana	25,000/ 50,000/ 10,000	misdeameanor
(Eff. 1/1/83)		
Kansas	25,000/ 50,000/ 10,000	misdeameanor
Kentucky	10,000/ 20,000/ 5,000	\$50 to \$500 fine
Louisiana	5,000/ 10,000/ 1,000	up to \$500 fine
Maryland	20,000/ 40,000/ 10,000	misdeameanor
Massachusetts	10,000/ 20,000/ 1,000	\$100 to \$500 fine or up to 1 year imprisonment
Michigan	20,000/ 40,000/ 10,000	misdeameanor
Minnesota	25,000/ 50,000/ 10,000	misdeameanor
Montana	25,000/ 50,000/ 5,000	misdeameanor
Nevada	15,000/ 30,000/ 10,000	not less than \$100 nor more than \$500 fine
New Jersey	15,000/ 30,000/ 5,000	\$50 to \$200 fine or imprisonment from 30 days to 3 months for 1st offense
New Mexico	15,000/ 30,000/ 5,000	misdeameanor
(Eff. 1/1/84)		
New York***	10,000/ 20,000/ 5,000	\$100 to \$1,000 fine and/or up to 15 days imprisonment
North Carolina	25,000/ 50,000/ 10,000	misdeameanor
North Dakota	25,000/ 50,000/ 10,000	registration revoked
Oklahoma	10,000/ 20,000/ 10,000	up to \$100 fine and license suspended
Oregon	15,000/ 30,000/ 5,000	license suspended
Pennsylvania	15,000/ 30,000/ 5,000	misdeameanor
South Carolina	15,000/ 30,000/ 5,000	misdeameanor
Texas	10,000/ 20,000/ 5,000	misdeameanor
Utah	20,000/ 40,000/ 10,000	misdeameanor
West Virginia	20,000/ 40,000/ 10,000	misdeameanor
Wyoming	10,000/ 20,000/ 5,000	misdeameanor

*The first figure is the minimum coverage for bodily injury or death to one person, the second figure is the minimum coverage for bodily injury or death to two or more persons in the same accident, and the third figure is the minimum coverage for property damage.

**The penalty is for driving without the required liability insurance.

***In New York coverages for death of one person is \$50,000 and for death to two or more persons is \$100,000.

Note: States with no-fault insurance are shown in boldface type.

Source: Listed in Appendix A.

In Georgia, for example, the insurance company must notify the public safety department within 5 days after the effective date of cancellation of required coverage. The state suspends the driver's license and the license plates for a period of 60 days and until proper proof of required insurance has been filed.

Kansas law states that no liability policy can be terminated during the policy period either by nonpayment of premiums or at the request of the insured unless the insurer notifies the vehicles division in the revenue department, within 20 days after the termination for nonpayment or within 20 days after receipt by the insurer of insured's cancellation request. When the division receives such notice from the insurer, the division must notify the owner by registered or certified mail that, 30 days after the notice is mailed, the registration will be revoked for a period of 60 days, unless within those 30 days the owner demonstrates proof of financial security. Upon failure to furnish such proof, registration of the vehicle will be revoked and the driver's license suspended.

In Maryland each insurer is required to immediately notify the transportation department of the termination or other lapse of required security. The department is required to make a reasonable effort to notify the insured that the registration of the vehicle has been automatically suspended. Within 48 hours after receiving the suspension notice the driver must surrender evidence of registration. If the driver refuses to return the evidence of registration, the driver's operating license may be suspended.

Massachusetts law requires the insurer to give written notice to the public safety department of the cancellation of the insurance policy. The registrar may revoke the registration unless, at least 2 days before the effective date of cancellation, the registrar receives a new certificate of insurance covering the motor vehicle.

New York also requires the insurer to notify the commissioner of motor vehicles of the termination of an insurance contract. The commissioner is required to revoke the registration of the vehicle upon receipt of evidence that the insurance policy is no longer in effect.

North Carolina law requires notice of cancellation by the insurer to the transportation department, whether the cancellation is by the insurer or by the insured. The owner is required to surrender the certificate of registration and license plates for 60 days unless

financial responsibility is maintained in some other manner acceptable to the department.

The registration and plates may be restored within the 60 day period if financial responsibility is certified to the division. A \$60 restoration fee is charged. During the suspension period the car may not be registered in the name of an immediate family member. Failure to report the termination of an insurance policy results in a \$200 civil penalty.

In South Carolina the insurer must immediately notify the highway department of the termination or lapse of any insurance policy. Upon notification of the termination or lapse of a policy, the certificate of registration is automatically suspended and remains suspended until other security is provided. Within 5 days after cancellation or expiration of the policy, the insured must obtain other insurance or surrender the license plates and registration certificate.

Upon receiving information that the policy has been terminated, the department will suspend the registration and plates and, within 15 days, initiate action to repossess the registration certificate and plates. If the owner refuses to surrender the registration, the department is required to take physical possession of the registration and plates and hold them until proof of insurance coverage is received. A reinstatement fee of \$25 must be paid. Any person failing to return the registration and plates is subject to a fine of \$100 or imprisonment for 30 days. Sale of the vehicle to a family member carries a similar penalty.

Arguments For Compulsory Insurance

Advocates of compulsory insurance point out that where voluntary automobile insurance coverage is high, the addition of a relatively small number, approximately 20 percent, to the ranks of the insureds should not raise the rates of the drivers who are already insured. The protection provided all drivers under compulsory insurance would outweigh the financial outlay which would be required of those motorists who have no insurance.

Administrative problems which might result because of compulsory insurance should not be a justification for not having such insurance. Administrative problems can be worked out once the program is started.

Compulsory insurance need not have a detrimental effect on insurance companies. If the minimum rates are set at levels that will assure reasonable operating profits, the existing system for marketing and servicing insurance can remain unchanged.

Compulsion is an element that is inherent in any plan to combat the financially irresponsible motorist. Compulsory insurance provides a direct answer while other approaches are covert methods of forcing motorists to have insurance. If it is wise to establish financial responsibility after an accident, why not before?

Only through compulsory insurance will there be any substantial elimination of the possibility of lack of compensation for wrongful injuries in automobile accidents.

Compulsory automobile insurance of general application is merely an extension of earlier laws requiring a showing of financial responsibility for such classes as young motorists, the owners and operators of buses, taxicabs, car rental services, and the like.

A Gallup Poll taken on the question of compulsory automobile insurance in 1965 indicated that a majority of the nation's adults favored it. The nationwide findings were as follows: 53 percent favored compulsory insurance; 42 percent opposed it; and 5 percent had no opinion.³

A more recent poll conducted by Louis Harris and Associates and the Department of Insurance, the Wharton School, University of Pennsylvania in 1974 indicates that an even larger majority of people favored compulsory insurance laws. The findings were as follows:
91 percent favored compulsory insurance; 7 percent opposed it; and 2 percent were not sure.⁴ For a more complete picture of the results of this poll, see Appendix B.

Arguments Against Compulsory Insurance

One basic objection to compulsory automobile insurance advanced by its opponents is the claim that it involves an undesirable degree of regimentation and a danger of increasing pressure on government to further regulate or even supplant private insurance. Those who resist compulsory insurance proposals maintain that political pressure to keep premium rates low will combine with a rising curve of losses and jury verdicts attributable to the compulsory laws to drive the private

carriers out of the automobile liability field, and to install state insurance funds in their place.

Opponents of compulsory liability insurance claim that the passage of compulsory liability insurance laws increases the costs of insurance for consumers. Statistically, it is very difficult to link compulsory insurance, only one of many factors contributing to the cost of insurance, to increased premium costs.⁵ Comparing the increase of insurance premiums before and after passage of a compulsory insurance law is not a reliable indication of the effects of compulsory insurance on insurance rates, mainly because inflation rates, a principal factor in insurance rates, differ from year to year. Thus, a major increase after the passage of a compulsory insurance law may be linked to a major increase in the inflation rate.

The National Association of Independent Insurers recently conducted a statistical comparison of insurance rate increases. The Association reported on the insurance rate increases in six states that have enacted compulsory insurance laws (California, Louisiana, Maryland, Oklahoma, Oregon, South Carolina) and compared the rate increases in each compulsory state to increases in three similar states without compulsory insurance. For example, the association compared insurance rate increases in California, one of the compulsory states, to increases in Illinois, Ohio, and Texas, three states similar to California in (1) demographic characteristics, (2) the amount of insured vehicles, and (3) geographic characteristics. The study revealed that all six compulsory insurance law states had higher insurance rate increases than the increases in the three comparable states without compulsory insurance for the same time period. Even though the statistical evidence seems overwhelming, the association warns that their approach may be subjected to criticism because of possible "flaws" in the approach that the association used.

Another fundamental argument of opponents is that even among those who are unwilling or unable to buy insurance the careless driver is decidedly in the minority, and that compulsory laws would force the many who are careful to buy insurance because of the few who are careless.

Another argument against compulsory laws is that motorists who are coerced into purchasing insurance will, out of resentment or perhaps a false sense of security induced by the compulsory law, restrict their buying of coverages to the minimums specified in the law, and will not bother to provide themselves with such

"extras" as medical coverage and high personal injury and property damage limits.

In addition, the required protection against uninsured motorists now provided by insurance carriers has obviated much of the alleged necessity for compulsory liability automobile insurance.⁶

Notes

1. According to Robert Gossrow, casualty actuary, Illinois Department of Insurance, phone conversation of May 5, 1982.

2. Ill. Rev. Stat. 1981, ch. 95 1/2, sec. 7-203 *et seq.*

3. Chicago Sun-Times, September 10, 1966.

4. Louis Harris and Associates and the Department of Insurance, the Wharton School, University of Pennsylvania, Sentry Insurance National Opinion Study: A Profile of Consumer Attitudes Toward Auto and Homeowner's Insurance, p. 46 (Jan. 1974).

5. National Association of Independent Insurers, Compulsory Automobile Liability Insurance (Undated).

6. Illinois law requires that all liability insurance policies must include uninsured motorist coverage. (Ill. Rev. Stat. 1981, ch. 73, sec. 755a.)

Source

Commerce Clearing House, Automobile Insurance Law Reporter (looseleaf to date); Illinois Legislative Council File 9-002, "Compulsory Motor Vehicle Insurance" (1979); Illinois Legislative Council File 9-194, "Compulsory Motor Vehicle Insurance" (1981).

YOU CAN SAVE MONEY ON AUTO INSURANCE

There are ways you can cut your auto insurance costs. Many factors affect the amount of premium you pay. The following list of money-saving ideas may help you reduce your own insurance costs:

- **INCREASE YOUR DEDUCTIBLES** for both collision and comprehensive coverages. These are the coverages that pay for physical damage to your car. Because small claims are costly to settle, insurance companies don't charge you as much premium when you agree to pay for these small losses through a deductible. The higher your deductible, the lower your premium. Chances are good you'll never have to pay that deductible if you're a careful driver. Although the amount you save varies, the premium reduction will probably equal the amount you "risked" through the higher deductible in just a few years of accident-free driving.
- **COMPANY DISCOUNTS** can reduce your premium. Most companies offer lower premiums if you insure two or more cars with them. Some give a discount to students with good grades. And some allow a premium credit if a young driver is away at school more than 100 miles from where the insured car is garaged.
- **REDUCE OR ELIMINATE COLLISION AND COMPREHENSIVE COVERAGES** as your car gets older. These coverages provide physical damage protection for your auto. If your car is an older model (5 years or older), it has depreciated in value to the point where you may be paying more in premiums than the car is worth. You should keep your auto liability coverage, however.
- **DRIVE SAFELY.** One at-fault accident or traffic violation can increase your premium as much as 40%. Your insurance costs will remain low as long as you remain accident and violation free. Check with your insurance agent or company to determine if you are now paying a surcharge because of your driv-

ing record. If so, be especially cautious in the future and your clean driving record will pay off.

- **PARK DEFENSIVELY.** Don't park on the street where your car can be stolen, vandalized or hit by another vehicle. Close the windows tightly and always lock the car.
- **CONSIDER AUTO INSURANCE COSTS WHEN BUYING A NEW CAR.** Premiums are higher for certain luxury and sport models because of their greater accident, damage and auto theft experience. Your insurance agent or company can give you specific information.
- **REDUCE YOUR DAILY DRIVING.** The farther you drive to work each day, the more likely you are to be involved in an accident - and the more you pay for insurance. Check to be sure the number of miles you drive to work is correctly listed with your insurance company. If you move and change your address, always notify your agent or company. You may now live in a lower rated territory.
- **CONSIDER JOINING A CAR POOL OR TAKING A BUS TO WORK.** Cars that aren't driven to work every day generally qualify for lower insurance rates.

If you join a car pool, be sure your auto policy includes medical payments coverage for the protection of your passengers. Also, be sure to share the actual driving rather than charging your passengers with the intent to make a profit, since this charge could be considered a "public livery fee" (such as a taxi fare) and you might not be covered by your personal auto policy.

Now that you have reviewed the list, check those suggestions that you think could save you money. Then, contact your insurance agent or company and review the list with them. Your insurance representative may be able to offer additional suggestions and tailor your auto insurance to your needs.

AUTO INSURANCE RATE MAKING

Factors that Determine Auto Insurance Premiums

Many factors affect auto insurance premiums. In fact, automobile rate manuals for most insurance companies in Ohio include more than 150 different classifications for rating purposes. These classifications help companies categorize your driving exposure to loss and charge an appropriate premium. Thus, your own personal situation has a bearing on the price you pay for auto insurance.

Auto insurance rates are affected by many influences over which companies have no control. They include the frequency and severity of traffic accidents, repair costs, medical and hospital costs, wage levels and the size of court judgments. The pages that follow detail Ohio experience over the past five years for hospital costs, auto repair costs (parts and labor) and the resultant auto insurance premiums.

- Auto insurance pays the wages of people who are disabled — for weeks or months — because of injuries suffered in auto accidents. And the wages of all classes of workers are up.
- Auto insurance pays garages and body shops to repair damaged autos. The hourly repair rates are up. Parts prices are up.
- Auto insurance companies pay hospital and medical expenses of accident victims. Hospital employees are earning better pay, doctors' fees are up, and all this is reflected in increased daily hospital costs.

The combination of frequency and severity constitutes that portion of your premium which goes to pay losses.

The *frequency* of accidents is simply how many and how often accidents happen out of a specified number of cars on the road. The higher the frequency, the more insurance companies must pay out.

The *severity* of accidents is reflected in the typical amounts paid out for an accident claim.

This amount has risen for several years due to in-

creased costs to repair people as well as automobiles. Inflation continues to affect the cost of nearly everything.

In an effort to keep auto insurance affordable, insurers are working on ways to reduce the number of auto accidents that occur as well as improve the design of vehicles and highways to keep passengers from being injured or killed. (See section on Auto Design.)

In compliance with the State law that auto insurance rates must be adequate, most insurance companies increased auto insurance rates during recent years. However, because of the reduction in accident frequency, the increases in auto insurance rates have been less than consumer price increases for auto repairs, medical and hospital expenses and wages.

An expense flattening provision was adopted by the insurance industry in 1979. Certain expenses such as administrative costs, were divided equally among policyholders. This permitted a reduction in the expense portion of the insurance premiums allocated to higher rated risks such as youthful drivers and policyholders in higher rated metropolitan areas. (For details, refer to next section entitled "Factors Determining What You Pay for Auto Insurance").

Despite recent reductions in the overall rate of inflation, experts predict continuing increases in auto repair costs and medical expenses. These increases will continue to dramatically influence the cost of automobile insurance.

In 1981 the Ohio Legislature passed new taxes which substantially impact insurance companies. Additionally, other changes in Ohio statutes have occurred over the past several years which increase claims payments. These legislative actions also ultimately influence what Ohioans pay for automobile insurance.

The decline in accident frequency has been matched by the increased costs of accident claims. Only the continued reduction in accidents will moderate the impact of rising auto accident costs.

FACTORS DETERMINING WHAT YOU PAY FOR AUTO INSURANCE

There are many variables involved in the determination of auto insurance rates. But, your own personal situation will have a direct bearing on the rate you pay. These variables also explain why different drivers may pay different rates for the same auto insurance policy. These are the most common situations:

AGE OF DRIVER

If there's anything on which all the traffic safety experts agree, it's that young drivers have more accidents...and more serious accidents...and that young males are "worse" than young females. (See section entitled Youthful Drivers).

A teen-age girl in the family can increase the auto insurance bill from 20% to nearly double... and a teen-age boy, even though he only occasionally drives the car, can triple the cost of insurance. If he's the principal operator of his own car, the tab for insurance can rise to four or five times the premium his parents alone would have to pay.

The rates that insurance companies charge for cars operated by youthful drivers are based on years of accumulated statistics which establish the relative differences between young drivers as a group and adult drivers...and between different classes of young drivers.

The surcharge on female youthful drivers lasts only until they marry or, depending on the company, until they reach the age 21 or 25. Married men also get a break, while young single males are charged more until age 29.

And young drivers...single or married, male or female...can be consoled by the fact that as they grow older and become more experienced drivers, the cost of automobile insurance goes down. With some companies it drops year by year, with others at certain specified ages.

Many companies give discounts when the youthful driver maintains a certain level of academic achievement in high school or college...or after he has completed an accredited driver education course.

Following are some details on Youthful Driver rates which are generally followed by the majority of companies:

Where there are more cars in the family than

youthful operators, the youthful operator surcharges will usually be applied to the most expensive car or cars, except that a youthful owner or principal operator will be charged on the car he regularly drives.

1. If there is more than one car and more than one youthful driver in the family, surcharges will be made on as many cars as there are youthful drivers...if the family has that many cars.
2. No charge will be made for a youthful family member who is in military service and drives only when on furlough, but a charge will be made when there is regular or frequent use, such as on weekend passes.
3. A premium credit is given when an unmarried youthful operator is a resident student at a school more than 100 miles from home and does not have the car at school.

TYPE OF CAR

Generally, the model car you drive affects only the cost of those insurance coverages which apply to repairing or replacing that car. The premiums you pay for liability insurance, medical payments, uninsured and underinsured motorist coverages are not affected by the kind of car you drive, unless it is a "high performance vehicle."

The cost of comprehensive and collision coverages is directly related to the cash value of the car. Some insured losses require that the car merely be repaired, others that it be completely replaced. And some vehicles are more expensive to repair or replace than others.

Since it would be entirely too unwieldy and expensive to develop and maintain a value record on each individual automobile, insurance companies group all cars into brackets according to two factors...purchase price new and age.

A consideration in determining the approximate value is the age of the car. Most companies use age brackets for establishing rates. Current year models fall in the first group, those from the preceding model year in the second, and so on for several model years.

However, starting with 1980 model year cars, a

number of companies have modified their rating procedures. Statistics are now available to substantiate a difference in the extent of damage sustained by the various models and types of cars. Certain cars sustain less damage, on the average, and therefore cost less to repair than others in the same price range. Accordingly the premiums have been reduced on some models and increased on others for more equitable premium determination based upon the damageability potential.

Even though you may be willing to pay a little more for insurance in order to drive the car you prefer, you might want to check with your agent or company before you buy your next car.

WHERE YOU LIVE

The area where you live directly affects your auto premium. In general, the bigger your city, or the more densely populated the area in which you live, the higher your auto insurance rates will be.

Where you live can affect both your likelihood of having an accident and the probable cost of paying for that accident. Accident frequency tends to be greater in areas of high traffic density. Accident severity tends to be greater in areas where roads and road conditions (free-ways, for example) encourage high speed driving. When both these factors are considered, those who live in the major metropolitan areas will pay the most for their automobile insurance, all other things being equal.

Wage levels are another factor. In heavily industrialized, densely populated metropolitan areas, wage levels are generally higher...and this shows up in higher hospital costs, higher automotive repair costs and larger settlements for lost wages in bodily injury cases. These add up to higher insurance rates for rating territories having these high-hazard characteristics.

Rating territories are designated geographical areas used by automobile insurance companies to accumulate statistics on premiums received and losses paid. On the basis of these statistics, proper rate levels are determined. What comprises a territory is less a function of area than of population. It may be a single county, or a number of counties grouped together. In a few heavily populated areas, there may be two or even three rating territories within a single county where accident experience has demonstrated a need for different rates in order to pay different levels of insured loss.

This arbitrary division of the state of Ohio into 30

or 40 territories for rate making purposes could produce auto rate inequities in some individual cases. Undoubtedly it does, just as the same kind of arbitrary boundaries of political subdivisions occasionally result in inequities in the tax burden. But any attempt by the insurance companies to base rates on a significantly finer, more detailed geographical breakdown would add so much to their administrative expenses that all of us would end up paying more for automobile insurance.

HOW YOUR CAR IS USED

The little old lady who never took her car out of the garage except to drive three blocks to church every Sunday may not exist except in the imagination of some used car salesman. But she would be charged a lower premium for her automobile insurance than most of us would.

With the amount and the kind of driving she does, she has relatively less chance of being involved in an accident than people who drive many more miles and under more hazardous traffic conditions.

All other things being equal, the more miles you drive the greater the likelihood that you will have an accident. And...again assuming that all other factors are equal...accidents are more likely to happen to people who do most of their driving on congested city streets or high speed highways, as opposed to residential streets and secondary rural roads.

In one way or another, all these factors are taken into consideration in the formulas used to determine the amount you pay for automobile insurance. But not all insurance companies approach the problem in exactly the same manner.

Most companies do not consider the number of miles you drive annually, although there are some that offer lower rates to people who drive fewer than a specified number of miles a year.

The car that is driven to and from work is likely to be driven more miles than the one that is not. And those "to and from work" miles are likely to be on congested streets and highways. So..."to and from work" is almost always a consideration. But some companies charge higher rates on any car that is regularly driven to and from work, while others make this differentiation only if the distance to work one way is more than a stated minimum.

For much the same reasons, all companies charge even higher rates when the auto is used

for business. There are variations in defining "business use," but driving to and from one's principal place of employment is not considered business use.

Because of the type of driving they do and the type of roads on which they normally drive, farm families enjoy lower automobile insurance rates than either city residents or non-farmers who live in rural areas. The farm discount does not apply to a vehicle used by a member of a farm family who is engaged in an occupation other than farming and uses the vehicle to drive back and forth to work.

SAFE DRIVER PLANS

If you have a good driving record, you may qualify for savings on your insurance premium. This is generally called a Safe Driver or Merit Rating Plan. The savings in these plans are based on your past driving record and your record while insured.

You earn more favorable rate treatment by maintaining an accident-free record through careful and defensive driving. Your insurance premium will increase if you have an accident, however.

The whole idea behind such plans is to give the best rates to the best drivers. To keep the premium of the accident-free drivers at the low level they have earned, insurance companies must charge more for those drivers who do have accidents. The insurance company takes in the same total premium from all its policyholders as a group—but accident-free drivers (a majority of most companies' policyholders) pay a lower premium than they would otherwise.

These plans vary so much from company to company (and are not used at all by some companies) that it is difficult to make generalizations. But here's an example of how two typical plans work.

Company A quotes a premium of \$100 and Company B charges \$110 for the same insurance coverages. An important difference is that Company B's premium will remain the same if the policyholder has an accident. Thus, over a five-year period (assuming the rate of inflation and accident frequency permit the premium level to remain constant) the Company B policyholder will pay \$550 for insurance.

On the other hand, Company A's policyholder

would pay only \$500 for the same five-year period—if he doesn't have an accident. Should he be involved in a "chargeable" accident, the premium will be increased to perhaps \$140 for each of the three years after the accident, or a total of \$620 over the five-year period.

Under either rating system, each company would take in the same amount of money from all policyholders as a group. So in terms of company income, the system makes no difference. However, it does make a difference to the policyholder. It's a matter of the policyholder choosing the plan he or she prefers.

It seems that most policyholders think an accident will not happen to them. Accidents always involve "the other guy." Therefore, the preference has been for the lowest possible premium now. This has prompted most insurance companies to adopt some kind of Safe Driver Rating Plan.

EXPENSE FLATTENING

In 1980, a change in auto insurance rating was instituted under the direction of the Ohio Department of Insurance requiring that companies equalize certain expenses among all policyholders.

The change was instituted because some insurance expenses are fixed rather than proportional. For example, the cost to print a policy for a high-risk driver in an urban area is no greater than for an accident-free driver living in a sparsely populated area. Fixed expenses affected by this change include general expenses, miscellaneous taxes, licenses and fees, and for some companies certain selling expenses. These costs will vary by company.

WHAT OHIOANS PAY FOR AUTO INSURANCE

Just as the costs of food, clothing, housing and transportation have risen sharply over the past decade, so has the cost of automobile insurance. While no one likes to pay more than they did ten years ago, it helps to know that Ohio's auto insurance rates compare favorably with those paid in other states.

In a comparison of the percentage of household income spent on auto insurance premiums, Ohio ranks in the "medium" range.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CCSHE 7
Title: MOTOR VEHICLE LIABILITY
INSURANCE
Sponsor: _____
Requestor: HAYES
Date of Request: 4/10/84

FISCAL DETAIL

Agency Affected: ALASKA COURT SYSTEM
Program Category Affected: _____
ADMINISTRATION OF JUSTICE
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		40.9	85.6	89.9	94.4	99.1
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES		.3	.5	.6	.6	.7
500 EQUIPMENT		4.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		45.2	86.1	90.5	95.0	99.8
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

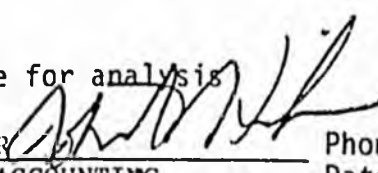
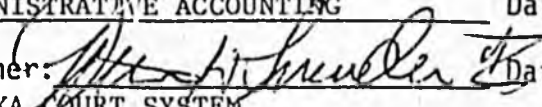
GENERAL FUND		45.2	86.1	90.5	95.0	99.8
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: ROBERT G. FISHER  Phone: 264-0561
Division: ADMINISTRATIVE ACCOUNTING Date: 4/11/84
Approved by Commissioner:  Date: 4/11/84
Agency: ALASKA COURT SYSTEM

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

FISCAL NOTE ANALYSIS

The Conference Committee Substitute for House Bill 7 calls for the suspension of a driving license when a driver is involved in an accident or a serious traffic violation and does not have liability insurance. The Department of Law fiscal note estimated that this would result in an annual addition of 1,300 driving with license suspended cases. The workload will be concentrated in Anchorage and Fairbanks. The Court System may need additional judicial resources to handle this caseload, but this cannot be accurately determined without actual experience. Therefore, no additional judicial resources are incorporated into this fiscal note.

The clerical impact of the additional caseload on the criminal sections in Anchorage and Fairbanks is more clearly defined. Each case will be set up in a case file, calendar notices sent out, judgements and hearing records prepared and distributed, cases tracked and coordinated with the jails, etc. The fiscal impact on the clerical functions in Anchorage and Fairbanks is provided below:

PERSONNEL

	<u>Salary</u>	<u>Benefits</u>	<u>Total Cost</u>
2 Court Clerks (Anch. Range 8B)	\$38,568	\$13,966	\$52,534
1 Court Clerk (Fbks. Range 8B)	21,744	7,538	<u>29,282</u>
Total Personnel Costs			\$81,816

COMMODITIES

Estimated Full Year Cost	\$ 500
Estimated FY 85 Operating Cost (Effective Date 1/1/85)	\$41,158

EQUIPMENT (One-time item)

	<u>4,034</u>
Total FY 85 Cost	\$45,192