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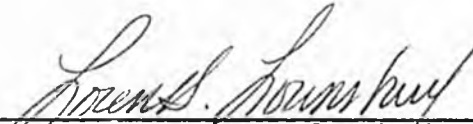
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CSHB 476: "An Act relating to automobile insurance premiums."


The department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation appearing on that person's driving record, and which is alleged to be inappropriate.

Alaska Statute 21.36.420(d) was structured to require a notice of all premium increases by an insurer. The notice gives a reason for the increase and the right to an appeal under AS 21.39.090. It is not clear whether a notice of reason and notice of right to appeal is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use and we believe that a right to appeal on top of the review process would be unduly wasteful of state resources.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary and the scope of notice required. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident. We do not object to the notice of premium increase on approved rate filings because it is a fair thing to do. It does generate additional cost for the insurer which will ultimately be passed along to the consumer. It is, however, a reasonable and fair requirement.


Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86


John E. George, Director of Insurance

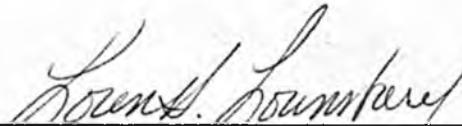
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AS 21.36.420(d) was structured to require a notice of all premium increases by an insurer. It is not clear whether a notice is required on increases resulting from other than a change in the individual driving record. Such increases are subject to rate review and approval by the State before use.

This bill would clarify the requirement for notice by specifying the circumstances in which the notice is necessary. It does provide recourse for surcharges or increases that are not appropriate because a person was not convicted of a violation or at fault in an accident.



Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86



John L. George, Director of Insurance

Date: 3/3/86

MEMORANDUM

TO: Representative Peter Goll
Chairman of Community and Regional Affairs Committee

FROM: Michael L. Lessmeier

RE: HB 476

DATE: March 3, 1986

I am writing this memorandum on behalf of State Farm Insurance Company and Allstate Insurance Company regarding A.S. 21.36.420, which was added by the legislature in 1984 via HB 16. This statute deals with premium increases in automobile insurance policies and provides as follows:

(a) An insurer may not increase the premium on an automobile policy unless the increase applies to all insurers of the same class.

(b) An insurer may not increase the premium or add a surcharge to an automobile insurance policy because of the issuance of a citation for a moving traffic violation unless the insured or another person who resides in the insured's household and is covered by the policy has been convicted of the violation.

(c) The director shall adopt regulations to determine circumstances under which an insurer may increase the premium or add a surcharge to an automobile insurance policy.

(d) An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least fifteen (15) days before it takes affect, stating the reason for the change and the right of appeal under A.S. 21.39.090.

A.S. 21.36.42(a)-(d). The difficulty presented by this legislation is the ambiguity in subsection (d). If subsection (d) is read literally, it could be interpreted to require an insurer to send an insured a statement of reasons for a change in premium and a statement of notice of the right to appeal under A.S. 21.39.090 every time a premium is increased, regardless of the reason for the premium increase.

Such an interpretation would require an insurer to send a statement of reasons for the change and a notice of right to appeal whenever a general rate increase is approved by the Division of Insurance, or whenever an insured adds cars, increases coverage, or adds a driver. We do not believe this is what the legislature intended when enacting this statute.

The legislative history we have been able to obtain indicates the focus of the original bill was where an insurer increased the premium of an insured because the insured was either involved in an at fault accident or because of a citation for a moving violation. We found nothing to indicate the legislative intent was to create a blanket requirement of notice and right to appeal any time an insurance premium is increased. Such a requirement would have a significant practical effect on our ability to provide the kind of service we seek to provide. For example, if subsection (d) were interpreted to require written notice of the increase at least fifteen (15) days before it takes effect, stating the reason for the change and the right of appeal, we would be unable to provide immediate coverage for our policy holders who wanted to add a new driver, increase their present coverage, or purchase a new car. If we were to follow the literal interpretation of the present statute, we would not be able to accept coverage in either instance until at least fifteen (15) days after the request in order to assure our insured was informed of his or her proper statutory rights.

Another instance in which difficulties are created is where there is a general rate increase approved by the Division of Insurance. In such a case, it would be illegal for us to charge our insured anything but the filed and approved rate. To suggest by the means of a notice that our insured has a right to appeal a general rate increase is

misleading and could potentially generate wasteful litigation and/or administrative hearings.

In an effort to clarify this ambiguity, we discussed this problem with Representative Miller, and HB 476 was introduced. After discussing this with you and your staff, we have prepared a Committee Substitute for HB 476 which in effect requires an insurer to give written notice of a premium increase at least (15) days before the increase takes effect in all situations except where our insured initiates the change in premium. The notice and the statement of the insured's right of appeal is required in all situations except when a rate increase is approved by the Division of Insurance or where the increase results from a change requested by an insured.

We are only aware of two situations in which an insurer would unilaterally increase a premium because of the driving experience of the insured, i.e., where the increase is based upon an accident or a conviction of a moving traffic violation. However, the Committee Substitute for HB 476 would require notice and the statement of the right of appeal in not just these two situations, but any increase except an increase resulting from a change requested by an insured or a rate increase approved by the Division of Insurance. We believe this Committee Substitute will resolve the ambiguity that presently exists in A.S. 21.36.420(d) without in any way effecting the purpose the statute was intended to accomplish. We urge its prompt passage.

MLL/mf
0426M

CS FOR HOU. BILL NO. 476

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to automobile insurance premiums."

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

Section 1. AS 21.36.420(d) is amended to read:

(d) An insurer that increases the premium or adds a surcharge to an automobile insurance policy shall give written notice of the increase or surcharge at least fifteen days before it takes effect, stating the reason for the change and the right of appeal under AS 21.39.090. This subsection shall not apply to increases in premium resulting from a change requested by an insured or to rate increases approved by the Division of Insurance if written notice of the rate increase is given at least fifteen days before it takes effect.

Bannister
3/3/86 ✓

Original sponsor: M.M.Miller by request

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 476 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to automobile insurance premiums."

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

8 * Section 1. AS 21.36.420(d) is amended to read:

9 (d) An insurer that increases the premium or adds a surcharge to
 10 an automobile insurance policy shall give written notice of the in-
 11 crease or surcharge at least 15 days before it takes effect, stating
 12 the reason for the change and the right of appeal under AS 21.39.090.
 13 This subsection does not apply to a premium increase resulting from an
 14 automobile insurance policy change requested by ^{the} an insured, ^{where} or to a
 15 rate increase approved by the director if the insurer gives written
 16 notice of the rate increase to the insured at least 15 days before the
 17 rate increase takes effect.

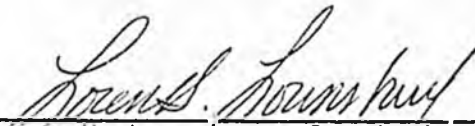
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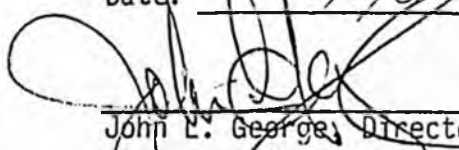
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Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86

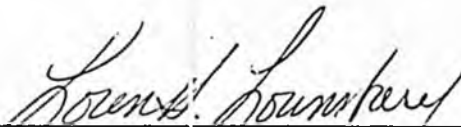

John L. George, Director of Insurance
Date: 3/3/86

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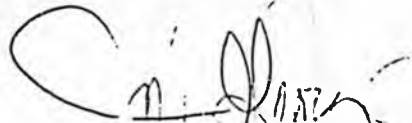
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Loren H. Lounsbury, Commissioner
Department of Commerce & Economic
Development

Date: 3/3/86



John L. George, Director of Insurance

Date: 3/3/86

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POWELL & BRUNDIN

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

March 3, 1986

Representative Peter Goll
Chairman of Community and
Regional Affairs Committee
Alaska State Legislature
Pouch Y (MS 3100)
Juneau, Alaska 99811

Re: HB 476

Dear Representative Goll:

Pursuant to Michael Lessmeier's instructions, enclosed
herewith please find a memorandum regarding HB 476, as well as
eight additional copies.

Yours truly,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

Michelle Funston
Michelle Funston, Secretary
For Michael Lessmeier

Encl.
/mf
0427M

Introduced: 1/15/86
Referred: Community & Regional
Affairs and Judiciary

BY M.M.MILLER
BY REQUEST

1 IN THE HOUSE

2 HOUSE BILL NO. 476

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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10 an automobile insurance policy under (b) of this section or because of
11 an accident in which the insured or a person covered by the policy was
12 at fault shall give written notice of the increase or surcharge at
13 least 15 days before it takes effect, stating the reason for the
14 change and the right of appeal under AS 21.39.090.

HOUSE
COMMITTEE REPORT

3/5

Date referred: 1/15/86

FURTHER REFERRALS: JUDICIARY

DATE: _____

The COMMUNITY AND REGIONAL AFFAIRS Committee has considered HB 476

"An Act relating to automobile insurance premiums."

and recommends:

- do pass
- do not pass
- do pass with attached amendment(s)
- no recommendation
- replace with C.S. HB 476 (C+RA) same title
- new title

and recommends do pass

further referral to the _____ Committee

- and attaches:
- letter of intent
 - first fiscal note
 - new fiscal note
 - zero fiscal note

SIGNING DO PASS: FIRST

SIGNIN . OTHER RECOMMENDATIONS:

F. Kuykallin

Alto Dupon

Peter J. ...

W.M. ...

RODD E. ...

Walt Furmate

Peter J. ...

 Chairman