

HPB

476

STATE OF ALASKA
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY
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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

S CRA 5.1-86 3:36pm

COMMITTEE REPORT

SENATE

FURTHER: JUDICIARY

4/22/86

Date 5/1/86

Mr. President

The Committee on C&RA considered CSHB 476(Jud) relating to automobile insurance premiums.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

William J. Ingwersen
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

Edo De Vries
Chairman

Do Pass
Chairman recommendation



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

COMMITTEE MEETING -- May 1, 1986

CS HB 476 (Jud) -- An Act relating to automobile
insurance premiums

CS HB 647 (Fin) am -- Requirements; warning placards,
CONT'D FROM municipal reporting, hazardous
4/29/86 materials and waste

Materials attached:

Ltr from Michael Lessmeier to Sen. DeVries dtd 4-23-86
on HB 476.

Fiscal note and position paper from Div. of Insurance
on HB 476.

Work draft Committee Substitute for HB 647 (C&RA) dated
4-30-86 prepared by Senator Coghill's subcommittee.

Offered: 4/4/86
Referred: Rules

Original sponsor: M.M.Miller
by request

1 IN THE HOUSE BY THE JUDICIARY COMMITTEE
2 CS FOR HOUSE BILL NO. 476 (Judiciary)
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
14 (1) premium increase resulting from a change requested by
15 an insured, if the insured is notified at the time the request is made
16 that the amount of the insured's premium will change as a result of
17 the requested policy change; or
18 (2) rate approved by the director if the insurer gives
19 written notice of a premium increase to the insured at least 15 days
20 before the renewal date of the affected policy.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

ATTORNEYS AT LAW

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APR 23 1986

April 23, 1986

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

JOSEPH R. D. LOESCHER
KENNETH D. LOUGEE*
EARL M. SUTHERLAND
JOHN B. THORSNESS
GREGORY W. LESSMEIER*
JOHN V. ACOSTA*
DONNA P. WALKER***
WILLIAM M. WALKER***
DANIEL M. WOLD
DAVID S. CARTER
MARILYN MAY
LAWRENCE V. ALBERT
JOHN G. FRANK**
ANN S. BROWN*
BRIAN D. BJORKQUIST
JAMES N. BARKELEY
THOMAS R. LUCAS
TIMOTHY R. REDFORD
DAVID W. RIDENOUR
SHELDON E. WINTERS**
DOUGLAS R. SMITH
JOHN J. NOVAK
JOHN H. TINDALL
DAVID H. KNAPP
MICKALE C. CARTER
JOSEPH S. SLUSSER*
JAMES F. KLASEN

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

Senator Edna B. DeVries
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Re: House Bill 476

Dear Senator DeVries:

I am writing to you on behalf of State Farm Insurance Company and Allstate Insurance Company regarding House Bill 476, which was passed by the House today, April 18, 1986. This bill deals with premium increases in automobile insurance policies, and was introduced at our request to correct an ambiguity in AS 21.36.420, which was added by the legislature in 1984 via House Bill 16. We enclose herewith a copy of AS 21.36.420 for your information.

The ambiguity House Bill 476 was designed to correct is contained in subsection (d) of AS 21.36.420:

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 15 days before it takes effect, stating the reason for the change and the right of appeal under AS 21.39.090.

If this subsection is read literally, it could be interpreted to require an insurer to send an insured a statement of reasons for change in premium and a statement of the notice of right to appeal every time a premium is

increased, regardless of the reason for the premium increase. Such a requirement would significantly affect the practical consequences of the way we presently do business. For example, when a general rate increase is approved by the Division of Insurance, our insureds receive at least fifteen days notice of this increase, and a brief explanation of the reasons for the increase. To present an insured with a statement telling them that they have a statutory right to appeal a premium increase already approved by the Division of Insurance is illusory, because the Department has already approved the increase. It in fact would be illegal for us to charge anything but the approved rate. To suggest by means of a notice that our insured has a right of appeal not only is misleading, but could generate wasteful litigation and/or administrative hearings.

The more practical problems we face are where our insured calls and tells us that he has either added a youthful driver to his policy or purchased a new car. If we follow the literal dictates of the present statute, we simply would not be able to accept coverage in either instance until at least fifteen days after the request was made in order to assure that our insured has been informed of his proper statutory right of notice and appeal. The same would be true of where our insured moves to a higher rated area. We would not be able to accept coverage unless our insured is able to contact us early enough so we can provide the fifteen day notice of increase and right of appeal. We do not believe that anyone intended AS 21.36.420 to have this effect, and we believe House Bill 476 would correct this ambiguity and thus urge its passage.


The present version of House Bill 476 requires written notice of the increase stating the reason for the change and the right of appeal in all instances except to: (1) a premium increase resulting from a change requested by an insured if the insured is notified at the time of the request that his or her premium will change or (2) a rate increase approved by the Director if the insurer gives written notice to the insured of the rate increase at least fifteen days before the expiration date of the affected policy, which is when the increase would of course take effect. We do not believe these changes would affect in any way the original intent which prompted the enactment of AS 21.36.420. On the contrary, HB 476 would correct a negative effect not intended by the original legislation.

HUGHES THORSNESS GANTZ POWELL & BRUNDIN
ATTORNEYS AT LAW

We do hope this ambiguity can be corrected this session and we will be happy to provide any assistance or further information you might desire. Thank you.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By: 
Michael L. Lessmeier

Enclosures
MLL/mh

cc: Members of the Senate Community and Regional Affairs
Committee

STATE OF ALASKA 1936 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 476
Title: Automobile Insurance Premium

Sponsor: M. M. Miller
Requestor: John L. George
Date of Request: February 19, 1986

FISCAL DETAIL

Agency Affected: Division of Insurance
BRU: _____

Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary.

Prepared by: John L. George, Director
Division: Division of Insurance

Phone: 465-2515
Date: February 19, 1986

Approved by Commissioner: [Signature]
Agency: Commerce and Economic Development

Date: February 19, 1986

Distribution (by Agency preparing fiscal note):

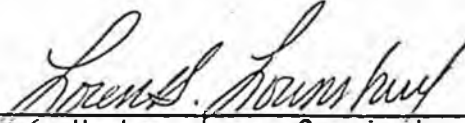
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

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

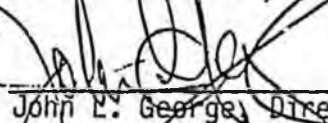
The department is in favor of this legislation. This proposal is intended to correct a deficiency in Ch 62 SLA 1984. The sponsor of that bill was attempting to provide an appeal mechanism for persons aggrieved by automobile insurance rate increases resulting from surcharges for an accident or violation 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

Date: 3/3/86

RECEIVED
MAR 4 10 30 AM '86
ALASKA DEPT. OF
COMMERCE & ECONOMIC
DEVELOPMENT

Offered: 4/4/36
Referred: Rules

Original sponsor: M.M. Miller
By request

IN THE HOUSE

BY THE JUDICIARY COMMITTEE

CS FOR HOUSE BILL NO. 476 (Judiciary)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH 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:

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This subsection does not apply to a

(1) premium increase resulting from a change requested by an insured, if the insured is notified at the time the request is made that the amount of the insured's premium will change as a result of the requested policy change; or

(2) rate approved by the director if the insurer gives written notice of a premium increase to the insured at least 15 days before the renewal date of the affected policy.